

FIRST, SECOND AND THIRD  
REPORTS  
FROM THE  
COMMITTEE ON PUBLIC ACCOUNTS;

TOGETHER WITH THE  
PROCEEDINGS OF THE COMMITTEE,  
MINUTES OF EVIDENCE,  
AND APPENDICES.

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*Ordered, by the House of Commons, to be Printed 3rd June, 9th July, 23rd July, 1908.*

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ORDER OF REFERENCE.

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[*Tuesday, 11th February, 1908*]:—Public Accounts Committee.—*Ordered*, That the Committee of Public Accounts do consist of Fifteen Members.

The Committee was accordingly *nominated*, of—Mr. Cavendish, Mr. Ashton, Mr. Bowles, Mr. Brigg, Mr. Cameron Corbett, Sir Daniel Goddard, Mr. Hazleton, Sir Robert Hobart, Mr. Leif Jones, Sir George Kekewich, Mr. Kettle, Mr. McCrae, Mr. Parker, Mr. Runciman, and Colonel Williams.

*Ordered*, That the Committee have power to send for persons, papers, and records.

*Ordered*, That Five be the quorum.—(*Mr. Whiteley.*)

[*Monday, 4th May, 1908*]:—Public Accounts Committee.—*Ordered*, That Mr. Runciman be discharged from the Public Accounts Committee.

*Ordered*, That Mr. Hobhouse be added to the Committee.—(*Mr. Whiteley.*)

[*Thursday, 7th May, 1908*]:—Public Accounts Committee.—*Ordered*, That Mr. Mitchell-Thomson be added to the Public Accounts Committee.—(*Mr. Whiteley.*)

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## FIRST REPORT.

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

### CLASS I. VOTE 1.—ROYAL PALACES.

1. The Comptroller and Auditor-General reports for disallowance a sum of £370 11s. incurred on the Installation of Electric Lighting at Hampton Court Stud House. This disallowance does not imply that the payment in question was an improper one, but merely that it ought not to be charged against the Vote. The tenant of the Stud House, which is technically described as a "Grace and Favour residence," desired to have electric light, and agreed to repay the whole cost of installation, together with interest at 3 per cent. per annum, by instalments extending over a period of four years. The Comptroller and Auditor-General considers that this money, being repayable, should not be charged against the Vote, but carried to a Suspense Account. The Treasury, on the other hand, considered that the work was done for the permanent improvement of a residence in charge of the Office of Works, and that though the payment of the cost by the tenant brought certain receipts against the outlay, that was not a reason for omitting the charge against the Vote. Your Committee are of opinion that the course proposed by the Comptroller and Auditor-General is the correct one, and they recommend that the sum be disallowed and carried to a Suspense Account.

### VOTE 3.—ROYAL PARKS, &c.

2. An expenditure of £400, for which no provision was made in the Estimate, was incurred on a Public Footway over a Bridge connecting the North and Middle Gardens in Regent's Park. After the Estimates had been passed, the Zoological Society, in consequence of a large consignment of animals, found it necessary to enlarge their ground on the opposite side of the Canal, and asked the Office of Works to undertake the construction of a new footbridge for them, and to contribute some part of the cost. The Office of Works having a small bridge near the place which it would have been in any case necessary to rebuild, found it would be an economical arrangement to contribute £400, and to build the bridge for the Zoological Society, reserving part of the bridge for the public footway. Your Committee consider that the bargain was a good one.

### VOTE 6.—ART AND SCIENCE BUILDINGS.

3. By an error in the Estimates, provision for the cost of engineering services at the Victoria and Albert Museum was made under Sub-head D (Fuel, Light, Water and Household Articles), and not, as it should have been, under Sub-head B (Maintenance and Repairs). The expenditure was, however, properly charged under Sub-head B. As a result there is an excess expenditure under Sub-head B, and an under-expenditure on Sub-head D. Your Committee were informed that the Engineering Department had not been long started, and that the mistake was probably due to inexperience. They trust that no similar error may occur in future.

### VOTE 7.—DIPLOMATIC AND CONSULAR BUILDINGS.

4. The Comptroller and Auditor-General notes an excess expenditure of nearly £5,000 on the acquisition of a new Embassy House and alterations at Madrid. The Treasury declined to give their covering sanction to this expenditure, and your Committee had to decide whether this charge against the Vote should be disallowed. Formerly there was attached to the Office of Works a highly-skilled architect who was paid £1,000 a year to take charge of all buildings abroad, and to supervise personally all new works on the

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- spot. This office was abolished some years ago, and the duties were handed over to the principal architect of the Board. At the time of the purchase of the Madrid Embassy the principal architect was too busy at home to be able to go to Madrid, and the work was entrusted to a man who had previously worked for the Department, but who was not one of the established officers. This man was very capable in the practical work, but had not the necessary financial training and capacity to deal with the accounting side of the business, and though repeatedly pressed to send in his accounts as the work progressed, he did not do so till this unauthorised expenditure had been incurred. The Department have taken steps to avoid the employment of such partly trained superintendents in future by appointing architects at various central stations—*e.g.*, Constantinople, where the same man superintends the work in that city as well as in Smyrna, Egypt, and Athens. The new system is said to be working well. In these circumstances your Committee recommend that the excess be allowed as a charge against the Vote.
- Q. 303
- Q. 290.
- Q. 257.

#### GAOL, &C., AT ICHANG.

5. An excess of £120 is explained as due to the cost of superintendence being greater than had been anticipated. In order to prevent bad workmanship, European Clerks of Works have to be employed to supervise the Chinese workmen. There is some difficulty in finding these superintendents, as “the Chinese persist in poisoning them.” Your Committee consider that this contingency was not unnaturally overlooked in framing the Estimate, and do not think the remuneration extravagant.
- Q. 273.

#### VOTE 8.—REVENUE BUILDINGS.

6. In the report of the Comptroller and Auditor-General appears a long list of some of the most noticeable instances of variation between the sums granted for works in progress and proposed new works, and the actual expenditure. The difference is remarkable; for example, on post and telegraph buildings in the country, apart from London, the Vote amounted in round numbers to £247,000 and the expenditure to about £201,000, showing a difference of £46,000. Other examples might be quoted, and your Committee have endeavoured to find some method by which Parliament should be placed in a position of greater control over the sums voted. It must be admitted that various causes contribute to the difficulties of the Department in carrying out any contemplated work on the lines of the Estimate; thus a period of bad weather may delay building operations, difficulties arise with local authorities as to the site or the elevation of the proposed building, and the soil may necessitate unexpected outlay. The present practice is that when the progress of a building is delayed by the above or similar causes, application is made to the Treasury for sanction to divert the money saved in this way to other works which, to avoid undue inflation of the Estimates, had to be cut out at the beginning of the year. The Treasury examine carefully every case thus presented, and only pass it if they are satisfied that the service is one of urgency; but the fact remains that large sums of money are thus spent on works which have never received the sanction of Parliament. A certain amount of elasticity is necessary for the working of the system, and your Committee draw a distinction between the diversion of money to a building already sanctioned by Parliament, and its diversion to one which has never been on the Estimates. They therefore recommend that the Treasury shall exhibit the utmost jealousy of any proposal to use savings for the commencement of any new work.
- Q. 342 *seq.*
- Q. 413.
- Q. 461.
- Q. 425.
- Q. 426.
- Q. 452.

#### PUBLIC OFFICES, ACQUISITION OF SITES ACTS, &C., AND LAND REGISTRY (NEW BUILDINGS) ACTS ACCOUNTS.

7. Your Committee have examined these Accounts, but offer no observation upon them.

#### CLASS II.

#### VOTE 6.—COLONIAL OFFICE.

8. Your Committee last year expressed a doubt as to the advisability of continuing the grant for the Emigrants' Information Office, and directed the attention of the Colonial Office to the matter. The Department consider that the Information Office renders services not performed by any other agency, and very valuable to the poorer class of emigrant, and they would like to see the work of the Office extended rather than diminished.
- Q. 1954

## VOTE 18.—THE MINT.

9. Extra receipts payable to the Exchequer amounted to £600,000, though it had been estimated that they would only bring £150,000. Your Committee were informed that this difference was due to unexpectedly heavy demands for silver coinage, owing to a sudden expansion of trade, principally in the Colonies. The quantity of silver coinage which will be required is difficult to estimate, and the following instances of variation illustrate this:—In the year under review, West Africa took £500,000, as against £143,000 in the previous year; while New Zealand took £11,000 in 1905, £80,000 in 1906, and nothing in 1907.

Q. 975.

Q. 977.

## VOTE 33.—CHIEF SECRETARY FOR IRELAND.

10. A charge of £358 is made against this Vote for the collection and delivery of mail bags between the General Post Office, Dublin, and the Castle or the Phoenix Park lodges. As it would appear to be the duty of the Post Office to deliver mails without charge, your Committee made inquiry into the circumstances. They were informed that the Post Office would deliver mails at the Castle or the lodges, but that, as the Lord-Lieutenant often moves between the Castle and the Park, it has been found convenient to send all mails to the Castle, and if the Lord-Lieutenant is absent, to deliver them to him from thence by messengers travelling on cars hired in the street.

Q. 2485 seq.

The £358 is for car hire, and, in addition, two messengers receive allowances for conveying the mails. This system was started in 1899, when the arrival of the mail in Dublin was accelerated. The Lord-Lieutenant found it was possible to get his letters at half-past seven in the morning, but as the Post Office would not undertake to make a special delivery to the lodges at such an early hour, he sent a messenger to fetch them on a car. Three deliveries a day are now made in this manner.

Q. 2494.

Q. 2485.

Your Committee have called the attention of the Treasury to this matter, for they consider it is a cumbrous and extravagant arrangement. As to the early delivery, it is not unreasonable to require the Post Office to deliver a quantity of official correspondence an hour-and-a-half after the arrival of the mail boat, and the daily whereabouts of the Lord-Lieutenant could be communicated by telephone to the Post Office at an early hour. They trust that by these or some other arrangements this charge will disappear from the Vote.

## CLASS III.—VOTE 14.

## LAW CHARGES AND CRIMINAL PROSECUTIONS, IRELAND.

11. The Comptroller and Auditor-General has called attention to certain payments out of this Vote, for expenses in connection with Prosecutions at Assizes, Quarter Sessions and Petty Sessions, for which local authorities are made liable by statute. Your Committee, after hearing the evidence of the Comptroller and Auditor-General, and of the representative of the Treasury, are of opinion that while it is undoubtedly within the discretion of Parliament to override the provisions of an existing Statute by a Vote in Supply confirmed by the Appropriation Act, it is desirable in the interests of financial regularity and constitutional consistency that such a procedure should be resorted to as rarely as possible, and only to meet a temporary emergency. In cases where such an emergency arises, and there are reasons against the amendment or repeal of the Statute governing the case, your Committee recommend that the fact that the proposed Vote overrides an existing Statute should be clearly stated on the face of the Estimate, with the reasons for adopting that course, so that no doubt can exist of the deliberate intention of Parliament. The exceptional nature of the Vote should also be indicated in the Appropriation Act.

In the case under notice provision has been made for the service in the Estimates since 1860-1, with nothing to indicate to Parliament that the expense is imposed by Statute upon the local authorities. It is proposed that the facts should in future be specially stated on the Estimate, but your Committee are of opinion that should the service continue to be paid for by Vote of Parliament, the governing Statutes should be repealed or amended.

## VOTE 20.—PRISONS, IRELAND.—SUB-HEAD W.

Q. 2826. *seq.* 12. Under section 91 of the Army Act, 1881, the Secretary of State may cause any Soldier who is a dangerous lunatic to be committed, on discharge, to the Lunatic Asylum for the district upon which the Soldier would, as a pauper, be chargeable.

By section 3 of the Naval Enlistment Act the same provision is applied to Sailors in the Navy.

In Great Britain a man thus committed as a dangerous lunatic by the War Office or the Admiralty becomes ordinarily a charge upon the rates as an inmate of the Lunatic Asylum. The Votes of Parliament are only charged if the man was undergoing a sentence of imprisonment at the time of his discharge, and thus was committed as a *prisoner*. In that case there is no objection to the Votes being charged for his maintenance during his term of imprisonment, just as they are charged for the maintenance of Civil Prisoners who may be removed to Lunatic Asylums from any of His Majesty's Prisons.

But in Ireland, owing to a misprint which occurred in the Revised Edition of the Statutes, the word *prisoner* in the Criminal Lunatics Act, 1884, became *person*, a mistake which was copied into the Irish Lunacy Act, 1901, so that all the Soldiers and Sailors who are committed to Asylums as dangerous lunatics are charged upon the Prisons Vote whether they were Prisoners or not, instead of, as would otherwise be the case, on the rates. Bills have been several times introduced with the object of remedying this defect, but have failed to become law. Your Committee recommend that early steps be taken to remove this anomaly.

## CLASS V.

## VOTE 1.—DIPLOMATIC AND CONSULAR SERVICE.

Q. 1534. 13. The Comptroller and Auditor-General notes that the sum of £4,777, due from the Liberian Government for the expenses of Anglo-Liberian Commission, still remains unpaid, and that the interest on that amount is two years in arrear. The Liberian Government have recently accepted certain reforms which have been suggested to them, and the appointment of an English official as Financial Adviser. It is hoped that the financial position may now improve, and that the principal and interest will eventually be repaid. At the time the Commission was appointed it was known that the Liberian Government could not afford to pay, but it was important that the frontier should be settled, in order to avoid possible complications with another Power.

## COMPASSIONATE GRATUITIES

Q. 1558.  
Q. 1590. 14. Gratuities ranging from £222 to £8 were given to retired Chancery and Consular attendants in lieu of pensions. It is stated that by a curious custom, supposed to have some Oriental origin, triennial gratuities are given to these subordinate officials on their retirement, and that these sums are paid in advance for the three years to come. Your Committee were informed that this system is cheaper than the usual pension scheme, but they desire to draw the attention of the Department to the point that if one of these men was pensioned, his pension would cease if he died, whereas if he dies soon after receiving his triennial gratuity, his representatives become possessed of a considerable sum of public money. It seems doubtful, therefore, whether, on the whole, this system would be more economical than the ordinary pension.

## GENERAL OBSERVATIONS ON VOTE 1.

Q. 1602. 15. In the report of your Committee for last year it was stated that a new form of account had recently been issued to show regular returns of the moneys in possession of Diplomatic and Consular officers. This is the first year that the new system has come into full operation, and it now meets the requirements of the Comptroller and Auditor-General.

During last autumn the Assistant Comptroller and Auditor visited British East Africa in connection with Colonial accounts, and on the way he carried out an inspection and local test examination of the accounts of the chief Consular posts in Egypt and of

the Consulate-General at Zanzibar. The results were on the whole satisfactory. Your Committee are of opinion that such visits from the Central Department are of great assistance to distant branches, and conduce to efficiency. They recommend that if it be found practicable similar visits should be made in the future by some senior representative of the Exchequer and Audit Department to other distant posts. Q. 1865.

#### VOTE 2.—REPATRIATION OF CHINESE COOLIES.

16. An arrangement was made with the Chamber of Mines Importation Agency, Limited, of Johannesburg, for the repatriation by s.s. "Indravelli" of a *minimum* number of 300 coolies at £12 10s. per head. The charge for the importation of coolies by the same Agency amounted to £15 10s. per head. 267 only were shipped on the "Indravelli," but payment upon the *minimum* number of 300 was made to the Agency, not only for the repatriation at £12 10s. per head, but also for the importation at £15 10s. per head. Q. 1751 seq.

In the opinion of the Comptroller and Auditor-General, the minimum charge for 300 coolies applied only to the repatriation by the "Indravelli," and the importation fee was payable only for 267 coolies actually shipped. He considers therefore that there has been an over-payment to the Agency at £15 10s. per head for the importation of 33 coolies.

The representative of the Colonial Office stated that the Agency, upon the matter being brought to their notice, admitted in principle the correctness of the view of the Comptroller and Auditor-General, but stated that *per contra* the cost of importation turns out to be larger than £15 10s. per head, which was put in as a provisional figure, and that the revised cost works out to a total greater than the sum alleged to be overpaid.

Until, however, this counter-claim by the Agency has been substantiated, the amount is not a proper charge against the Vote, and your Committee therefore agree with the Comptroller and Auditor-General that the sum of £511 10s. must be disallowed in the Account.

#### CROWN COLONIES IN AFRICA.

17. Your Committee remark with satisfaction a general progress in the prosperity of the African Crown Colonies. This advance is well marked by the diminution of the amount of the Grant-in-Aid which each Colony receives, as shown by the following figures : Q. 1888 seq.

COLONY.	Amount of Grant-in-Aid.	
	1906-7	1907-8
Northern Nigeria .. .. .	£315,000	£295,000
Bechuanaland .. .. .	44,000	41,000
British Central Africa .. .. .	37,000	25,000
British East Africa .. .. .	164,000	153,000
Uganda .. .. .	112,000	85,000
Somaliland .. .. .	42,000	37,000

This progress is principally to be attributed to greater spending power on the part of the natives, who are probably earning more, and to that of the white population, which would naturally increase as the trade of the country expands. With regard to Somaliland, the progress is not very reliable at present; but it must be remembered that the country was annexed for political reasons, and has been set back by its own internal troubles. Q. 1910. Q. 1904.

#### UGANDA RAILWAY ACTS (1896 AND 1902) ACCOUNT.

18. The total issues from the Consolidated Fund to 31st March, 1907, amounted to £5,502,592, of which there remained on that date an unexpended balance of £203,760 8s. 3d. Q. 1958 seq.

No further issues are to be made from the Consolidated Fund for this service, while the remaining expenditure on railway works of a capital nature to complete the authorised programme, will be spread over a considerable period.

The Comptroller and Auditor-General has proposed, therefore, that the separate return prepared under the provisions of Section 2 (3) of the Uganda Railway Act, 1896, should be discontinued. The account of expenditure out of the Uganda Railway Fund would, as proposed, be appended to the Appropriation Account of the Colonial Services Vote, and be dealt with by the Comptroller and Auditor-General in his report on that Vote; while the balance of the Fund would remain as at present in the custody of the Crown Agents. The Treasury and Colonial Office concur in the proposal.

Your Committee assent, and they understand that the Treasury will lay a Minute before Parliament under Section 3 of the Accounts, &c., Presentation Act, 1869, to provide for the discontinuance of the separate return.

#### REVENUE DEPARTMENTS, POST OFFICE.

##### TELEGRAPHS, PURCHASE OF STORES.

- Q. 2208 *seq.* 19. The Comptroller and Auditor-General drew attention to a case in which certain stores which had not been paid for, and, consequently, had not been charged to Sub-head W (the Purchase Sub-head) in the financial year under report, had been debited to Sub-head R2, although in some cases they were not inspected after transit, and so not regularly taken over from the contractors, until the following year. This procedure was not in conformity with the conditions originally approved by the Treasury, and although they ultimately gave their covering sanction to the course adopted, on the ground that the result was not in conflict with their intentions, your Committee are of opinion that the established procedure should in similar cases be complied with.

#### POST OFFICE STORE AND EXPENSE ACCOUNTS.

##### CLASSIFICATION OF CHARGE FOR COMPOSITE CABLES.

- Q. 2298 *seq.* 20. It was explained by the Accounting Officer that in the particular case to which attention was drawn by the Comptroller and Auditor-General allocation of the cost of the cable between Vote and Capital could not be satisfactorily carried out upon the ratio of the number of wires required for each of the Services.

Your Committee agree with the Comptroller and Auditor-General that inasmuch as the actual cost of a work may show considerable variation from the original Estimate, the method of allocating the expenditure under each head according to the proportion adopted in the Estimate is not satisfactory, and that some method should be devised by which the actual and not the estimated expenditure upon each branch of a composite work can be recorded, as between Vote and Capital on the one hand, and the Sub-heads of the Vote on the other.

#### CONSOLIDATED FUND, CIVIL CONTINGENCIES FUND, LOCAL LOANS FUND, AND TREASURY CHEST FUND.

21. Your Committee examined these accounts, but make no observation upon them.



## 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:—

### ARMY APPROPRIATION ACCOUNT

1. The gross expenditure provided was £33,038,661, while the actual gross expenditure was £32,072,563 10s. 11d., being less than the Estimate by £966,097 9s. 1d. The estimated receipts in aid amounted to £3,242,561, while the actual receipts were £3,571,142 1s. 8d., or an excess of actual over estimated receipts of £328,581 1s. 8d. The surplus on the Army Account was therefore £1,294,678 10s. 9d., made up as follows:—

	£	s.	d.
Excess of estimate over expenditure - -	966,097	9	1
Excess of receipts over estimate - -	328,581	1	8
	£1,294,678	10	9

The surplus would have been larger but for certain payments in 1906-7, amounting to a total of £213,444, which in the ordinary course, would not have been paid until the year 1907-8, and your Committee are of opinion that the practice is undesirable, and that great care should be taken that such payments in advance should not be made, as otherwise the comparison of one year with another is vitiated, and the old Sinking Fund is reduced in one year to the advantage of the Estimates of the next year. This surplus is, as in the preceding year, unusually large, but the subject was fully discussed before your Committee last year, and the Accounting Officer then stated that the same conditions as applied to that account would apply to that of 1906-7, and that closer correspondence between Estimate and Expenditure could not be looked for until 1907-8. Q. 3037.

Your Committee have been assured by the Accounting Officer that this result may be expected in the current year.

Your Committee are glad to notice that as a result of joint arrangements by the War Office and the Exchequer and Audit Department, the Appropriation Accounts were rendered much earlier than in previous years.

### SUPPLEMENTARY ESTIMATE.

2. A Supplementary Vote for a net sum of £100 was passed by the House of Commons on the 12th March, 1907, the gross expenditure provided for in the original estimates being increased by £439,000 under a new Sub-head (EE) of Vote 5 (Loans to Volunteer Corps for drill-halls and ranges), and by an additional sum of £20,000 under Sub-head (c) of Vote 12 (Compensation for Losses), being a contribution in respect of damage caused by the explosion at Woolwich. On the other hand, provision was made for reductions under the following Votes:—

Vote 1, Pay, &c. - - - -	£250,000	Q. 3065 sq
Vote 6, Quarterings, &c. - - - -	43,000	
Vote 7, Supplies and Clothing - - - -	165,900	

Your Committee regret that these reductions were not, as in some previous years, earmarked as arising on particular Sub-heads. Q. 3214.

### CONTRIBUTIONS FROM THE COLONIES.

3. Your Committee note that, with the sanction of the Treasury, no claim will be made against Natal for contributions in aid of military expenditure in respect of any

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Q. 3128.

period after the 31st March, 1907, and that the Estimates for 1907-8 have been framed accordingly.

#### SOUTH AFRICAN GARRISON INSTITUTES.

C. & A. G. Report.  
Q. 3212.

4. Your Committee are glad to learn that the question of the rents from the South African Garrison Institutes has at last been settled, and the balance of £3,056 17s. 5d. has been recovered by the G.O.C. ; and that, with regard to the Mineral Water Factories, a debit balance of £3,246 6s. 2d. has been re-transferred to the Military Works Loan Account, in accordance with the Treasury decision, and a claim preferred against the Institute for interest at the rate of 4 per cent. from the date of occupation.

#### SEA TRANSPORT OF TROOPS.

Q. 3259.

5. Under this head is included a payment by the War Office to the Indian Government of £59,246 5s., the cost of bringing home from India three years' men, who declined to extend their services for a longer period in that country, the liability for which had been accepted by the War Office without reference to the Treasury, who had, however, sanctioned a similar payment in an earlier year.

The Treasury, when the matter was brought to their notice by the War Office in 1904, demurred to the arrangement, and suggested that a conference should take place to allocate the expenditure between the two countries. No conference was held, and when, in 1906, a further application was made to the Treasury, their Lordships, while admitting that the Army Council should fulfil their obligations to the Government of India, declined to share with them the responsibility for the expenditure, on the ground that the charge against Army Votes was excessive. Your Committee, while regretting that Treasury sanction was not obtained before the agreement was arrived at between the Indian Government and the War Office, do not propose, having regard to all the circumstances, to disallow the payment, but this must not be regarded as a precedent in future similar cases.

#### REMOUNT FARM BALANCE SHEET.

Q. 3279.

6. A profit and loss account of the Remount Farm at Arborfield has now been furnished. Your Committee are of opinion that such an account should only include the actual items of receipt and expenditure at the farm, and that imaginary credits, such as the value of forage rations which would have been issued for the remounts, had they not been kept on the farm, should be relegated to a Note.

#### VOTE 7.

#### COST OF PROVISIONS, &c.

C. &amp; A. G. Report.

7. Your Committee note that under legal advice the claim against the South African Supply and Cold Storage Co., Ltd., was finally settled by a payment of £4,255 by the Company to the War Office.

#### ARBITRATION AWARD.

Q. 3312, 3316 and  
3318.

8. The Comptroller and Auditor-General has called the attention of your Committee to a sum of £5,910 2s. 9d., which has been charged in respect of an award by arbitration on account of supplies requisitioned during the war, in respect of which the G.O.C., South Africa, had, in the first instance, on the advice of the Law Officer of the Crown, declined to entertain the claim, or to submit to the jurisdiction of South African Courts. The Secretary of State, at the instance of the High Commissioner for South Africa, subsequently agreed to submit the case for arbitration, with the above result, and the Treasury, having pointed out that the arbitration was undertaken in face of legal advice to the contrary, " confined their sanction to the inclusion of the item in the Appropriation

Account.” Your Committee have made full inquiries into the matter, and as they find that the decision was made by the Secretary of State in connection with the general policy of the Government in South Africa, they do not propose to disallow the item.

#### STANDERTON WATER SUPPLY.

9. The case of the Standerton Water Supply appeared to be approaching settlement as the result of fresh negotiations, but your Committee are informed that in view of the further reduction of the Garrison, the Municipality have now absolutely refused to proceed further, so that the matter is at a standstill, and the War Office remains bound by the original contract. Q. 3335.

#### CONTRIBUTION TO THE CIVIL GOVERNMENT OF THE TRANSVAAL AND ORANGE RIVER COLONY FOR GOODS REQUISITIONED DURING THE WAR.

10. The High Commissioner in South Africa, in correspondence with the Colonial Office in September last, intimated that in default of further instructions, he should assume that it was decided to charge to Army Funds the sum of £41,420 7s. 11d., the amount of administration of the Compensation Fund. As the Colonial Office did not reply for several months, Lord Selborne gave the Colonial Government to understand that the claim had been abandoned. As it was felt that His Majesty's Government had thus practically been committed to this view, it was decided that the Colony should not be asked to surrender the money, but that the Imperial Exchequer should bear the charge. Your Committee cannot regard this as a satisfactory transaction on the part either of the Colonial Office, or of the High Commissioner. Q. 3351 sq. Q. 3340.

#### CONTRACTS CANCELLED OWING TO BRIBERY.

11. In the case of Messrs. Cowie and Houston, your Committee are informed that under legal advice the War Office effected a compromise by payment of a sum of £1,500, which has closed the matter, as it seems, fairly satisfactorily. The two other cases have practically been dropped for want of evidence, but the attention of your Committee has been drawn to the fact that in these cases the Bribery Clause of the Contract was overlooked by the officer responsible. They are informed that this was “a *bona fide* oversight, and nothing more,” but as it was the special duty of the officer to see that this Bribery Clause was enforced, your Committee regard the omission as blameworthy, and are glad to note that the matter has been suitably dealt with by the Army Council. Q. 3356.

#### SOUTH AFRICAN WAR STORES.

12. In certain cases dealt with by the Royal Commission of claims against Messrs. Wilson and Worthington, the Law Officers at home, and also in the Transvaal, were of opinion that no recovery could be made, and the Treasury accordingly approved the write-off of £8,736 15s. 2d. In respect of other claims and counterclaims the Treasury agreed that a sum of £1,067 17s. 6d. should be paid to Wilson and Worthington in full discharge of all matters in dispute with the War Office. Q. 3376.

#### CAPE GOVERNMENT CLAIMS AND COUNTERCLAIMS.

13. Your Committee understand that in January of this year the Treasury made a further representation to the Cape Government through the Colonial Office, but in view of the attitude taken up by them, the Treasury consider it useless to pursue the matter further, and have left it in the hands of the Colony. Q. 3390.

#### VOTE 10.

#### COST OF STAFF.

14. In their second Report of last year, your Committee asked “if it were possible to have a note furnished them, showing the proportionate cost of Staff to Works from

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year to year for purposes of comparison," but they are informed that the Army Council and the Treasury concur in thinking such a note would cost more than it is worth, and they do not therefore press for it. Your Committee note with approval the conclusions of the War Office Memorandum on the subject: "The case will best be met by watching closely, as in the past, the annual estimates and the annual expenditure; by reducing the permanent staff to the lowest possible minimum, consistent with the economical execution of the normal requirements; and by securing the earliest possible discharges of any temporary staff taken on to meet any special demands," and desire to emphasize the importance of these principles being kept steadily in view.

#### TRIENNIAL CONTRACTS.

Q. 3776, 3902 sq.,  
and 6138 sq.

15. The War Office have, after prolonged consideration, decided to continue the system of triennial contracts. Your Committee were informed that the limit up to which triennial contractors could claim the execution of service had been fixed in the case of the Ordnance Factories at £400, and in the military districts at £300, though in very exceptional cases the Army Council might sanction a maximum of £1,000 and £500 respectively. It appears that the War Office hold the view that they are at liberty to vary these figures without reference to the Treasury. Your Committee are, however, of opinion that, before the limits are varied, the consent of the Treasury should be sought. There is one matter connected with triennial contracts to which the Committee have given special consideration. It often happens that a service is undertaken, costing in the aggregate more than £1,000, and composed in whole or in part of services for which there are already triennial contractors, to whom it is held by the War Office that the work must be assigned under the present conditions. Your Committee do not concur, and consider that the general rule should be that in such cases the service should be put out as a whole to open tender.

#### EXCESS COST OF A TORPEDO SLIPWAY.

Q. 3717 sq.

16. A contract for a new slipway, near Gravesend, was entered into in October, 1903, for £1,135, but owing to a miscalculation of the length of the piles required, and further delay owing to the discrepancy found between the actual depth of the river and that shown in the drawings, the work was not completed until June, 1905. The contractors claimed that, on the basis of an arrangement with the local Officers, the sum of £3,088 was due to them, and on arbitration they were awarded the sum of £3,076. Your Committee are of opinion that the local officers acted contrary to regulations in making a fresh arrangement with the contractors without reference to the War Office, and that they were not sufficiently supervised by their superiors.

#### EXAMINATION OF CONTRACTORS' CLAIMS.

Q. 3665 & 3677-s.

17. The Comptroller and Auditor-General has been in communication with the War Office on the question of the Chief Engineer's examination of Contractors' claims being always made prior to payment, and the Army Council have issued a circular letter enforcing the adoption of this course. Your Committee note that fresh regulations are being issued with regard to the signature of certificates, making "absolutely definite and clear the responsibility of the person who signs a certificate," even if he is a *locum tenens* only.

#### ADVANCES TO CONTRACTORS.

Q. 3425 to 3458.

18. The Comptroller and Auditor-General has drawn attention to the fact that under new regulations in the case of stores delivered, but not inspected, the advances paid to the Contractors are charged to the Vote instead of to the Contractor's personal account, as was laid down in para. 17 of the Second Report of P.A.C., 1890. The War Office, on the other hand, contend, and in this view they are upheld by the Treasury, that these cases may be regarded as coming under the category of special cases dealt with in para. 6 of the Report of 1890.

Your Committee do not concur, and consider that the more correct course is to charge the advances in question to the Contractor's personal account. They understand that the forms of contract are under revision, and they are of opinion that the regulations governing these advances should be made clear.

#### BARRACK CONSTRUCTION DEPARTMENT.

19. This Vote, as in the preceding year, is subdivided under the Esler scheme into two Sections, (A) Barracks, (B) Fortifications and Works, whereby the Works comprised in the Vote fall within the province of two different Directors, each under a separate Member of Council; but your Committee are informed that both portions of the Vote have recently been placed under the Master General of Ordnance, and the old form will be adopted for the future. The gross amount provided under the Sub-heads (A) to (E) for Barrack Construction in 1906-7 was £142,477, whereas the actual expenditure was only £47,007, and five items alone show surpluses amounting to £98,685. Q. 4178, sq.

#### EXPENDITURE IN NORTH CHINA.

20. The Comptroller and Auditor-General reported that expenditure upon building works in North China was not subjected to any examination by the Comptroller of Military Accounts in India, but he has been since informed that an Army Account Office has now been opened at Tientsin, so that these accounts will now be subjected to the ordinary Army Audit. Q. 4138, sq.

#### EXTRA-REGULATION EXPENDITURE.

21. The Regulations which now exist (see Army Cash Report, 1902-3, para. 17), whereby General Officers Commanding are empowered to sanction expenditure not covered by Regulations, have been re-stated with the sanction of the Treasury "in a simpler and more direct" form. Q. 4404. Q. 4406.

#### VOTE 13.

##### SUB-HEAD A. SALARIES OF THE WAR OFFICE.

22. Your Committee, in their Second Report of last year, inquired whether the Army Council were taking steps to make some reduction in the cost of the Headquarters Staff, but they understand that practically nothing has been done this year owing to the pressure of work at the War Office, due to the initiation of the Territorial scheme. Your Committee trust that the Treasury will bear this question in mind, with a view to enforcing reductions when circumstances admit. Q. 4745.

#### STORE ACCOUNTS OF THE ARMY.

##### LAND SERVICE STORES IN RESERVE DEPOTS.

23. The Comptroller and Auditor-General reports that the Valuation Statements of this year show an improvement, and greater accuracy has been shown in the compilation of the figures by the War Office. During the past year a Conference was held, composed of representatives of the War Office, the Admiralty, and the Treasury, who have recommended the discontinuance of the Stock Valuation Return. Q. 4954.

In the opinion of the Accounting Officer, the Valuation Return is a "work of supererogation, and not worth the labour or expense which is devoted to it." In a memorandum which he put in for the information of your Committee, it was stated that: "As the present Valuation Statement cannot safely be relied upon by Parliament, as showing the fluctuations in stocks of military stores from year to year, it remains to be considered whether this object can be obtained in any other way. Only two methods suggest themselves to the Army Council:— Q. 4966.

"(A) That a return be presented annually showing the quantities of certain selected important items of store; or,

"(B) That a certificate be rendered annually with estimates to the effect that sufficient, but not excess, provision has been made to maintain the authorized Q. 4966.

proportion of stores, both for reserve and for current necessities.”

Your Committee recommend that both these methods should be adopted.

But careful attention must be given to the question by whom the certificate (B) is to be signed, and the form in which it is to be rendered, so as to ensure full and correct information being furnished.

Your Committee understand that this proposal only applies to the Army, and that the Admiralty do not share the view that the statement should be abandoned, as there is a statutory obligation on them to render certain returns. Your Committee will deal more fully with the point in the Navy Accounts.

#### ENGINEER STORE ACCOUNTS.

- Q. 5140, sq. 24. Apart from South Africa, the Comptroller and Auditor-General again draws attention to unsatisfactory cases of Engineer Store Accounts, which confirm the view that the present system is defective. Your Committee are glad to know that the Treasury have now approved the creation of a new and expert storekeeping staff, from which good results are expected, and that a Committee is considering the whole method of Engineer Storekeeping with a view to revising the regulations.
- 5144.
- Q. 5158. Your Committee emphasize the necessity of a thorough improvement, a peculiarly gross case of bad accounts and careless supervision having been reported from Bermuda. They are glad to note that the Army Council are dealing severely both with this case and also with the one with which the next paragraph deals.

#### BARRACK EXPENSE ACCOUNT.

- Q. 5279, sq. 25. At Standerton a chain of incompetency has been brought to light such as, in the opinion of your Committee, ought to be impossible under any new Regulations; and which reveals culpable laxity in first appointments and subsequent supervision.

#### STORE ACCOUNTING IN SOUTH AFRICA.

5402. 26. The Comptroller and Auditor-General says that matters are now in a far better condition than at any previous time, but reports that certain adjustments to which reference has been made from time to time in his Reports as final, can now only be regarded as provisional. The finality of these transactions was stated in letters and reports to the Treasury from the War Office, based on information from the General Officer Commanding in South Africa. Your Committee regret that such misleading of the Army Council and of Parliament should be possible, and that they have no information as to how the Army Council have dealt with the officers concerned.
- Q. 5467.

#### SUPPLY ACCOUNTS.

- Q. 5513. 27. The Comptroller and Auditor-General, in reporting the case of a fraud in the diet accounts of hospitals at Singapore, noticed that the “ Army Council stated that the officers concerned could not fairly be held responsible for the loss, inasmuch as they had complied with the Regulations, which had since been strengthened.” Your Committee regret that the Regulations were at first framed so loosely as to admit of the interpretation placed upon them by the officers in charge, which led to the possibility of such frauds being perpetrated.

#### ACCOUNTING FOR STORES AND SUPPLIES ON ACTIVE SERVICE.

- Q. 5560. 28. Your Committee are informed that the Departmental Committee appointed to consider the proposal to dispense with store and animal accounts of field units on active service has presented its Report, recommending that accounting for supplies and animals should not be carried beyond the depots, pointing out that under this arrangement supplies issued to the parks and columns will be treated as final issues to the troops. Advanced depots for medical stores are to be held in the same position as supply parks rather than depots in the ordinary sense, and it is recommended that they should only

keep accounts if bulk issues were made to hospitals. The recommendations of the Committee have been adopted by the Army Council, and approved by the Treasury, and your Committee concur in that approval.

#### STOCK-TAKING OF ORDNANCE STORES AT WOOLWICH.

29. Your Committee learn that continuous stock-taking will be conducted by officials of the Army Ordnance Department, and the stock will thus be verified every three years, in addition to which the War Office consider it will be possible to carry out a complete independent verification once in every four years. Q. 5587.

#### STORES UNDER REPAIR IN ORDNANCE FACTORIES.

30. Your Committee are glad to note that a more regular system of account and check on the movement of stores within the factories has been adopted, which ought to result in a sensible reduction of the discrepancies between accounts and stocks which have existed in past years. Q. 5590.

### MILITARY WORKS ACT

#### THE PURCHASE OF LAND.

31. The Committee appreciate the new table furnished this year, which gives the total cost up to March, 1907, of the various purchases of land, and the valuations made by the War Office before the purchases were begun. Q. 5618, sq.

#### SOUTH AFRICA.

32. The Committee notice, with regard to two matters in South Africa, that the action of the Military Authorities was responsible for two cases of considerable loss. They hope that the newly-created appointment of a Major-General in charge of administration may result in fixing responsibility, and may obviate such grave losses to the country. Q. 5757 & 5775

#### PURCHASE OF FORESHORE.

33. In 1906-7, £17,389 12s. 2d. was incurred in purchasing 2,650 acres of Foreshore at Shoeburyness. Of this, 1,760 acres had been held by the War Office for some years from the owners at a rental of about £10 a year, and a further area of 890 acres from the Office of Woods. In 1900, the owners of the 1,760 acres applied for an injunction to restrain the Department from firing over or using their part of the Foreshore, and the Law Officers advised that the action should not be allowed to come to trial, but should be settled on the best terms. During the proceedings the owners of the 1,760 acres claimed also the 890 acres, for which the Office of Woods had had rental from the War Department for about 40 years. As it was important to retain these areas for Artillery purposes, the War Office agreed to pay £10,115 for the 1,760 acres, and £5,500 for the 890 acres. The attention of the Commissioners of Woods and Forests had been drawn at an earlier date to the claim of the owners over the 890 acres, but they decided that it was not worth while to contest the title. Having regard to the large amount of the claim for the land in question, the Treasury Solicitor suggested that the Commissioners of Woods and Forests should be again approached, so that if their title were made good, there might be a saving of £5,500 to the public. Q. 5791.

The War Office, however, decided to take no further action. Having regard to the magnitude of the sum involved, your Committee consider that more trouble ought to have been taken to ascertain the exact position of affairs and safeguard the public interests.

#### LOSS INCURRED OWING TO CHANGES OF POLICY

34. In their Report for 1907, your Committee say they hope to recur to this subject when the Comptroller and Auditor-General will be in a position more fully to set out the

total loss of public money which, under the loan system now drawing to a close, has resulted in expenditure on projects subsequently discarded as useless. This anticipation has not been altogether fulfilled, for the Comptroller and Auditor-General "regrets that the information at his disposal has not enabled him to carry out the suggestions." Your Committee hold that some machinery should exist by which losses incurred in consequence of changes of policy should be brought to the knowledge of Parliament. They are aware that in some cases, works, though not used for the purpose for which they were originally constructed, are still valuable for some Army purposes, in which case the loss is not naturally easy to be reckoned, but where works have been definitely abandoned and even land sold, they are of opinion that the result should be brought before Parliament.

#### CHELSEA HOSPITAL AND ROYAL ARMY CLOTHING FACTORY ACCOUNTS.

35. Your Committee have no observation to make upon these Accounts.

#### ORDNANCE FACTORIES.

##### MANUFACTURING ACCOUNTS.

##### COMPARISON OF TRADE AND FACTORY PRICES.

36. At present there are various considerations which tend to interfere with a direct comparison of Factory and Trade prices, and it would appear that the recommendations of a Committee on Government Factories and Workshops, presided over by Sir G. H. Murray (which are accepted in the main by the Army Council), will make the comparison still more difficult.

That Committee recommends that the normal establishment of the Arsenal shall be fixed at the minimum which will enable the output to be increased on emergency to the greatest possible extent in the shortest possible time. This policy is clearly incompatible with the most economical method of production, as it entails the upkeep of unused buildings and machinery maintained with a view to expansion, the cost of which tends to swell the price of the Ordnance Factory productions. Your Committee are of opinion that it is of the utmost importance that the real cost should be shown of articles produced in Government factories.

##### OVERTIME—BUILDING WORKS DEPARTMENT.

37. This question is still under consideration, but no recommendation can, at present, be made until the Chief Superintendent has had experience of the new arrangements by which the Superintendent of Building Works has been placed directly under him for all Works services.

##### APPROPRIATION ACCOUNT.

38. The outcome of the Ordnance Factories Account, 1906-7, shows a net surplus of £5,051 5s. 7d. The expenditure was less than the grant by a net sum of £449,818 14s. 11d., and the Appropriations-in-Aid fell short of the estimate by £444,767 9s. 4d.

The above surplus has been credited to the Supplies Suspense Account, bringing it up to £97,532 11s. 11d. This sum is £32,532 11s. 11d. in excess of the maximum of £65,000 approved in 1896, and the Treasury, after due consideration, have allowed the figure to stand, on the ground that £60,000 was brought into the Account in respect of the sale of lands, buildings and machinery, being the first instalment of the total amount of £110,000 for which the Royal Small Arms Factory at Sparkbrook, Birmingham, has been sold. This sum will be devoted to capital expenditure on the Ordnance Factories, and therefore it was not considered necessary that it should be surrendered to the Treasury. Your Committee concur in this decision, but they attach importance to the limit laid down in 1896, which they consider should not be exceeded except under very special circumstances.



## GENERAL OBSERVATIONS.

## SYSTEM OF FINANCIAL CONTROL.

39. In the course of the examination of these Accounts reference has been made to the working of the decentralised system of financial control inaugurated throughout the military service in 1905. Your Committee are informed that the system is working well ; Q. 4822. that the Accounts are presented more quickly than formerly, and that there is an entire Q. 4823. absence of friction between the military officers and the accounting staff ; that " the Q. 4824. military side are turning to the Chief Accountants for advice and assistance with great cordiality," and that the independent position of the accountant officers enables them to give sound and valuable advice to the military officers in their respective commands. Your Committee view these results with satisfaction, and express their strong opinion that under no circumstances should any change in the administration of the War Office be permitted to impair the independence of the Accounts branch, or to lessen the direct financial power and responsibility of the Accounting Officer and his staff. As Director of Army Finance he is charged with advising the administrative officers at the War Office and in Commands on all questions of Army Expenditure. As Accounting Officer he is the sole judge of whether Army expenditure should or should not be allowed, and nothing but the authority of the Secretary of State, given personally and expressly in writing under his own hand, can discharge him of this responsibility. Your Committee regard this independence and undivided responsibility of accounting officers as essential to the proper discharge of their duties, and to the maintenance of effective Parliamentary Control over Military Administration and Expenditure.†

## THIRD REPORT.

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The Committee of Public Accounts have made further progress in the matters to them referred and have agreed to the following Third Report:—

### NAVY APPROPRIATION ACCOUNT.

1. The Abstract Appropriation Account shows that a gross expenditure of £33,573,302 was provided in 1906-7, and the actual gross expenditure amounted to £33,262,649 1s. 4d., leaving a surplus of £310,652 18s. 8d. The appropriations-in-aid were estimated at £1,703,802, while the actual receipts amounted to £1,790,561 17s. 4d., or an excess of £86,759 17s. 4d. The total surplus to be surrendered was therefore £397,412 16s. 4d.

### CONTRACT WORK.

2. On consideration of the Treasury Minute on the Reports from the Public Accounts Committee last year, with regard to the necessity of obtaining previous Treasury sanction before proceeding to the extension of an Admiralty contract beyond the limits laid down by Parliament, or to the letting of such a contract without competitive tender, your Committee were informed that the Admiralty has agreed to seek such sanction in future in all but "exceptional cases," but that the Admiralty do not want to define what such exceptional cases should be. Your Committee understand that the subject is still under discussion between the Treasury and the Admiralty, and therefore do not refer to it at length. But they desire to re-affirm their opinion of last year, that wherever the Admiralty wish to extend the cost of a contract beyond the amount authorised by Parliament, or, without direct Parliamentary authority, to let any contract otherwise than by competitive tender, previous Treasury sanction should in every case be obtained.

Q. 6264.

Q. 6256.

### VOTE 1.—WAGES, &c.

#### DEFICIT.

3. The expenditure under Subhead (a) has exceeded the estimate by a sum of £284,502 12s. 10d., for which the Admiralty have shown certain reasons, one of which was that the number of officers and men borne during the year was in excess of that voted, but it appears to your Committee that so large an under-estimate should not be regarded as excusable, and they trust measures will be taken to avoid it in future.

Q. 6311 seq.

### COST OF VICTUALLING SEAMEN WHEN WORKING FOR PRIVATE INDIVIDUALS.

4. It appears that since 1895 the King's regulations have not provided for the recovery of the expenses of victualling, as well as the pay and allowances of officers and men of His Majesty's ships when working for private individuals. While recognising the difficulty in many cases of estimating the exact cost, your Committee are of opinion that the charge which may be made against individuals should include this item.

Q. 6434.

### VOTE 4.—MARTIAL LAW.

5. Your Committee are informed that, in compliance with the recommendation of this Committee last year, the Admiralty have discontinued extra pay to the warders of the Simonstown Prison for superintending work done by prisoners in the Dockyard, as being part of their ordinary duties.

Q. 6469.

VOTE 8. SECTION I.—PERSONNEL.

6. Under Subhead (b) of this Vote, there is a deficit of £75,313, which was mostly incurred through certain increases in dockyard wages. Your Committee understand that these increases were made with Treasury sanction, although they had not been included in the estimate of the year, and they appear to have been granted in consequence of an assurance given by the Chancellor of the Exchequer to the House of Commons, and reported to the House in Cd. Paper 2861.

Q. 6517 et seq.

SECTION II.—MATERIEL.

EXPENDITURE IN EXCESS OF ESTIMATE.

7. It appears that additional stores were purchased in the year under review "with a view to greater progress in certain shipbuilding works, and incidentally to the relief of the estimates for 1908-9," and your Committee are satisfied that, although this course was facilitated by the probability of a large surplus upon the vote, the expenditure would have been necessary in any case.

Q. 6585 seq.

LOSS OF H.M.S. MONTAGU.

8. The attention of your Committee has been drawn to the loss of H.M.S. Montagu. The first cost of the ship, including guns, was £1,048,151. The cost of the attempted salvage was £85,798, and the estimated value of stores lost in the wreck, £48,343.

Q. 6658.

On the other hand the estimated value of stores salvaged was £108,752, and the amount realized by the sale of the wreck, £4,250.

The total loss, therefore, is £1,069,290.

VOTE 9.—NAVAL ARMAMENTS.

FINES INCURRED FOR DELAY IN THE COMPLETION OF GUN FORGINGS.

9. Your Committee note that fines amounting in all to £1,498 17s. have been waived against certain contractors, but they are glad to be informed that steps have been taken to revise the terms of such contracts from the current year, so that in future the conditions will be more effective and fines will not be waived unless there is some very strong reason in favour of the contractor, such as circumstances over which he had no control.

Q. 6827 seq.

VOTE 10.

10. Your Committee note that in only two cases have the Admiralty applied to the Treasury for leave to begin new works without Parliamentary sanction. They are glad to hear that it is an established rule, that the powers of the Treasury to authorise new works, or additions involving increased expenditure to works already begun, in anticipation of Parliamentary sanction, should only be invoked in cases of real urgency.

Q. 6878.

Q. 6291.

VOTE 11.—MISCELLANEOUS EFFECTIVE SERVICES.

11. Your Committee have noticed under this and other heads of the Accounts instances in which improved regulations have been adopted in consequence of some irregularities occurring under the old ones, and they cannot but think that more care might be exercised in the original framing of regulations, and in revising them from time to time to meet altered circumstances.

Q. 7249.

Your Committee note that in the matter of over-issues of pay and allowances, and also losses by petty theft, the Admiralty have with Treasury sanction brought their practice into accord with that recently adopted in the Army.

C. & A.-G.'s Report.

EXCESS COST OF ERECTION OF A COASTGUARD STATION AT INGOLDMILLS.

12. The Comptroller and Auditor-General points out that in this case out of a sum of £100, retained in lieu of bond under the conditions of the contract, £55 was released

Q. 7605.

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and paid over to contractors before completion of the work. He considers that such a release amounts to a waiver of contract conditions, for which prior Treasury sanction should have been sought, an opinion in which the Treasury concur. It has, however, been explained to the Committee that the clause in the contract was drawn with the express purpose of allowing such release to be made, and that the Admiralty have taken care that in future contracts the wording is so altered as to make it clear that it will be within the power of the Board of Admiralty alone, and not of the Director of Works, to allow such release.

#### APPOINTMENT OF ADMIRALTY OFFICIALS AS ARBITRATORS UNDER CONTRACTS.

1st Report  
P.A.C., 1907.

Q. 7616 seq.

13. Reference to this was made in the Report of the Public Accounts Committee of last year, as well as in the Treasury Minute of the 31st December, 1907, founded upon that Report. Your Committee were informed that the Admiralty, after giving the matter very full and serious consideration, and after communication with the Treasury, have decided to adhere to their present procedure which on the whole works well both for the Admiralty and for the contractors, by the majority of whom it is approved. Your Committee after hearing the evidence see no reason to dissent from this decision.

#### GREENWICH HOSPITAL AND TRAVERS FOUNDATION.

14. Your Committee have no observations to make upon these Accounts.

#### NAVAL WORKS ACTS ACCOUNT, 1906-7.

15. The total estimated cost of the Loan Services, which was originally £32,206,933, has since been reduced to £29,840,000. The expenditure to 31st March, 1907, was £25,561,895, which includes the sum of £241,820 charged against Navy Votes prior to the period of Naval Works Acts. The estimated expenditure in 1907-8 was £1,063,254, and in 1908-9, £968,671. These figures represent an expenditure amounting in all to £27,593,820. The difference between this and the total of £29,840,000 mentioned above, viz., £2,246,180, is to be met out of Navy Votes in 1907-8, and subsequent years, and it is intended for the future to provide for all Naval Works Services in Navy Estimates and not by Loan.

#### CONTRACTS NOT PUT OUT TO COMPETITIVE TENDER.

Q. 7869.

P.A.C., 3rd  
Report, 1906,  
para. 19, and  
see also 1st  
Report, 1907,  
para. 14.

16. It was noticed that in contracts entailing expenditure amounting in the aggregate to about £261,000, a further expenditure of £163,000 was undertaken without being offered to competitive tender, in regard to some of which the Treasury stated that they must decline to grant their covering sanction, on the ground that they were not consulted beforehand. Your Committee have been informed that all these contracts were entered into before their Report of 1906, and they are assured that no such cases have occurred since that Report, nor will occur again.

#### STORE ACCOUNTS OF THE NAVY.

##### VALUATION OF NAVAL STOCKS.

Q. 7897 seq.

17. As stated in the Second Report of your Committee for this year, the War Office, with the concurrence of the Treasury, propose to abandon the Stock Valuation Statement and in lieu to furnish annually a certificate that an adequate reserve of stores is maintained, and your Committee have expressed their concurrence in the proposal. The Admiralty do not propose to follow the same course, and the Inspector of Dockyard Accounts has explained to your Committee that in the case of stores available for shipbuilding purposes (Vote 8) a valuation of the stock balances at the commencement and close of each financial year is absolutely necessary for the purposes of the Expense Accounts which are required to be kept for the information of Parliament under the Army and Navy Audit Act, 1889; an opinion shared by the Comptroller and Auditor-General. As regards the valuations of stocks other than Vote 8, the Admiralty, while admitting that they are not indispensable, prefer to retain them, as

they are not costly to prepare and are accurate. The Admiralty, like the War Office, on public grounds, are not prepared to publish a statement of quantities of stocks, but your Committee think it worthy of consideration whether the Admiralty might not, in the case of victualling, clothing and Naval ordnance stocks, furnish a certificate, as the War Office propose to do, as to the adequacy of the reserves.

#### LOSSES AND DEPRECIATION OF NAVAL STORES.

18. The total amounted to £96,402 in 1906-7. The reason for the large excess Q. 7912 seq. in this year, compared with the total in preceding years, was stated to be mainly the depreciation of obsolete and obsolescent stores following a special investigation of Naval stocks.

#### CHATHAM DOCKYARD.

19. The attention of your Committee was drawn last year to the fact that a large Q. 7965 seq. quantity of old metal had been stolen from Chatham Dockyard, and that a committee had been appointed to investigate the whole matter. It is stated that no papers dealing with the subject are yet available, but that the Admiralty inquiry has been a very thorough one, not only into the robbery and its causes, but also into the system, and that a report on the whole matter is nearly completed. It should not fail to be in the hands of the Comptroller and Auditor-General in time for his next Report, so that the whole matter can be dealt with by your Committee next year.

#### SHEERNESS DOCKYARD.

20. The attention of your Committee has been drawn to the case of three feed pumps, Q. 8007. originally constructed for Sheerness at a cost of £495. Owing to the continual alterations in the design, so much delay took place in the provision of the new pumps, that by the time they were ready for delivery, it was found that the Sheerness authorities had had the old pumps repaired and the new ones were not required. Ultimately they were appropriated to Gibraltar at an estimate value of £180.

#### NAVAL YARDS ABROAD.

##### DEFICIENCIES REPORTED ON CLOSING OF CERTAIN YARDS.

21. In connection with the closing of Naval yards abroad, and the consequent Q. 8067 seq. return of stores to yards at home, deficiencies amounting to over £2,000 were written off, but enquiries which have since been made by the Admiralty at the instance of the Comptroller and Auditor-General have resulted in reducing that amount by nearly one-half. It seems to your Committee that the Admiralty were at first satisfied with insufficient investigation.

##### LOCAL TEST AUDIT BY STAFF OF COMPTROLLER AND AUDITOR-GENERAL.

22. A test examination of the Naval Store Accounts, both of the Malta Dockyard Q. 8103. and the Gibraltar Dockyard, was carried out by officers of the Comptroller and Auditor-General's Department, and the result was, on the whole, satisfactory.

##### INDEPENDENT STOCKTAKING AT NAVAL YARDS ABROAD.

23. The Comptroller and Auditor-General draws attention to the fact that independent surveys of Naval stores were carried out at only five Naval stations abroad Q. & A.-G. Report, para. 31. in 1906-7, and in those cases only by navigating or other officers, and no independent test stocktakings were carried out either at Malta or Gibraltar. He has therefore raised the question with the Admiralty whether officers of the Expense Accounts Department could not be employed at the chief yards abroad, where such a staff exists, for the purpose of a systematic test stocktaking on similar lines to that carried out at home yards by representatives of the Accountant-General. The principle of stocktaking by independent officers, abroad as well as at home, is of great importance, and your Committee trust that the Admiralty will see their way to ensure its being carried out.

## DOCKYARD EXPENSE ACCOUNTS.

24. The original programme of shipbuilding for 1906-7 was revised as set out in the statement presented to Parliament on the 22nd February, 1907, the effect of which was to reduce the estimate for new construction by £387,947, and to increase that for reconstruction, repairs, &c., by £266,543, sea stores by £71,555, and establishment charges by £20,920, the result being a net decrease of £28,920. The issue of the statement at so late a date in the financial year seems hardly to carry out the recommendation made by the Committee of Public Accounts in their Second Report of 1898, that, "with or without a Supplementary Estimate, Parliament should be informed at the earliest opportunity of any really important extension or alteration of the programme," but your Committee are informed that the verbal statement made in Parliament in July of 1906 was regarded by the Admiralty as being in fulfilment of that obligation.
- Q. 8227.

## NEW CONSTRUCTION. PROGRESS IN 1906-7.

25. The net saving on direct expenditure on new construction was £390,234. In the case of Submarine Boats, although the number completed falls short of the programme, the expenditure (direct charges) was £58,041 in excess of the provision, which is stated to be due to greater progress than was anticipated in advancing these vessels as a whole.
- Q. 8230.

## MINOR REPAIRS.

26. Your Committee are informed that in future this heading will be amplified so as to describe more accurately the services which are included in it.
- Q. 8299.

## PREMIUM SYSTEM OF PAYMENT OF WAGES.

27. The Treasury gave their sanction in April, 1907, to the permanent establishment of this system, but ask that the system may be further reviewed at the end of two years.
- Q. 8330.

## METHOD OF ACCOUNTING FOR SPARE GEAR, ETC., FOR SHIPS.

28. The Comptroller and Auditor-General reports that the suspense headings for spare machinery, &c., to which reference has been made in his reports for the last two years, have now been cleared, and that in future spare gear, unless ear-marked to specific service, will be held on general store charge.

## ACCUMULATION IN READY USE STORES.

29. Difficulty having arisen in identifying large quantities of certain articles which had been accumulating for several years in the Ready Use Store at Chatham, the matter has been the subject of special inquiry and the particular store has now been closed.
- Q. 8382.

## TEST AUDIT BY STAFF OF COMPTROLLER AND AUDITOR-GENERAL AT YARDS ABROAD.

30. Officers of the staff of the Comptroller and Auditor-General carried out local tests of the Expense Accounts, both at Malta and Gibraltar, with the result that certain questions of accounting at both yards have been raised with the Admiralty.
- Q. 8394 seq.

Your Committee are of opinion that the question of establishing an independent check over the coaling labour at Malta, as suggested by the Comptroller and Auditor-General, should be further considered by the Admiralty. They are glad to learn that, in accordance with his recommendations, a permanent Expense Accounts Office and an independent recording system have been established at Gibraltar.

## VICTUALLING YARD MANUFACTURING ACCOUNTS.

31. Your Committee have no observations to make upon these Accounts.

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 PROCEEDINGS OF THE COMMITTEE.
 

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Friday, 14th February, 1908.

## MEMBERS PRESENT :

Mr. Victor Cavendish.	Mr. Brigg.
Sir Robert Hobart.	Mr. Cameron Corbett.
Mr. Ashton.	Mr. Hazleton.
Mr. Parker.	Colonel Williams.
Mr. Bowles.	Mr. Leif Jones.
Sir Daniel Goddard.	Mr. Kettle.

Mr. VICTOR CAVENDISH was called to the Chair.

Mr. *W. Blain*, C.B., and Mr. *J. A. Kempe*, C.B., were examined.

The Civil Service Appropriation Account, Class I., was considered.

The Hon. Sir *Schomberg McDonnell*, K.C.B., C.V.O., was examined.

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

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Friday, 21st February, 1908.

## MEMBERS PRESENT :

Sir Daniel Goddard.	Mr. Kettle.
Mr. McCrae.	Mr. Leif Jones.
Colonel Williams.	Mr. Bowles.
Sir Robert Hobart.	

Mr. VICTOR CAVENDISH in the Chair.

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

The Hon. Sir *Schomberg McDonnell*, K.C.B., C.V.O., Mr. *W. Blain*, C.B., Mr. *J. A. Kempe*, C.B., Sir *Thomas Blomfield*, Bart., Mr. *J. G. Willis*, and Mr. *W. Gibbons*, C.B., were examined.

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

Sir *Schomberg McDonnell* was examined.

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

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Friday, 28th February, 1908.

## MEMBERS PRESENT

Mr. Ashton.	Mr. Leif Jones.
Mr. McCrae.	Sir Robert Hobart.
Mr. Parker.	Mr. Bowles.
Colonel Williams.	Sir George Kekewich.
Sir Daniel Goddard.	Mr. Runciman.

Mr. VICTOR CAVENDISH in the Chair.

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

Mr. *W. Blain*, C.B., Mr. *J. A. Kempe*, C.B., Mr. *W. P. Byrne*, C.B., Mr. *W. T. Taylor*, I.S.O., Mr. *H. J. Gibson*, C.B., Mr. *H. C. Monro*, C.B., the Right Hon. *W. G. Ellison-Macartney*, Mr. *W. J. Turpin*, Mr. *R. Bailey*, M.V.O., Mr. *F. Hellard*, Sir *Reginald MacLeod*, K.C.B., Mr. *Charles Howlett*, Mr. *W. Burnet*, Mr. *W. H. Rowe*, and Sir *Evelyn Ruggles-Brise*, K.C.B., were examined.

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

*Friday, 6th March, 1908.*

## MEMBERS PRESENT :

Mr. VICTOR CAVENDISH in the Chair.

Sir Daniel Goddard.	Mr. Leif Jones.
Sir Robert Hobart.	Mr. Ashton.
Sir George Kekewich.	Mr. Bowles.
Mr. Hazleton.	Mr. Cameron Corbett.
Colonel Williams.	Mr. Kettle.
Mr. Parker.	

The Civil Service Accounts, Class IV., and Classes I., II., III., were considered.

Mr. *W. Blain*, C.B., Mr. *John Bromley*, C.B., Sir *Edward Maunde Thompson*, K.C.B., I.S.O., Mr. *J. Milner*, Mr. *Claude Phillips*, and Mr. *G. L. Apperson*, I.S.O., were examined.

The Woods, Forests, and Land Revenues Account was considered.

Mr. *F. Hellard* and Mr. *C. E. Howlett* were examined.

[Adjourned till Friday next, at half-past One o'clock.]

*Friday, 13th March, 1908.*

## MEMBERS PRESENT :

Mr. VICTOR CAVENDISH in the Chair.

Sir Daniel Goddard.	Mr. Ashton.
Mr. Brigg.	Mr. Leif Jones.
Mr. Hazleton.	Mr. Bowles.
Colonel Williams.	Mr. Cameron Corbett.
Sir Robert Hobart.	Sir George Kekewich.
Mr. Parker.	

The Civil Service Accounts, Class V., Class II., and the Uganda Railway Acts Accounts were considered.

Mr. *W. Chauncey Cartwright*, C.M.G., Mr. *G. V. Fiddes*, Mr. *H. C. M. Lambert*, Mr. *W. Blain*, C.B., and Mr. *J. A. Kempe*, C.B., were examined.

[Adjourned till Friday next, at half-past One o'clock.]

*Friday, 20th March, 1908.*

## MEMBERS PRESENT :

Mr. VICTOR CAVENDISH in the Chair.

Sir Robert Hobart.	Mr. McCrae.
Mr. Hazleton.	Mr. Runciman.
Colonel Williams.	Mr. Leif Jones.
Mr. Parker.	Sir George Kekewich.
Mr. Ashton.	

The Revenue Department Accounts were considered.

Mr. *F. F. Johnston*, Mr. *Alfred Stair*, Mr. *Charles A. King*, Major *W. A. J. O'Meara*, C.M.G., R.E., Mr. *J. A. Kempe*, C.B., and Mr. *W. Blain*, C.B., were examined.

[Adjourned till Friday next, at half-past One o'clock.]



*Friday, 27th March, 1908.*

## MEMBERS PRESENT :

Mr. Runciman.	Mr. Hazleton.
Mr. McCrae.	Mr. Ashton.
Mr. Leif Jones.	Mr. Brigg.
Mr. Bowles.	Sir George Kekewich.
Sir Robert Hobart.	Mr. Cameron Corbett.
Mr. Parker.	

Mr. CAMERON CORBETT was called to the Chair.

Resolved, That the Chairman be requested to convey to the Duke of Devonshire an expression of the sympathy of the Committee with him at this time, and of its high appreciation of the courtesy and conspicuous ability and devotion with which he discharged the duties of his office as its Chairman.

The Civil Service Accounts were further considered.

Mr. *W. Blain*, c.B., Mr. *J. A. Kempe*, c.B., and Mr. *H. J. Gibson* were examined.

[Adjourned till Friday next, at half-past One o'clock.

*Friday, 3rd April, 1908.*

## MEMBERS PRESENT :

Mr. Hazleton.	Mr. Ashton.
Sir George Kekewich.	Mr. Leif Jones.
Mr. Brigg.	Mr. Parker.
Colonel Williams.	Mr. Kettle.
Mr. Bowles.	Sir Robert Hobart.

Colonel WILLIAMS was called to the Chair.

The Civil Service Accounts were further considered.

Mr. *W. Blain*, c.B., Mr. *J. A. Kempe*, c.B., and Mr. *H. J. Gibson*, c.B., were examined.

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

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

[Adjourned till Friday, May 1st, at half-past One o'clock.

*Friday, 1st May, 1908.*

## MEMBERS PRESENT :

Mr. Bowles.	Sir Robert Hobart.
Mr. Leif Jones.	Mr. Brigg.
Mr. Ashton.	Colonel Williams.
Mr. McCrae.	

Colonel WILLIAMS was called to the Chair.

The Army Appropriation Account was considered.

Sir *Guy Fleetwood Wilson*, K.C.B., and Mr. *J. A. Flynn* were examined.

Mr. *J. A. Kempe*, c.B., Mr. *H. J. Gibson*, c.B., and Mr. *E. G. Harman* were also examined.

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

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*Tuesday, 5th May, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Mr. McCrae.  
Mr. Bowles.  
Mr. Parker.  
Sir Robert Hobart.

Mr. Leif Jones.  
Mr. Hobhouse.  
Mr. Ashton.

The Army Appropriation Account was further considered.

Sir *Guy Fleetwood Wilson*, K.C.B., Mr. *J. A. Kempe*, C.B., and Mr. *E. G. Harman* were examined.

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

*Friday, 8th May, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir Daniel Goddard.  
Mr. Hobhouse.  
Mr. Ashton.  
Mr. Bowles.

Mr. Parker.  
Mr. Leif Jones.  
Sir Robert Hobart.  
Sir George Kekewich.

The Army Appropriation Account was further considered.

Sir *Guy Fleetwood Wilson*, K.C.B., Mr. *J. A. Kempe*, C.B., and Mr. *M. Headlam* were examined.

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

*Tuesday, 12th May, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Mr. Hobhouse.  
Mr. Ashton.  
Mr. Bowles.  
Mr. Parker.  
Mr. Leif Jones.

Sir Robert Hobart.  
Mr. Mitchell-Thomson.  
Sir Daniel Goddard.  
Sir George Kekewich.

The Army Appropriation Account was further considered.

Mr. *H. F. Donaldson*, Sir *Guy Fleetwood Wilson*, K.C.B., General *R. M. Ruck*, Mr. *M. Headlam*, and Mr. *J. A. Kempe*, C.B., were examined.

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

*Friday, 15th May, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir Daniel Goddard.  
Mr. Brigg.  
Mr. Bowles.  
Mr. Ashton.

Mr. McCrae.  
Sir Robert Hobart.  
Mr. Leif Jones.

The Army Appropriation Account was further considered.

Sir *Guy Fleetwood Wilson*, K.C.B., Mr. *J. A. Kempe*, C.B., Mr. *M. Headlam*, and Mr. *G. H. Perry* were examined.

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

*Tuesday, 19th May, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir Daniel Goddard.	Mr. Parker.
Mr. Mitchell-Thomson.	Mr. Bowles.
Mr. Leif Jones.	Mr. McCrae.
Sir Robert Hobart.	

The Army Appropriation Account was further considered.

Sir *Guy Fleetwood Wilson*, K.C.B., Mr. *H. B. Measures*, M.V.O., Mr. *J. A. Kempe*, C.B., and Mr. *Maurice Headlam* were examined.

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

*Friday, 22nd May, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir Daniel Goddard.	Mr. Leif Jones.
Mr. McCrae.	Mr. Hobhouse.
Mr. Ashton.	Sir George Kekewich.
Mr. Bowles.	Mr. Mitchell-Thomson.
Mr. Parker.	

The Store Accounts of the Army were considered.

Sir *Guy Fleetwood Wilson*, K.C.B., Mr. *J. A. Kempe*, C.B., and Mr. *M. Headlam* were examined.

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

*Tuesday, 26th May, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Mr. Brigg.	Sir George Kekewich.
Mr. Parker.	Sir Robert Hobart.
Sir Daniel Goddard.	Mr. Mitchell-Thomson.
Mr. McCrae.	Mr. Leif Jones.
Mr. Bowles.	Mr. Hobhouse.
Mr. Ashton.	

The Store Accounts of the Army were further considered.

Sir *Guy Fleetwood Wilson*, K.C.B., Mr. *J. A. Flynn*, Mr. *J. A. Kempe*, C.B., and Mr. *Maurice Headlam* were examined.

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

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Friday, 29th May, 1908.

## MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir Daniel Goddard.  
Mr. Brigg.  
Sir Robert Hobart.  
Mr. Ashton.  
Mr. McCrae.

Mr. Leif Jones.  
Sir George Kekewich.  
Mr. Bowles.  
Mr. Mitchell-Thomson.

Mr. J. A. Kempe, c.B., and Mr. Maurice Headlam were examined.

The Military Works Act Accounts were considered.

Sir Guy Fleetwood Wilson, K.C.B., was examined.

The Chelsea Hospital Account was considered.

Mr. W. Tatham Hughes, I.S.O., was examined.

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

Tuesday, 2nd June, 1908.

## MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir Daniel Goddard.  
Mr. Mitchell-Thomson.  
Mr. Brigg.  
Sir Robert Hobart.  
Mr. Leif Jones.

Mr. Parker.  
Mr. Ashton.  
Mr. McCrae.  
Mr. Bowles.  
Mr. Hazleton.

The Royal Army Clothing Factory Accounts were considered.

Colonel Jackson was examined.

The Ordnance Factories Accounts were considered.

Mr. H. F. Donaldson, was examined.

Mr. J. A. Kempe, c.B., Mr. Maurice Headlam, and Sir Guy Fleetwood Wilson, K.C.B., were also examined.

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

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

## CLASS I. VOTE I.—ROYAL PALACES.

- Q. 26. 1. The Comptroller and Auditor-General reports for disallowance a sum of £370 11s. incurred on the Installation of Electric Lighting at Hampton Court Stud House. This disallowance does not imply that the payment in question was an improper one, but merely that it ought not to be charged against the Vote. The tenant of the Stud House, which is technically described as a "Grace and Favour residence," desired to have electric light, and agreed to repay the whole cost of installation, together with interest at 3 per cent. per annum, by instalments extending over a period of four years. The Comptroller and Auditor-General considers that this money, being repayable, should not be charged against the Vote, but carried to a Suspense Account. The Treasury, on the other hand, considered that the work was done for the permanent improvement of a residence in charge of the Office of Works, and that, though the payment of the cost by the tenant brought certain receipts against the outlay, that was not a reason for omitting the charge against the Vote. Your Committee are of opinion that the course proposed by the Comptroller and Auditor-General is the correct one, and they recommend that the sum be disallowed and carried to a Suspense Account.
- Q. 14.

## VOTE 3.—ROYAL PARKS, &amp;C.

2. An expenditure of £400, for which no provision was made in the Estimate, was incurred on a public footway over a bridge connecting North and Middle Gardens in Regent's Park. After the Estimates had been passed, the Zoological Society, in consequence of a large consignment of animals, found it necessary to enlarge their ground on the opposite side of the Canal, and asked the Office of Works to undertake the construction of a new footbridge for them, and to contribute some part of the cost. The Office of Works, having a small bridge near the place which it would have been in any case necessary to rebuild, found it would be an economical arrangement to contribute £400, and to build the bridge for the Zoological Society, reserving part of the bridge for the public footway. Your Committee consider that the bargain was a good one.

Q. 135.

Q. 143.

## VOTE 6.—ART AND SCIENCE BUILDINGS.

3. By an error in the Estimates, provision for the cost of engineering services at the Victoria and Albert Museum was made under Sub-head D (Fuel, Light, Water and Household Articles), and not, as it should have been, under Sub-head B (Maintenance and Repairs). The expenditure was, however, properly charged under Sub-head B. As a result there is an excess expenditure under Sub-head B, and an under-expenditure on Sub-head D. Your Committee were informed that the Engineering Department had not been long started, and that the mistake was probably due to inexperience. They trust that no similar error may occur in future.

Q. 225.

## VOTE 7.—DIPLOMATIC AND CONSULAR BUILDINGS.

4. The Comptroller and Auditor-General notes an excess expenditure of nearly £5,000 on acquisition of a new Embassy House and alterations at Madrid. The Treasury declined to give their covering sanction to this expenditure, and your Committee had to decide whether this charge against the Vote should be disallowed. Formerly there was attached to the Office of Works a highly-skilled architect, who was paid £1,000 a year to take charge of all buildings abroad, and to personally supervise all new works on the spot. This office was abolished some years ago, and the duties were handed over to the principal architect of the Board. At the time of the purchase of the Madrid Embassy the principal architect was too busy at home to be able to go to Madrid, and the work was entrusted to a man on the spot who had previously worked for the Department, but who was not one of the established officers. This man was very capable in the practical work, but had not the necessary financial training and capacity to deal with the accounting side of the business, and, though repeatedly pressed to send in his accounts as the work progressed, he did not do so till this unauthorised expenditure had been incurred. The Department have taken steps to avoid the employment of such partly trained superintendents in future by appointing architects at various central stations—*e.g.*, Constantinople, where the same man superintends the work in that city as well as in Smyrna, Egypt and Athens. The new system is working well, and has already produced considerable savings. In these circumstances your Committee recommend that the excess be allowed as a charge against the Vote.

Q. 249.

Q. 287.

Q. 255.

Q. 303.

Q. 290.

Q. 257.

## GAOL, &amp;C., AT ICHANG.

5. An excess of £120 is explained as due to the cost of superintendence being greater than had been anticipated. In order to prevent bad workmanship, European clerks of works have to be employed to supervise the Chinese workmen. There is some difficulty in finding these superintendents, as "the Chinese persist in poisoning them." Your Committee consider that this contingency was not unnaturally overlooked in framing the Estimate, and do not think the remuneration extravagant.

Q. 273.

## VOTE 8.—REVENUE BUILDINGS.

6. In the report of the Comptroller and Auditor-General appears a long list of some of the most noticeable instances of variation between the sums granted for works in progress and proposed new works, and the actual expenditure. The difference is remarkable; for example, on post and telegraph buildings in the country, apart from London, the Vote amounted in round numbers to £247,000 and the expenditure to about £201,000, showing a difference of £46,000. Other examples might be quoted, and your Committee have endeavoured to find some method by which Parliament should be placed in a position of greater control over the sums voted. It must be admitted that various causes contribute to the difficulties of the Department in carrying out any contemplated work on the lines of the Estimate; thus a period of bad weather may delay building operations, difficulties arise with local authorities as to the site or the elevation of the proposed building, and the soil may necessitate unexpected outlay. The present practice is that, when the progress of a building is delayed by the above or similar causes, application is made to the Treasury for sanction to divert the money saved in this way to other works which, to avoid undue inflation of the Estimates, had to be cut out at the beginning of the year. The Treasury examine carefully every case thus presented, and only pass it if they are satisfied that the service is one of urgency; but the fact remains that large sums of money are thus spent on works which have never received the sanction of Parliament. A certain

Q. 342 *seq.*

Q. 413.

Q. 461.

Q. 425.

Q. 426.

Q. 452.

amount of elasticity is necessary for the working of the system, and your Committee draw a distinction between the diversion of money to a building already sanctioned by Parliament, and its diversion to one which has never been on the Estimates.

It has been suggested that the objections might to some extent be obviated if the Estimate were framed to include a list of works on which, at the time of its preparation, the plans are not sufficiently advanced to enable specific provision to be made in the Estimate. It would be indicated for the information of Parliament that, if urgency should arise for proceeding with any of these works, they would be undertaken during the year, and that savings arising on other items of the Estimate would be used so far as necessary. A merely nominal provision of money would be set down for these impending works.

If this plan were adopted, it should be arranged to present to Parliament before the close of the financial year a detailed list, with particulars of any works on which expenditure has taken place, but for which no specific provision was included in the original Estimate.

The Committee understand that this course would meet the views of the Treasury and the Office of Works, and they recommend that such a scheme be worked out for the next Estimate.

PUBLIC OFFICES, ACQUISITION OF SITES ACTS, &C., AND LAND REGISTRY (NEW BUILDINGS) ACTS  
ACCOUNTS.

7. Your Committee have examined these Accounts, but offer no observation upon them.

CLASS II.

VOTE 6.—COLONIAL OFFICE.

Q. 1954. 8. Your Committee last year expressed a doubt as to the advisability of continuing the grant for the Emigrants' Information Office, and directed the attention of the Colonial Office to the matter. The Department consider that the Information Office renders services not performed by any other agency, and very valuable to the poorer class of emigrant, and they would like to see the work of the Office extended rather than diminished.

VOTE 18.—THE MINT.

Q. 975. 9. Extra receipts payable to the Exchequer amounted to £600,000, though it had been estimated that they would only bring £150,000. Your Committee were informed that this difference was due to unexpectedly heavy demands for silver coinage, due to a sudden expansion of trade, principally in the Colonies. The quantity of silver coinage which will be required is difficult to estimate, and the following instances of variation illustrate this:—In the year under review, West Africa took £500,000, as against £143,000 in the previous year; while New Zealand took £11,000 in 1905, £80,000 in 1906, and nothing in 1907.

Q. 977.

VOTE 33.—CHIEF SECRETARY FOR IRELAND.

Q. 2485 *seq.* 10. A charge of £358 is made against this Vote for the collection and delivery of mail bags between the General Post Office, Dublin, and the Castle or the Phoenix Park lodges. As it would appear to be the duty of the Post Office to deliver mails without charge, your Committee made inquiry into the circumstances. They were informed that the Post Office would deliver mails at the Castle or the lodges, but that, as the Lord-Lieutenant often moves between the Castle and the Park, it has been found convenient to send all mails to the Castle, and, if the Lord-Lieutenant is absent, to deliver them to him from thence by messengers travelling on cars hired in the street.

Q. 2494. The £358 is for car hire, and, in addition, two messengers receive allowances for conveying the mails. This system was started in 1899, when the arrival of the mail in Dublin was accelerated. The Lord-Lieutenant found it was possible to get his letters at half-past seven in the morning, but as the Post Office would not undertake to make a special delivery to the lodges at such an early hour, he sent a messenger to fetch them on a car. Three deliveries a day are now made in this manner.

Q. 2485.

Your Committee have called the attention of the Treasury to this matter, for they consider it is a cumbrous and extravagant arrangement. As to the early delivery, it is not unreasonable to require the Post Office to deliver a quantity of official correspondence an hour and a half after the arrival of the mail boat, and the daily whereabouts of the Lord-Lieutenant could be communicated by telephone to the Post Office at an early hour. They trust that by these or some other arrangements this charge will disappear from the Vote.

CLASS III.

VOTE 14.—LAW CHARGES AND CRIMINAL PROSECUTIONS, IRELAND.

11. The Comptroller and Auditor-General has called attention to certain payments out of this Vote for expenses in connection with prosecutions at Assizes, Quarter Sessions and Petty Sessions,

for which local authorities are made liable by statute. Your Committee, after hearing the evidence of the Comptroller and Auditor-General, and of the representative of the Treasury, are of opinion that, while it is undoubtedly within the discretion of Parliament to override the provisions of an existing Statute by a Vote in Supply confirmed by the Appropriation Act, it is desirable in the interests of financial regularity and constitutional consistency that such a procedure should be resorted to as rarely as possible, and only to meet a temporary emergency. In cases where such an emergency arises, and there are reasons against the amendment or repeal of the Statute governing the case, your Committee recommend that the fact that the proposed Vote overrides an existing Statute should be clearly stated on the face of the Estimate, with the reasons for adopting that course, so that no doubt can exist of the deliberate intention of Parliament. The exceptional nature of the Vote should also be indicated in the Appropriation Act.

In the case under notice provision has been made for the service in the Estimates since 1860-1, with nothing to indicate to Parliament that the expense is imposed by Statute upon the local authorities. It is proposed that the facts should in future be specially stated on the Estimate, but your Committee are of opinion that, if it is considered necessary that the service should continue to be paid for by the Vote of Parliament, the governing Statutes should be repealed or amended.

#### VOTE 20.—PRISONS, IRELAND.

12. Under Sub-head W of this Vote provision is made for the maintenance of criminal lunatics. Your Committee inquired why provision for such a service was made in the Prisons Vote, and received an explanation so curious that it is worth notice. The lunatics so maintained are soldiers and sailors who have been guilty of some military or naval offence, as a result of which they would be committed to prison in the ordinary course; but, being lunatics, they are sent to lunatic asylums instead. In Ireland, till recently, the locality paid for their maintenance, but by the Act of 1901 the burden was placed upon the taxpayer, as in England. It was in this Act that the mistake occurred: "These charges ought only to be paid in regard to people who are prisoners while still in the military or naval services, but by a misprint in the Revised Statutes in the English Act it was called *persons*, and the misprint is copied in the Irish Act, and they are called *persons* there also; so that we pay in regard to people who are not necessarily prisoners in this case." The charge is not made in Great Britain, for there the original Statute, which was correctly printed, overrides the revised version.

Q. 2826.

(1. Ed. VII. c. 17.)

Q. 2831.

#### CLASS V.

#### VOTE 1.—DIPLOMATIC AND CONSULAR SERVICE.

13. The Comptroller and Auditor-General notes that the sum of £4,777, due from the Liberian Government for the expenses of Anglo-Liberian Commission, still remains unpaid, and that the interest on that amount is two years in arrear. The Liberian Government have recently accepted certain reforms which have been suggested to them, and the appointment of an English official as Financial Adviser. It is hoped that the financial position may now improve, and that the principal and interest will eventually be repaid. At the time the Commission was appointed it was known that the Liberian Government could not afford to pay, but it was important that the frontier should be settled, in order to avoid possible complications with another Power.

Q. 1534.

#### COMPASSIONATE GRATUITIES.

14. Gratuities ranging from £222 to £8 were given to retired Chancery and Consular attendants in lieu of pensions. It is stated that by a curious custom, supposed to have some Oriental origin, triennial gratuities are given to these subordinate officials on their retirement, and that these sums are paid in advance for the three years to come. Your Committee were informed that this system is cheaper than the usual pension scheme, but they desire to draw the attention of the Department to the point that if one of these men was pensioned, his pension would cease if he died, whereas if he dies soon after receiving his triennial gratuity, his representatives become possessed of a considerable sum of public money. It seems doubtful whether in such circumstances the system would be more economical than the ordinary pension.

Q. 1558.

Q. 1590.

#### GENERAL OBSERVATIONS ON VOTE 1.

15. In the report of your Committee for last year it was stated that a new form of account had recently been issued to show regular returns of the moneys in possession of Diplomatic and Consular officers. This is the first year that the new system has come into full operation, and it now meets the requirements of the Comptroller and Auditor-General.

Q. 1602.

During last autumn the Assistant Comptroller and Auditor visited British East Africa in connection with Colonial accounts, and on the way he carried out an inspection and local test examination of the accounts of the chief Consular posts in Egypt and of the Consulate-General at Zanzibar. The results were on the whole satisfactory. Your Committee are of opinion that such visits from the Central Department are of great assistance to distant branches, and conduce to efficiency. They recommend that if it be found practicable similar visits should be made in the future by some senior representative of the Exchequer and Audit Department to other distant posts.

Q. 1865.

## VOTE 2.—REPATRIATION OF CHINESE COOLIES.

Q. 1751 *seq.*

16. An arrangement was made with the Chamber of Mines Importation Agency, Limited, of Johannesburg, for the repatriation by s.s. "Indravelli" of a *minimum* number of 300 coolies at £12 10s. per head. The charge for the importation of coolies by the same Agency amounted to £15 10s. per head. 267 only were shipped on the "Indravelli," but payment upon the *minimum* number of 300 was made to the Agency, not only for the repatriation at £12 10s. per head, but also for the importation at £15 10s. per head.

In the opinion of the Comptroller and Auditor-General, the minimum charge for 300 coolies applied only to the repatriation by the "Indravelli," and the importation fee was payable only for 267 coolies actually shipped. He considers therefore that there has been an over-payment to the Agency at £15 10s. per head for the importation of 33 coolies.

The representative of the Colonial Office stated that the Agency, upon the matter being brought to their notice, admitted in principle the correctness of the view of the Comptroller and Auditor-General, but stated that *per contra* the cost of importation turns out to be larger than £15 10s. per head, which was put in as a provisional figure, and that the revised cost works out to a total greater than the sum alleged to be overpaid.

Until, however, this counter-claim by the Agency has been substantiated, the amount is not a proper charge against the Vote, and your Committee therefore agree with the Comptroller and Auditor-General that the sum of £511 10s. must be disallowed in the Account.

## CROWN COLONIES IN AFRICA.

Q. 1888 *seq.*

17. Your Committee remark with satisfaction a general progress in the prosperity of the African Crown Colonies. This advance is well marked by the diminution of the amount of the Grant-in-Aid which each Colony receives, as shown by the following figures :

Colony.	Amount of Grant-in-Aid.	
	1906-7	1907-8
Northern Nigeria .. .. .	£315,000	£295,000
Bechuanaland .. .. .	44,000	41,000
British Central Africa .. .. .	37,000	25,000
British East Africa .. .. .	164,000	153,000
Uganda .. .. .	112,000	85,000
Somaliland .. .. .	42,000	37,000

Q. 1910.

Q. 1904.

This progress is principally to be attributed to greater spending power on the part of the natives, who are probably earning more, and to the white population, which would naturally increase as the trade of the country expands. With regard to Somaliland, the progress is not very reliable at present; but it must be remembered that the country was annexed for political reasons, and has been set back by its own internal troubles.

## UGANDA RAILWAY ACTS (1896 AND 1902) ACCOUNT.

Q. 1958 *seq.*

18. The total issues from the Consolidated Fund to 31st March, 1907, amounted to £5,502,592, of which there remained on that date an unexpended balance of £203,760 8s. 3d.

No further issues are to be made from the Consolidated Fund for this service, while the remaining expenditure on railway works of a capital nature to complete the authorised programme will be spread over a considerable period.

The Comptroller and Auditor-General has proposed, therefore, that the separate return prepared under the provisions of Section 2 (3) of the Uganda Railway Act, 1896, should be discontinued. The account of expenditure out of the Uganda Railway Fund would, as proposed, be appended to the Appropriation Account of the Colonial Services Vote, and be dealt with by the Comptroller and Auditor-General in his report on that Vote, while the balance of the fund would remain as at present in the custody of the Crown Agents. The Treasury and Colonial Office concur in the proposal.

Your Committee assent, and they understand that the Treasury will lay a Minute before Parliament under Section 3 of the Accounts, &c., Presentation Act, 1869, to provide for the discontinuance of the separate return.

## REVENUE DEPARTMENTS, POST OFFICE.

## TELEGRAPHS, PURCHASE OF STORES.

Q. 2208 *seq.*

19. The Comptroller and Auditor-General drew attention to a case in which certain stores which had not been paid for, and, consequently, had not been charged to Sub-head W (the Purchase sub-head) in the financial year under report, had been debited to Sub-head R2, although in some cases they were not inspected after transit, and so not regularly taken over from the contractors until the following year. This procedure was not in conformity with the conditions originally approved



by the Treasury, and although they ultimately gave their covering sanction to the course adopted, on the ground that the result was not in conflict with their intentions, your Committee are of opinion that the established procedure should in similar cases be complied with.

POST OFFICE STORE AND EXPENSE ACCOUNTS.

CLASSIFICATION OF CHARGE FOR COMPOSITE CABLES.

20. It was explained by the Accounting Officer that in the particular case to which attention was drawn by the Comptroller and Auditor-General allocation of the cost of the cable between Vote and Capital could not be satisfactorily carried out upon the ratio of the number of wires required for each of the services. Q. 2298 seq.

Your Committee agree with the Comptroller and Auditor-General that, inasmuch as the actual cost of a work may show considerable variation from the original Estimate, the method of allocating the expenditure under each head according to the proportion adopted in the Estimate is not satisfactory, and that some method should be devised by which the actual and not the estimated expenditure upon each branch of a composite work can be recorded, as between Vote and Capital on the one hand, and the Sub-heads of the Vote on the other.

CONSOLIDATED FUND, CIVIL CONTINGENCIES FUND, LOCAL LOANS FUND, AND TREASURY CHEST FUND.

21. Your Committee examined these accounts, but make no observation upon them.

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

Paragraphs 1—3, *agreed to*.

Paragraph 4.

An Amendment made.

Another Amendment proposed, in line 9, to leave out the words “on the spot”—(Mr. *Leif Jones*).

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

Another Amendment proposed, in line 16, after the word “is” to insert the words “said to be”—(Mr. *Bowles*).

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

Another Amendment proposed, in line 16, to leave out the words “and has already produced considerable savings”—(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 5 *agreed to*.

Paragraph 6.

An Amendment proposed, to leave out all the words after the word “Estimates,” in line 19, and to insert the words “They therefore recommend that the Treasury should exhibit the utmost jealousy of any proposal to use savings for the commencement of any new work”—(Mr. *Hazleton*)—instead thereof.

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

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

Paragraph as amended *agreed to*.

Paragraphs 7 and 8 *agreed to*.

Paragraph 9 amended and *agreed to*.

Paragraph 10 *agreed to*.

Paragraph 11.

An Amendment proposed, in line 17, after the word “if,” to leave out the words “it is considered necessary that”—(Mr. *Hazleton*).

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

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Another Amendment made.

Paragraph as amended *agreed to*.

Paragraph 12 *disagreed to*.

Paragraph 13 *agreed to*.

Paragraph 14 amended and *agreed to*.

Paragraphs 15 and 16 *agreed to*.

Paragraph 17 amended and *agreed to*.

Paragraphs 18—21 *agreed to*.

New Paragraph ("Prisons, Ireland,") brought up and read the first and second times as follows :—

VOTE 20.—PRISONS, IRELAND.—SUB-HEAD W.

Under Section 91 of the Army Act, 1881, the Secretary of State may cause any soldier who is a dangerous lunatic to be committed, on discharge, to the lunatic asylum for the district upon which the soldier would, as a pauper, be chargeable.

By Section 3 of the Naval Enlistment Act the same provision is applied to sailors in the Navy.

In Great Britain a man thus committed as a dangerous lunatic by the War Office or the Admiralty becomes ordinarily a charge upon the rates as an inmate of the lunatic asylum. The Votes of Parliament are only charged if the man was undergoing a sentence of imprisonment at the time of his discharge, and thus was committed as a *prisoner*. In that case there is no objection to the Votes being charged for this maintenance during his term of imprisonment, just as they are charged for the maintenance of civil prisoners who may be removed to lunatic asylums from any of His Majesty's prisons.

But in Ireland, owing to a misprint which occurred in the Revised Edition of the Statutes, the word *prisoner* in the Criminal Lunatics Act, 1884, became *person*, a mistake which was copied into the Irish Lunacy Act, 1901, so that all the soldiers and sailors who are committed to asylums as dangerous lunatics are charged upon the Prisons Vote whether they were prisoners or not, instead of, as would otherwise be the case, on the rates. Bills have been several times introduced with the object of remedying this defect, but have failed to become law. Your Committee recommend that early steps be taken to remove this anomaly—(The *Chairman*).

Question, That the proposed paragraph be added to 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, 12th June, at Two o'clock.

Friday, 12th June, 1908.

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir Daniel Goddard.  
Sir George Kekewich.  
Mr. Brigg.  
Sir Robert Hobart.

Mr. Parker.  
Mr. Bowles.  
Mr. McCrae.

A Letter from Mr. *H. F. Donaldson* was read in correction of part of his evidence given on 2nd June.

The Navy Appropriation Account was considered.

Mr. *Alfred Eyles*, Mr. *J. A. Kempe*, c.B., and Mr. *Maurice Headlam* were examined.

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

*Tuesday, 16th June, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Mr. Ashton.	Sir Daniel Goddard.
Mr. Bowles.	Sir Robert Hobart.
Mr. Leif Jones.	Mr. Mitchell-Thomson.
Sir George Kekewich.	Mr. McCrae.
Mr. Brigg.	Mr. Hobhouse.

The Navy Appropriation Account was further considered.

Mr. *Alfred Eyles* was examined.

Mr. *W. E. Smith*, C.B., Mr. *R. J. Butler*, C.B., Rear-Admiral *S. Eardley Wilmot*, Mr. *J. A. Kempe*, C.B., and Mr. *Maurice Headlam* were examined.

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

*Friday, 19th June, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Mr. Brigg.	Mr. McCrae.
Sir Daniel Goddard.	Sir Robert Hobart.
Mr. Parker.	Mr. Ashton.
Mr. Leif Jones.	Sir George Kekewich.
Mr. Bowles.	

The Navy Appropriation Account was further considered.

Mr. *Alfred Eyles*, Colonel Sir *Edward Raban*, K.C.B., R.E., Mr. *J. A. Kempe*, C.B., and Mr. *Maurice Headlam* were examined.

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

*Tuesday, 23rd June, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir George Kekewich.	Mr. Ashton.
Mr. Brigg.	Mr. McCrae.
Mr. Leif Jones.	Sir Robert Hobart.
Mr. Parker.	Mr. Mitchell-Thomson.
Mr. Bowles.	Sir Daniel Goddard.

The Navy Appropriation Account was further considered.

Mr. *Alfred Eyles*, Mr. *Maurice Headlam*, Mr. *J. A. Kempe*, C.B., and Mr. *W. E. Smith*, C.B., were examined.

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

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Tuesday, 30th June, 1908.

## MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir Daniel Goddard.  
Mr. Mitchell-Thomson.  
Sir George Kekewich.  
Mr. Brigg.  
Mr. Leif Jones.

Mr. Parker.  
Mr. Ashton.  
Sir George McCrae.  
Mr. Bowles.  
Mr. Hobhouse.

The Greenwich Hospital Account was considered.

Mr. C. H. R. Stansfield was examined.

The Navy Appropriation Account was further considered.

Colonel Sir *Edward Raban*, K.C.B., R.E., was examined.

The Naval Works Acts Account was considered.

Sir *Edward Raban* was further examined.

Mr. *Alfred Eyles*, C.B., Mr. *J. A. Kempe*, O.B., and Mr. *Maurice Headlam* were also examined.

The Store Accounts of the Navy were considered.

Sir *Edward Raban* was further examined.

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

Friday, 3rd July, 1908.

## MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Mr. Brigg.  
Mr. Bowles.  
Sir Robert Hobart.  
Mr. Ashton.

Mr. Parker.  
Sir Daniel Goddard.  
Mr. Leif Jones.  
Mr. Hobhouse.

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

The Committee of Public Accounts have made further progress in the matters to them referred, and have agreed to the following Second Report :—

## ARMY APPROPRIATION ACCOUNT.

1. The gross expenditure provided was £33,038,661, while the actual gross expenditure was £32,072,563 10s. 11d., being less than the Estimate by £966,097 9s. 1d. The estimated receipts in aid amounted to £3,242,561, while the actual receipts were £3,571,142 1s. 8d., or an excess of actual over estimated receipts of £328,581 1s. 8d. The surplus on the Army Account was therefore £1,294,678 10s. 9d., made up as follows :—

	£	s.	d.
Excess of estimate over expenditure	966,097	9	1
Excess of receipts over estimate	328,581	1	8
	£1,294,678	10	9

The surplus would have been larger but for certain payments in 1906-7, amounting to a total of £213,444, which, in the ordinary course, would not have been paid until the year 1907-8, and your Committee are of opinion that great care should be taken that such payments in advance should not be made, as otherwise the comparison of one year with another is vitiated. This surplus is, as in the preceding year, unusually large, but the Accounting Officer anticipates improved results for the future.

Your Committee are glad to notice that as a result of joint arrangements by the War Office and the Exchequer and Audit Department, the Appropriation Accounts were rendered much earlier than in previous years.

Q. 3037.

## SUPPLEMENTARY ESTIMATE.

2. A Supplementary Vote for a net sum of £100 was passed by the House of Commons on the 12th March, 1907, the gross expenditure provided for in the original estimates being increased by £439,000 under a new Sub-head (EE) of Vote 5 (Loans to Volunteer Corps for drill-halls and ranges), and by an additional sum of £20,000 under Sub-head (c) of Vote 12 (Compensation for Losses), being a contribution in respect of damage caused by the explosion at Woolwich. On the other hand, provision was made for reductions under the following Votes:—

Vote 1, Pay, &c. - - - - -	£250,000	Q. 3199.
Vote 6, Quarterings, &c. - - - - -	43,000	
Vote 7, Supplies and Clothing - - - - -	165,900	

Your Committee regret that these reductions were not, as in some previous years, earmarked as arising on particular Sub-heads. Q. 3214.

## CONTRIBUTIONS FROM THE COLONIES.

3. Your Committee note that, with the sanction of the Treasury, no claim will be made against Natal for contributions in aid of military expenditure in respect of any period after the 31st March, 1907, and that the Estimates for 1907-8 have been framed accordingly. Q. 3128.

## SOUTH AFRICAN GARRISON INSTITUTES.

4. Your Committee are glad to learn that the question of the rents from the South African Garrison Institutes has at last been settled, and the balance of £3,056 17s. 5d. has been recovered by the G.O.C.; and that, with regard to the Mineral Water Factories, a debit balance of £3,246 6s. 2d. has been re-transferred to the Military Works Loan Account, in accordance with the Treasury decision, and a claim preferred against the Institutes for interest at the rate of 4 per cent. from the date of occupation. Q. 3212.

## SEA TRANSPORT OF TROOPS.

5. Under this head is included a payment by the War Office to the Indian Government of £59,246 5s., the cost of bringing home from India three years men, who declined to extend their services for a longer period in that country, the liability for which had been accepted by the War Office without reference to the Treasury, who had, however, sanctioned a similar payment in an earlier year. Q. 3259.

The Treasury, when the matter was brought to their notice by the War Office in 1904, demurred to the arrangement, and suggested that a conference should take place to allocate the expenditure between the two countries. No conference was held, and when, in 1906, a further application was made to the Treasury, their Lordships, while admitting that the Army Council should fulfil their obligations to the Government of India, declined to share with them the responsibility for the expenditure, on the ground that the charge against Army Votes was excessive. Your Committee, while regretting that Treasury sanction was not obtained before the agreement was arrived at between the Indian Government and the War Office, consider that, having regard to all the circumstances, the payment should be allowed, but that this should not be regarded as a precedent in future similar cases.

## REMOUNT FARM BALANCE SHEET.

6. A profit and loss account of the Remount Farm at Arborfield has now been furnished. Your Committee are of opinion that such an account should only include the actual items of receipt and expenditure at the farm, and that imaginary credits, such as the value of forage rations which would have been issued for the remounts, had they not been kept on the farm, should be relegated to a Note. Q. 3279.

## VOTE 7.

7. Your Committee note that under legal advice the claim against the South African Supply and Cold Storage Co., Ltd., was finally settled by a payment of £4,255 by the Company to the War Office.

## COST OF PROVISIONS, &amp;c.

Q. 3312, 3316 and 3318.

8. The Comptroller and Auditor-General has called the attention of your Committee to a sum of £5,910 2s. 9d., which has been charged in respect of an award by arbitration on account of supplies requisitioned during the war, in respect of which the G.O.C., South Africa, had, in the first instance, on the advice of the Law Officer of the Crown, declined to entertain the claim, or to submit to the jurisdiction of South African Courts. The Secretary of State, at the instance of the High Commissioner for South Africa, subsequently agreed to submit the case for arbitration, with the above result, and the Treasury, having pointed out that the arbitration was undertaken in face of legal advice to the contrary, "confined their sanction to the inclusion of the item in the Appropriation Account." Your Committee have made full inquiries into the matter, and as they find that the matter was decided by the Secretary of State in connection with the general policy of the Government in South Africa, they recommend the allowance of this item.

## STANDERTON WATER SUPPLY.

Q. 3335. 9. The case of the Standerton Water Supply appeared to be approaching settlement as the result of fresh negotiations, but your Committee are informed that in view of the further reduction of the Garrison, the Municipality have now absolutely refused to proceed further, so that the matter is at a standstill, and the War Office remain bound by the original contract.

## CONTRIBUTION TO THE CIVIL GOVERNMENT OF THE TRANSVAAL AND ORANGE RIVER COLONY FOR GOODS REQUISITIONED DURING THE WAR.

Q. 3351 sq. 10. The High Commissioner in South Africa, in correspondence with the Colonial Office in September last, intimated that in default of further instructions, he should assume that it was decided to charge to Army Funds the sum of £41,420 7s. 11d., the amount of administration of the Compensation Fund. As the Colonial Office did not reply for several months, Lord Selborne gave the Colonial Government to understand that the claim had been abandoned. As it was felt that His Majesty's Government had thus practically been committed to this view, it was decided that the Colony should not be asked to surrender the money, but that the Imperial Exchequer should bear the charge. Your Committee cannot regard it as satisfactory, but as the inaction of the Colonial Office practically forced the hand of the High Commissioner, the question became one of Imperial Policy, and they make no comment upon it.

Q. 3340.

## CONTRACTS CANCELLED OWING TO BRIBERY.

Q. 3356. 11. In the case of Messrs. Cowie and Houston, your Committee are informed that under legal advice the War Office effected a compromise by payment of a sum of £1,500, which has closed the matter, as it seems, fairly satisfactorily. The two other cases have practically been dropped for want of evidence, but the attention of your Committee has been drawn to the fact that in these cases the Bribery Clause of the Contract was overlooked by the officer responsible. They are informed that this was "a *bona fide* oversight, and nothing more," but as it was the special duty of the officer to see that this Bribery Clause was enforced, your Committee regard the omission as most unfortunate, and are glad to note that the matter has been suitably dealt with by the Army Council.

## SOUTH AFRICAN WAR STORES.

Q. 3375. 12. In certain cases dealt with by the Royal Commission of claims against Messrs. Wilson and Worthington, the Law Officers at home, and also in the Transvaal, were of opinion that no recovery could be made, and the Treasury accordingly approved the write-off of £8,736 15s. 2d. In respect of other claims and counterclaims the Treasury agreed that a sum of £1,067 17s. 6d. should be paid to Wilson and Worthington in full discharge of all matters in dispute with the War Office.

## CAPE GOVERNMENT CLAIMS AND COUNTERCLAIMS.

13. Your Committee understand that in January of this year the Treasury made a further representation to the Cape Government through the Colonial Office, but in view of the attitude taken up by them, the Treasury consider it useless to pursue the matter further, and have left it in the hands of the Colony.

## COST OF STAFF.

Q. 3483 sq. 14. In their second Report of last year, your Committee asked "if it were possible to have a note furnished them, showing the proportionate cost of Staff to Works from year to year for purposes of comparison," but they are informed that the Army Council and the Treasury concur in thinking such a note would cost more than it is worth—a conclusion they are willing to accept. Your Committee note with approval the conclusions of the War Office Memorandum on the subject: "The case will best be met by watching closely, as in the past, the annual estimates and the annual expenditure; by reducing the permanent staff to the lowest possible minimum, consistent with the economical execution of the normal requirements; and by securing the earliest possible discharges of any temporary staff taken on to meet any special demands," and desire to emphasize the importance of these principles being kept steadily in view.

## TRIENNIAL CONTRACTS.

Q. 3776, 3902 sq., and 6188 sq. 15. The War Office have, after prolonged consideration, decided to continue the system of triennial contracts. Your Committee were informed that the limit up to which triennial contractors could claim the execution of service had been fixed in the case of the Ordnance Factories at £400, and in the military districts at £300, though in very exceptional cases the Army Council might sanction a maximum of £1,000 and £500 respectively. It appears that the War Office hold the view that they are at liberty to vary these figures without reference to the Treasury. Your Committee are, however, of opinion that where a question of principle is concerned, and other Departments are concerned, the consent of the Treasury as the co-ordinating Department should be sought. There is one matter connected with triennial contracts to which the Committee have given special consideration. It often happens that a new service is undertaken, costing in the aggregate more than £1,000, and composed in whole or in part of services for which there are already triennial contractors, to whom it is held the work must be assigned under the present conditions. Your Committee do not concur, and consider that the general rule should be that in such cases the service should be put out as a whole to open tender.

## EXCESS COST OF A TORPEDO SLIPWAY.

16. A contract for a new slipway, near Gravesend, was entered into in October, 1903, for £1,135, but owing to a miscalculation of the length of the piles required, and further delay owing to the discrepancy found between the actual depth of the river and that shown in the drawings, the work was not completed until June, 1905. The contractors claimed that, on the basis of an arrangement with the local Officers, the sum of £3,088 was due to them, and on arbitration they were awarded the sum of £3,076. It seems to your Committee that there was a disregard of regulations on the part of the local Officers in making a fresh arrangement with the contractors, without reference to the War Office, and that they were not sufficiently supervised by their superiors. Q. 3717 sq.

## EXAMINATION OF CONTRACTORS' CLAIMS.

17. The Comptroller and Auditor-General has been in communication with the War Office on the question of the Chief Engineer's examination of Contractors' claims being always made prior to payment, and the Army Council have issued a circular letter enforcing the adoption of this course. Your Committee note that fresh regulations are being issued with regard to the signature of certificates, making "absolutely definite and clear the responsibility of the person who signs a certificate," even if he is a *locum tenens* only. Q. 3665 & 3677-8.

## ADVANCES TO CONTRACTORS.

18. The Comptroller and Auditor-General has drawn attention to the fact that under new regulations in the case of stores delivered, but not inspected, the advances paid to the Contractors are charged to the Vote instead of to the Contractor's personal account, as was laid down in para. 17 of the Second Report of P.A.C., 1890. The War Office, on the other hand, contend, and in this view they are upheld by the Treasury, that these cases may be regarded as coming under the category of special cases dealt with in para. 6 of the Report of 1890. Q. 3425 to 3458.

Your Committee do not concur, and consider that the more correct course is to charge the advances in question to the Contractor's personal account. They understand that the forms of contract are under revision, and they are of opinion that the regulations governing these advances should be made clear.

## VOTE 10.

## BARRACK CONSTRUCTION DEPARTMENT.

19. This Vote, as in the preceding year, is subdivided under the Esher scheme into two Sections, (A) Barracks, (B) Fortifications and Works, whereby the works comprised in the Vote fall within the province of two different Directors, each under a separate Member of Council; but your Committee are informed that both portions of the Vote have recently been placed under the Master General of Ordnance, and the old form will be adopted for the future. The gross amount provided under the Sub-heads (A) to (E) for Barrack Construction in 1906-7 was £142,477, whereas the actual expenditure was only £47,007, and five items alone show surpluses amounting to £98,685. Q. 4178, sq.

## EXPENDITURE IN NORTH CHINA.

20. The Comptroller and Auditor-General reported that expenditure upon building works in North China was not subjected to any examination by the Comptroller of Military Accounts in India, but he has been since informed that an Army Account Office has now been opened at Tientsin, so that these accounts will now be subjected to the ordinary Army Audit. Q. 4138 sq.

## EXTRA-REGULATION EXPENDITURE.

21. The Regulations which now exist (see Army Cash Report, 1902-3, para. 17), whereby General Officers Commanding are empowered to sanction expenditure not covered by Regulations, have been re-stated with the sanction of the Treasury "in a simpler and more direct" form. Q. 4404. Q. 4406.

## VOTE 13, SUB-HEAD A. SALARIES OF THE WAR OFFICE.

22. Your Committee in their Second Report of last year, inquired whether the Army Council were taking steps to make some reduction in the cost of the Headquarters Staff, but they understand that practically nothing has been done this year owing to the pressure of work at the War Office, due to the initiation of the Territorial scheme. Your Committee trust that the Treasury will bear this question in mind, with a view to enforcing reductions when circumstances admit. Q. 4745.

## STORE ACCOUNTS OF THE ARMY.

## LAND SERVICE STORES IN RESERVE DEPOTS.

23. The Comptroller and Auditor-General reports that the Valuation Statements of this year show an improvement, and greater accuracy has been shown in the compilation of the figures by the War Office. During the past year a Conference was held, composed of representatives of the War Office, the Admiralty, and the Treasury, who have recommended the discontinuance of the Stock Valuation Return.

- Q. 4954. In the opinion of the Director-General of Army Finance, the Valuation Return is a "work of supererogation, and not worth the labour or expense which is devoted to it." In a memorandum which he put in for the information of the Committee, it is stated that: "As the present Valuation Statement cannot safely be relied upon by Parliament, as showing the fluctuations in stocks of military stores from year to year, it remains to be considered whether this object can be obtained in any other way. Only two methods suggest themselves to the Army Council:—

"(A) That a return be presented annually showing the quantities of certain selected imported items of store; or,

"(B) That a certificate be rendered annually with estimates to the effect that sufficient, but not excessive provision has been made to maintain the authorised proportion of stores, both for reserve and for current necessities."

- Q. 4966. If that certificate is rendered annually with the estimates, your Committee consider that Parliament will have reasonable security, and that it would be preferable to a valuation founded upon defective data. But careful attention must be given to the question by whom the certificate is to be signed, and the form in which it is to be rendered, so as to ensure full and correct information being furnished.

Your Committee understand that this proposal only applies to the Army, and that the Admiralty do not share the view that the statement should be abandoned, as there is a statutory obligation on them to render certain returns. Your Committee will deal more fully with the point in the Navy Accounts.

#### ENGINEER STORE ACCOUNTS.

- Q. 5140, sq. 24. Apart from South Africa, the Comptroller and Auditor-General again draws attention to unsatisfactory cases of Engineer Store Accounts, which confirm the view that the present system is defective. Your Committee are glad to know that the Treasury have now approved the creation of a new and expert storekeeping staff, from which good results are expected, and that a Committee is considering the whole method of Engineer Storekeeping with a view to revising the regulations.
- Q. 5144. Your Committee emphasize the necessity of a thorough improvement, a peculiarly gross case of bad accounts and careless supervision having been reported from Bermuda. They are glad to note that the Army Council are dealing severely both with this case and also with the one with which the next paragraph deals.
- Q. 5158. Your Committee emphasize the necessity of a thorough improvement, a peculiarly gross case of bad accounts and careless supervision having been reported from Bermuda. They are glad to note that the Army Council are dealing severely both with this case and also with the one with which the next paragraph deals.

#### BARRACK EXPENSE ACCOUNT.

- Q. 5279, sq. 25. At Standerton a chain of incompetency has been brought to light such as, in the opinion of your Committee, ought to be impossible under any new Regulations; and which reveals culpable laxity in first appointments and subsequent supervision.

#### STORE ACCOUNTING IN SOUTH AFRICA.

- Q. 5402. 26. The Comptroller and Auditor-General says that matters are now in a far better condition than at any previous time, but reports that certain adjustments to which reference has been made from time to time in his Reports as final, can now only be regarded as provisional. The finality of these transactions was stated in letters and reports to the Treasury from the War Office, based on information from the General Officer Commanding in South Africa. Your Committee regret that such misleading of the Army Council and of Parliament should be possible.
- Q. 5467. Your Committee regret that such misleading of the Army Council and of Parliament should be possible.

#### SUPPLY ACCOUNTS.

- Q. 5513. 27. The Comptroller and Auditor-General, in reporting the case of a fraud in the diet accounts of hospitals at Singapore, noticed that the "Army Council stated that the officers concerned could not fairly be held responsible for the loss, inasmuch as they had complied with the Regulations which had since been strengthened." Your Committee regret that the Regulations were at first framed so loosely as to admit of the interpretation placed upon them by the officers in charge, which led to the possibility of such frauds being perpetrated.

#### ACCOUNTING FOR STORES AND SUPPLIES ON ACTIVE SERVICE.

- Q. 5560. 28. Your Committee are informed that the Departmental Committee appointed to consider the proposal to dispense with store and animal accounts of field units on active service has presented its Report, recommending that accounting for supplies and animals should not be carried beyond the depots, pointing out that under this arrangement supplies issued to the parks and columns will be treated as final issues to the troops. Advanced depots for medical stores are to be held in the same position as supply parks rather than depots in the ordinary sense, and it is recommended that they should only keep accounts if bulk issues were made to hospitals. The recommendations of the Committee have been adopted by the Army Council, and approved by the Treasury, and your Committee concur in that approval.
- Q. 5560. The recommendations of the Committee have been adopted by the Army Council, and approved by the Treasury, and your Committee concur in that approval.

#### STOCK-TAKING OF ORDNANCE STORES AT WOOLWICH.

- Q. 5587. 29. Your Committee learn that continuous stock-taking will be conducted by officials of the Army Ordnance Department, and the stock will thus be verified every three years, in addition to which the War Office consider it will be possible to carry out a complete independent verification once in every four years.



## STORES UNDER REPAIR IN ORDNANCE FACTORIES.

30. Your Committee are glad to note that a more regular system of account and check on the movement of stores within the factories has been adopted, which ought to result in a sensible reduction of the discrepancies between accounts and stocks which have existed in past years.

Q. 5590.

## MILITARY WORKS ACT.

## THE PURCHASE OF LAND.

31. The Committee appreciate the new table furnished this year, which gives the total cost up to March, 1907, of the various purchases of land, and the valuations made by the War Office before the purchases were begun. They note that the valuation is only given where the purchases have been completed, but they are of opinion that the information might also be furnished where, though the final steps have not been taken, the publication of the valuation would not be against the public interest.

Q. 5618. sq.

## SOUTH AFRICA.

32. The Committee notice, with regard to two matters in South Africa, that the action of the Military Authorities was responsible for two cases of considerable loss. They hope that the newly created appointment of a Major-General in charge of administration may result in fixing responsibility and may obviate such grave losses to the country.

Q. 5757.

## PURCHASE OF FORESHORE.

33. In 1906-7, £17,389 12s. 2d. was incurred in purchasing 2,650 acres of Foreshore at Shoeburyness. Of this, 1,760 acres had been held by the War Office for some years from the owners at a rental of about £10 a year, and a further area of 890 acres from the Office of Woods. In 1900, the owners of the 1,760 acres applied for an injunction to restrain the Department from firing over or using their part of the Foreshore, and the Law Officers advised that the action should not be allowed to come to trial, but should be settled on the best terms. During the proceedings the owners of the 1,760 acres claimed also the 890 acres, for which the Office of Woods had had rental from the War Department for about 40 years. As it was important to retain these areas for Artillery purposes, the War Office agreed to pay £10,115 for the 1,760 acres, and £5,500 for the 890. The attention of the Commissioners of Woods and Forests had been drawn at an earlier date to the claim of the owners over the 890 acres, but they decided that it was not worth while to contest the title. Having regard to the large amount of the claim for the land in question, the Treasury Solicitor suggested that the Commissioners of Woods and Forests should be again approached, so that if their title were made good, there might be a saving of £5,500 to the public.

Q. 5791.

The War Office, however, decided to take no further action. Having regard to the magnitude of the sum involved, your Committee consider that more trouble ought to have been taken to ascertain the exact position of affairs and safeguard the public interests.

## LOSS INCURRED OWING TO CHANGES OF POLICY.

34. In their Report for 1907, your Committee say they hope to recur to this subject when the Comptroller and Auditor-General will be in a position more fully to set out the total loss of public money which, under the loan system now drawing to a close, has resulted in expenditure on projects subsequently discarded as useless. This anticipation has not been altogether fulfilled, for the Comptroller and Auditor-General "regrets that the information at his disposal has not enabled him to carry out the suggestions." While your Committee are aware that questions of policy do not come under their review, they think that some machinery should exist by which losses incurred in consequence of changes of policy should be brought to the knowledge of Parliament. They are aware that in some cases, works, though not used for the purpose for which they were originally constructed, are still valuable for some Army purpose, in which case the loss is naturally not easy to be reckoned, but where works have been definitely abandoned and even land sold, they are of opinion that the result should be brought before Parliament.

## CHELSEA HOSPITAL AND ROYAL ARMY CLOTHING FACTORY ACCOUNTS.

35. Your Committee have no observation to make upon these Accounts.

## ORDNANCE FACTORIES.

## MANUFACTURING ACCOUNTS.

## COMPARISON OF TRADE AND FACTORY PRICES.

36. At present there are various considerations which tend to interfere with a direct comparison of Factory and Trade prices, and it would appear that the recommendations of a Committee on Government Factories and Workshops, presided over by Sir G. H. Murray (which are accepted in the main by the Army Council), will make the comparison still more difficult.

Q. 6142.

The Committee recommend that the normal establishment of the Arsenal shall be fixed at the minimum which will enable the output to be increased on emergency to the greatest possible extent in the shortest possible time. This policy is clearly incompatible with the most economical method

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of production, as it entails the upkeep of unused buildings and machinery maintained with a view to expansion, the cost of which tends to swell the price of the Ordnance Factory productions. Your Committee are of opinion that it is of the utmost importance that in some form the real cost should be shown of articles produced in Government Factories; and, after hearing the evidence from the Accounting Officer and the Chief Superintendent of Ordnance Factories, consider that some means should be devised by which the extra cost of Government productions due to the policy above indicated can be indicated for the guidance of those concerned in the management of the Factories.

OVERTIME—BUILDING WORKS DEPARTMENT.

37. This question is still under consideration, but no recommendation can, at present, be made until the Chief Superintendent has had experience of the new arrangements by which the Superintendent of Building Works has been placed directly under him for all Works services.

APPROPRIATION ACCOUNT.

Q. 5966. 38. The outcome of the Ordnance Factories Account, 1906-7, shows a net surplus of £5,051 5s. 7d. The expenditure was less than the grant by a net sum of £449,818 14s. 11d., and the Appropriations-in-Aid fell short of the estimate by £444,767 9s. 4d.

The above surplus has been credited to the Supplies Suspense Account, bringing it up to £97,532 11s. 11d. This sum is £32,532 11s. 11d. in excess of the maximum of £65,000 approved in 1896, and the Treasury, after due consideration, have allowed the figure to stand, on the ground that £60,000 was brought into the Account in respect of the sale of lands, buildings and machinery, being the first instalment of the total amount of £110,000 for which the Royal Small Arms Factory at Sparkbrook, Birmingham, has been sold; a sum which will be devoted to capital expenditure on the Ordnance Factories, and therefore it was not considered necessary that it should be surrendered to the Treasury; a decision in which your Committee concur, but they attach importance to the limit laid down in 1896, which they consider should not be exceeded except under very special circumstances.

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

Paragraph 1.

An Amendment made.

Another Amendment proposed, in line 11, after the word "vitiated" to insert the words, "And the old Sinking Fund is reduced in one year to the advantage of the Estimates in the next year"—(Mr. Ashton).

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

Another Amendment proposed, to leave out the words from the second word "the," in line 12, to the word "future," in line 13, and to insert the words, "Subject was fully discussed before your Committee last year, and the Accounting Officer then stated that the same conditions as applied to that Account would apply to the Account of 1906-7, and that close correspondence between estimate and expenditure could not be looked for until 1907-8. Your Committee have been assured by the Accounting Officer that this result may be expected in the current year"—(Mr. Bowles)—instead thereof.

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*.

Paragraphs 2—4 *agreed to*.

Paragraph 5.

An Amendment proposed, to leave out the words from the word "consider," in line 13, to the second word "should," in line 14 (both inclusive), and to insert the words, "do not propose, having regard to all the circumstances, to disallow the payment, but this must"—(Mr. Leif Jones)—instead thereof.

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*.

Paragraphs 6 and 7 *agreed*.

Paragraph 8 amended and *agreed to*.

Paragraph 9 *agreed to*.

Paragraph 10.

An Amendment proposed, to leave out all the words after the word "regard," in line 8, to the end of the paragraph, and to insert the words, "this as a satisfactory transaction on the part either of the Colonial Office or of the High Commissioner"—(Mr. *Hobhouse*)—instead thereof.

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 11.

An Amendment proposed, in line 8, to leave out the words "most unfortunate," and to insert the word "blameworthy"—(Mr. *Leif Jones*)—instead thereof.

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

Question, That the word "blameworthy" be there inserted,—put, and *agreed to*.

Paragraph as amended *agreed to*.

Paragraphs 12 and 13 *agreed to*.

Paragraph 14 amended and *agreed to*.

Paragraph 15.

An Amendment proposed, to leave out the words from the word "where," in line 7, to the word "Department," in line 8, and to insert the words "before the limits are varied the consent of the Treasury"—(Mr. *Bowles*)—instead thereof.

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*.

Other Amendments made.

Paragraph as amended *agreed to*.

Paragraph 16 amended and *agreed to*.

Paragraphs 17—22 *agreed to*.

Paragraph 23.

Amendments made.

Another Amendment proposed, to leave out all the words from the word "If," in line 17, to the word "data," in line 19 (both inclusive), and to insert the words "Your Committee recommend that both these methods should be adopted"—(Mr. *Hobhouse*)—instead thereof.

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

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

Other Amendments made.

Paragraph as amended *agreed to*.

Paragraphs 24 and 25 *agreed to*.

Paragraph 26.

An Amendment proposed at the end of the paragraph, to add the words "and that they have no information as to how the Army Council have dealt with the officers concerned"—(Mr. *Leif Jones*).

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

Paragraph as amended *agreed to*.

Paragraphs 27—30 *agreed to*.

Paragraph 31.

An Amendment proposed, to leave out all the words after the word "begun," in line 3, down to the end of the paragraph—(Mr. *Ashton*).

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

Paragraph as amended *agreed to*.

Paragraph 32 *agreed to*.

Paragraph 33 amended and *agreed to*.

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Paragraph 34.

An Amendment proposed, to leave out all the words from the word "While," in line 6, to the word "think," in line 7 (both inclusive), and to insert the words "Your Committee hold"—(Mr. Bowles)—instead thereof.

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 35 *agreed to*.

Paragraph 36.

Amendments made.

Another Amendment proposed, to leave out all the words after the word "Factories," in line 11, to the end of the paragraph—(Mr. Hobhouse).

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

Paragraph as amended *agreed to*.

Paragraph 37 *agreed to*.

Paragraph 38 amended and *agreed to*.

[Adjourned till Tuesday next at Two o'clock.

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*Tuesday, 7th July, 1908.*

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MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Sir George McCrae.  
Mr. Ashton.  
Mr. Bowles.  
Mr. Leif Jones.  
Sir George Kekewich.

Sir Daniel Goddard.  
Mr. Brigg.  
Sir Robert Hobart.  
Mr. Mitchell Thomson.  
Mr. Hobhouse.

DRAFT REPORT further considered.

Amendment proposed at the end, to add the following words as a new paragraph:—

In the course of the examination of these accounts reference has been made to the working of the decentralised system of financial control inaugurated throughout the military service in 1905. Your Committee are informed that the system is working well; that the accounts are presented more quickly than formerly, and that there is an entire absence of friction between the military officers and the accounting staff; that "the military side are turning to the Chief Accountants for advice and assistance with great cordiality," and that the independent position of the accountant officers enables them to give sound and valuable advice to the military officers in their respective commands. Your Committee view these results with satisfaction, and desire to point out that whatever changes may be made at the War Office, and however the powers of the Secretary of State may be divided, transferred, or delegated, nothing should be done to impair the independence of the Accounts Branch, or to lessen the direct financial power and responsibility of the Accounting Officer and his staff. As Director of Army Finance he is charged by the Order in Council of August 10th, 1904, defining his duties, "with advising the administrative officers at the War Office and in commands on all questions of Army expenditure." As Accounting Officer he is the sole judge of whether Army expenditure should or should not be allowed, and nothing but the authority of the Secretary of State, given personally and expressly in writing, under his own hand, can discharge him of this responsibility. Your Committee regard this independence and undivided responsibility of Accounting Officers as essential to the proper discharge of their duties, and to the maintenance of effective Parliamentary control over military administration and expenditure.

Question proposed, That those words be there inserted.

Amendment proposed to the proposed Amendment, in line 8, after the word "satisfaction," to leave out from the words "and desire" to the words "his staff," in line 11 (both inclusive).

Question proposed, That the word proposed to be left out stand part of the proposed amendment—(Sir George McCrae).

Amendment, by leave, *withdrawn*.

Another Amendment proposed to the proposed Amendment, in line 8, after the word "and," to leave out the words "desire to point out that whatever changes may be made at the War Office, and however the powers of the Secretary of State may be divided or transferred, nothing should be done," and to insert the words "express their strong opinion that under no circumstances should any change in the administration of the War Office be permitted"—(Sir George Kekewich)—instead thereof.

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

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

New paragraph, as amended, *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.

The Store Accounts of the Navy were further considered.

Mr. John Forsey, Mr. W. G. Roff, Mr. O. A. A. Murray, and Rear-Admiral S. Eardley Wilmot were examined.

The Victualling Yard Manufacturing Accounts were considered.

Mr. O. A. R. Murray was examined.

The Dockyard Expense Account was considered.

Mr. Marshall, c.B., Mr. W. G. Roff, and Mr. W. E. Smith, c.B., were examined.

[Adjourned till Tuesday, 21st July, at 2 o'clock.]

*Tuesday, 21st July, 1908.*

MEMBERS PRESENT :

Colonel WILLIAMS in the Chair.

Mr. Bowles.  
Mr. Brigg.  
Sir Daniel Goddard.  
Sir George McCrae.  
Mr. Parker.

Sir George Kekewich.  
Sir Robert Hobart.  
Mr. Mitchell-Thompson.  
Mr. Leif Jones.

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

The Committee of Public Accounts have made further progress in the matters to them referred and have agreed to the following Third Report :—

NAVY APPROPRIATION ACCOUNT.

1. The Abstract Appropriation Account shows that a gross expenditure of £33,573,302 was provided in 1906-7, and the actual gross expenditure amounted to £33,262,649 ls. 4d., leaving a surplus of £310,652 18s. 8d. The appropriations-in-aid were estimated at £1,703,802, while the actual receipts amounted to £1,790,561 17s. 4d., or an excess of £86,759 17s. 4d. The total surplus to be surrendered was therefore £397,412 16s. 4d.

VOTE 1.—WAGES, &C.

DEFICIT.

2. The expenditure under Subhead (a) has exceeded the estimate by a sum of £284,502 12s. 10d., for which the Admiralty have shown certain reasons, but it appears to your Committee that so large an under-estimate should not be regarded as excusable, and they trust measures will be taken to avoid it in future.

Q. 6311 seq.

COST OF VICTUALLING SEAMEN WHEN WORKING FOR PRIVATE INDIVIDUALS.

3. It appears that since 1895 the King's regulations have not provided for the recovery of the expenses of victualling, as well as the pay and allowances of officers and men of His Majesty's ships when working for private individuals. While recognising the difficulty in many cases of estimating the exact cost, your Committee are of opinion that the charge to be made against individuals should include this item.

Q. 6434.

## VOTE 4.—MARTIAL LAW.

- Q. 6469. 4. Your Committee are informed that, in compliance with the recommendation of this Committee last year, the Admiralty have discontinued extra pay to the warders of the Simonstown Prison for superintending work done by prisoners in the Dockyard, as being part of their ordinary duties.

## VOTE 8. SECTION I.—PERSONNEL.

- Q. 6517 et seq. 5. Under Subhead (b) of this Vote, there is a deficit of £75,313, which was mostly incurred through certain increases in dockyard wages. Your Committee understand that this increase was made with Treasury sanction, although it had not been included in the estimate of the year, and it appears to have been granted in consequence of an assurance given by the Chancellor of the Exchequer to the House of Commons, and reported to the House in Cd. Paper 2861.

## SECTION II.—MATERIEL.

## CONTRACTS NOT PUT UP TO COMPETITIVE TENDER.

6. In their report of last year, your Committee remarked upon the building of certain ships by the Admiralty without going to open tender. They were satisfied with the explanations then given for those particular instances, and the Admiralty have since assured them that, in all future cases of this kind, Treasury sanction will be duly obtained; but in the course of correspondence, the Admiralty claim that there must be a large number of cases in which to apply for Treasury sanction to forego the usual proceeding of calling for tenders would cause serious delay, and be prejudicial to the public service. While fully admitting that care should be taken to avoid interference with the administrative responsibility of the Admiralty, your Committee are yet of opinion that the procedure of calling for tenders must be observed as the rule. With regard to possible cases in which it is considered necessary to depart from the rule, an attempt should be made to define respectively the classes of cases for which Treasury sanction must be sought, and those in which the Admiralty, as a matter of administration, must be given a free hand.

## EXPENDITURE IN EXCESS OF ESTIMATE.

- Q. 6585 seq. 7. It appears that additional stores were purchased in the year under review "with a view to greater progress in certain shipbuilding works, and incidentally to the relief of the estimates for 1908-9," and your Committee are satisfied that, although this course was facilitated by the probability of a large surplus upon the vote, the expenditure would have been necessary in any case.

## VOTE 9.—NAVAL ARMAMENTS.

## FINES INCURRED FOR DELAY IN THE COMPLETION OF GUN FORGINGS.

- Q. 6827 seq. 8. Your Committee note that fines amounting in all to £1,498 17s. have been waived against certain contractors, but they are glad to be informed that steps have been taken to revise the terms of such contracts from the current year, with the view to making the conditions as to fines more stringent, and the waiver less frequent.

## VOTE 10.

- Q. 6878. 9. Your Committee note that in only two cases have the Admiralty applied to the Treasury for leave to begin new works without Parliamentary sanction. They are glad to hear that it is an established rule, that the powers of the Treasury to authorise new works, or additions, involving increased expenditure to works already begun, in anticipation of Parliamentary sanction, should only be invoked in cases of real urgency.
- Q. 6291.

## VOTE 11.—MISCELLANEOUS EFFECTIVE SERVICES.

- Q. 7249. 10. Your Committee have noticed under this and other heads of the Accounts instances in which improved regulations have been adopted in consequence of some irregularities occurring under the old ones, and they cannot but think that more care might be exercised in the original framing of regulations, and in revising them from time to time to meet altered circumstances.

C. & A.-G.'s Report. Your Committee note that in the matter of over-issues of pay and allowances, and also losses by petty theft, the Admiralty have with Treasury sanction brought their practice into accord with that recently adopted in the Army.

## EXCESS COST OF ERECTION OF A COASTGUARD STATION AT INGOLDMILLS.

- Q. 7605. 11. The Comptroller and Auditor-General points out that in this case out of a sum of £100, retained in lieu of bond under the conditions of the contract, £55 was released and paid over to contractors before completion of the work. He considers that such a release amounts to a waiver of contract conditions for which prior Treasury sanction should have been sought, an opinion in which the Treasury concur. It has, however, been explained to the Committee that the clause in the contract was drawn with the express purpose of allowing such release to be made, and that the Admiralty have taken care that in future contracts the wording is so altered as to make it clear that it will be within the power of the Board of Admiralty alone, and not of the Director of Works, to allow such release.

## APPOINTMENT OF ADMIRALTY OFFICIALS AS ARBITRATORS UNDER CONTRACTS.

12. Reference to this was made in the Report of the Public Accounts Committee of last year, as well as in the Treasury Minute of the 31st December, 1907, founded upon that Report. Your Committee were informed that the Admiralty, after giving the matter very full and serious consideration, and after communication with the Treasury, have decided to adhere to their present procedure, which on the whole works well both for the Admiralty and for the contractors, by the majority of whom it is approved. Your Committee after hearing the evidence see no reason to dissent from this decision.

1st Report  
P.A.C., 1907.

Q. 7616 seq.

## GREENWICH HOSPITAL AND TRAVERS FOUNDATION.

13. Your Committee have no observations to make upon these Accounts.

## NAVAL WORKS ACTS ACCOUNT, 1906-7.

14. The total estimated cost of the Loan Services, which was originally £32,206,933, has since been reduced to £29,840,000. The expenditure to 31st March, 1907, was £25,561,895, which includes the sum of £241,820 charged against Navy Votes prior to the period of Naval Works Acts. The estimated expenditure in 1907-8 was £1,063,254, and in 1908-9, £968,671. These figures represent an expenditure amounting in all to £27,593,820. The difference between this and the total of £29,840,000 mentioned above, viz., £2,246,180, is to be met out of Navy Votes in 1907-8, and subsequent years, and it is intended for the future to provide for all Naval Works Services in Navy Estimates and not by Loan.

## CONTRACTS NOT PUT OUT TO COMPETITIVE TENDER.

15. It was noticed that in contracts entailing expenditure amounting in the aggregate to about £261,000, a further expenditure of £163,000 was undertaken without being offered to competitive tender, in regard to some of which the Treasury stated that they must decline to grant their covering sanction, on the ground that they were not consulted beforehand. Your Committee have been informed that all these contracts were entered into before their Report of 1906 (Third Report, paragraph 19, and First Report, 1907, paragraph 14), and they are assured that no such cases have occurred since that Report, nor will occur again.

Q. 7869.

## STORE ACCOUNTS OF THE NAVY.

## VALUATION OF NAVAL STOCKS.

16. As stated in the Second Report of your Committee for this year, the Army Council, with the concurrence of the Treasury, propose to abandon the Stock Valuation Statement and in lieu to furnish annually a certificate that an adequate reserve of stores is maintained, and your Committee have expressed their concurrence in the proposal. The Admiralty do not propose to follow the same course, and the Inspector of Dockyard Accounts has explained to your Committee that in the case of stores available for shipbuilding purposes (Vote 8) a valuation of the stock balances at the commencement and close of each financial year is absolutely necessary for the purposes of the Expense Accounts which are required to be kept for the information of Parliament under the Army and Navy Audit Act, 1889; an opinion shared by the Comptroller and Auditor General. As regards the valuation of stocks other than Vote 8, the Admiralty, while admitting that they are not indispensable, prefer to retain them, as they are not costly to prepare and are accurate. The Admiralty, like the War Office, on public grounds are not prepared to publish a statement of quantities of stocks, but your Committee think it worthy of consideration whether the Admiralty might not, in the case of victualling, clothing and Naval ordnance stocks, furnish a certificate, as the War Office propose to do, as to the adequacy of the reserves.

Q. 7897 seq.

## LOSSES AND DEPRECIATION OF NAVAL STORES.

17. The total amounted to £96,402 in 1906-7. The reason for the large excess in this year, compared with the total in preceding years, was mainly the depreciation of obsolete and obsolescent stores following a special investigation of Naval stocks.

Q. 7912 seq.

## CHATHAM DOCKYARD.

18. The attention of your Committee was drawn last year to a large quantity of old metal that had been stolen from Chatham Dockyard, and to the fact that a committee had been appointed to investigate the whole matter. Your Committee are informed that no papers dealing with the subject are yet available, but they understand that the Admiralty inquiry has been a very thorough one, not only into the robbery and its causes, but also into the system, and they are assured that the report is nearly completed. It should not fail to be in the hands of the Comptroller and Auditor-General in time for the next Report, so that the whole matter can be dealt with by your Committee next year.

Q. 7965 seq.

## SHEERNESS DOCKYARD.

Q. 8007.

19. The attention of your Committee has been drawn to the case of three feed pumps, originally constructed for Sheerness at a cost of £495, but ultimately appropriated to Gibraltar at an estimate value of £180. Sufficient care does not seem to have been taken in ascertaining the possibility of repairing the old pumps before ordering the new ones, or in settling the details of their construction, and the result has been a considerable waste of money.

## NAVAL YARDS ABROAD.

## DEFICIENCIES REPORTED ON CLOSING OF CERTAIN YARDS.

Q. 8067 seq.

20. In connection with the closing of Naval yards abroad, and the consequent return of stores to yards at home, deficiencies amounting to over £2,000 were written off, but investigations which have since been made by the Admiralty at the instigation of the Comptroller and Auditor-General have resulted in reducing that amount by nearly one-half. It seems to your Committee that the Admiralty were at first satisfied with insufficient investigation.

## LOCAL TEST AUDIT BY STAFF OF COMPTROLLER AND AUDITOR-GENERAL.

Q. 8103.

21. A test examination of the Naval Store Accounts, both of the Malta Dockyard and the Gibraltar Dockyard, was carried out by officers of the Comptroller and Auditor-General's Department, and the result was, on the whole, satisfactory.

## INDEPENDENT STOCKTAKING AT NAVAL YARDS ABROAD.

C. & A. G.  
Report,  
para. 31.

22. The Comptroller and Auditor-General draws attention to the fact that independent surveys of Naval stores were carried out at only five Naval stations abroad in 1906-7, and in those cases only by navigating or other officers, and no independent test stocktakings were carried out either at Malta or Gibraltar. He has therefore raised the question with the Admiralty whether officers of the Expense Accounts Department could not be employed at the chief yards abroad, where such a staff exists, for the purpose of a systematic test stocktaking on similar lines to that carried out at home yards by representatives of the Accountant-General. The principle of stocktaking by independent officers, abroad as well as at home, is of great importance, and your Committee trust that the Admiralty will see their way to ensure its being carried out.

## DOCKYARD EXPENSE ACCOUNTS.

Q. 8227.

23. The original programme of shipbuilding for 1906-7 was revised as set out in the statement presented to Parliament on the 22nd February, 1907, the effect of which was to reduce the estimate for new construction by £387,947, and to increase that for reconstruction, repairs, &c., by £266,543, sea stores by £71,555, and establishment charges by £20,920, the result being a net decrease of £28,920. The issue of the statement at so late a date in the financial year seems hardly to carry out the opinion expressed by the Committee of Public Accounts in their Second Report of 1898, that, "with or without a Supplementary Estimate, Parliament should be informed at the earliest opportunity of any really important extension or alteration of the programme," but your Committee are informed that the verbal statement made in Parliament in July of 1906 was meant by the Admiralty to be in fulfilment of that obligation.

## NEW CONSTRUCTION. PROGRESS IN 1906-7.

Q. 8230.

24. The net saving on direct expenditure on new construction was £390,234. In the case of submarine boats, although the number completed falls short of the programme, the expenditure (direct charges) was £58,041 in excess of the provision, which is stated to be due to greater progress than was anticipated in advancing these vessels as a whole.

## MINOR REPAIRS.

Q. 8299.

25. Your Committee are informed that in future this heading will be amplified so as to describe more accurately the services which are included in it.

## PREMIUM SYSTEM OF PAYMENT OF WAGES.

Q. 8330.

26. The Treasury gave their sanction in April, 1907, to the permanent establishment of this system, but ask that the system may be further reviewed at the end of two years.



## METHOD OF ACCOUNTING FOR SPARE GEAR, ETC., FOR SHIPS.

27. The Comptroller and Auditor-General reports that the suspense headings for spare machinery, etc., to which reference has been made in his reports for the last two years, have now been cleared, and that in future spare gear, unless ear-marked to specific service, will be held on general store charge.

## ACCUMULATION IN READY USE STORES.

28. Difficulty having arisen in identifying large quantities of certain articles which had been accumulating for several years in the Ready Use Store at Chatham, the matter has been the subject of special inquiry, and the particular store has now been closed. Q. 8332.

## TEST AUDIT BY STAFF OF COMPTROLLER AND AUDITOR-GENERAL AT YARDS ABROAD.

29. Officers of the staff of the Comptroller and Auditor-General carried out local tests of the Expense Accounts, both at Malta and Gibraltar, with the result that certain questions of accounting at both yards have been raised with the Admiralty. Q 8394 seq.

Your Committee are of opinion that the question of establishing an independent check over the coaling labour at Malta, as suggested by the Comptroller and Auditor-General, should be further considered by the Admiralty. They are glad to learn that a permanent Expense Accounts Officer and an independent recording system have been established at Gibraltar.

## VICTUALLING YARD MANUFACTURING ACCOUNTS.

30. Your Committee have no observations to make upon these Accounts.

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

Paragraph 1 *agreed to*.

New paragraph to follow paragraph 1 brought up and read the first time as follows:—

On consideration of the Treasury Minute on the Reports from the Public Accounts Committee last year with regard to the necessity of obtaining previous Treasury sanction before proceeding to the extension of an Admiralty contract beyond the limits laid down by Parliament or to the letting of such a contract without competitive tender, your Committee were informed that the Admiralty has agreed to seek such sanction in future in all but "exceptional cases," but that the Admiralty do not want to define what such exceptional cases should be. Your Committee understand that the subject is still under discussion between the Treasury and Admiralty, and therefore do not refer to it at length. But they desire to re-affirm their opinion of last year, that whenever they wish to extend the cost of a contract beyond the limit authorised by Parliament or without direct Parliamentary authority to let any contract otherwise than by a competitive tender, previous Treasury sanction should in every case be obtained—(Mr. Bowles).

Proposed new paragraph read a second time, *agreed to*, and inserted in the Report.

Paragraph 2.

An amendment proposed in line 2, after the word "reasons," to insert the words:—"One of which was the fact that the number of officers and men borne during the year was in excess of that voted"—(Sir Robert Hobart).

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

Paragraph as amended *agreed to*.

Paragraph 3 amended and *agreed to*.

Paragraph 4 *agreed to*.

Paragraph 5 amended and *agreed to*.

Paragraph 6 *disagreed to*.

Paragraph 7 *agreed to*.

Paragraph 8.

An amendment proposed to leave out all the words after the word "year," in line 3, and to insert the words "so that in future the conditions will be more effective, and fines will not be waived unless there is some very strong reason in favour of the contractor, such as circumstances over which he had no control"—(Mr. Leif Jones) instead thereof.

B

7

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*.

Paragraphs 9—14 *agreed to*.

Paragraphs 15—17 amended and *agreed to*.

Paragraph 18 *agreed to*.

Paragraph 19.

An amendment proposed in line 2, to leave out the word “but” and to insert the words “owing to continued alterations in the design, so much delay took place in the provision of the pumps that by the time they were ready for delivery it was found that the Sheerness authorities had had the old pumps repaired and the new ones were therefore not required. They were”—(Sir George Kekewich)—instead thereof.

Question, That the word “but” stand part of the paragraph,—put, and *negatived*.

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

Another amendment made by leaving out all the words after “£180” in line 3, down to the end of the paragraph.

Paragraph, as amended, *agreed to*.

Paragraphs 21 and 22 *agreed to*.

Paragraph 23 amended and *agreed to*.

Paragraphs 24—30 *agreed to*.

New paragraph to follow paragraph 7 brought up and read the first time as follows:—

#### LOSS OF H.M.S. MONTAGU.

Q. 6658.

The attention of your Committee has been drawn to the loss of H.M.S. Montagu. The first cost of the ship, including guns, was £1,048,151. The cost of the attempted salvage was £85,798, and the estimated value of stores lost in the wreck, £48,343.

On the other hand the estimated value of stores salvaged was £108,752, and the amount realized by the sale of the wreck, £4,250.

The total loss, therefore, is £1,069,290.—(Sir Robert Hobart).

Proposed new paragraph read a second time, *agreed to*, and inserted in the Report.

Question, That this 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 and an Appendix.*

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# MINUTES OF EVIDENCE.

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Friday, 14th February, 1908.

MEMBERS PRESENT :

Mr. Ashton.	Mr. Hazleton.
Mr. Bowles.	Sir Robert Hobart
Mr. Brigg.	Mr. Leif Jones.
Mr. Cavendish.	Mr. Kettle.
Mr. Cameron Corbett.	Mr. Parker.
Sir Daniel Goddard.	Colonel Williams.

THE RIGHT HONOURABLE VICTOR C. W. CAVENDISH, IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Mr. J. A. KEMPE, C.B., and Mr. WILLIAM BLAIN, C.B., called in ; and Examined.

*Chairman.*

1. (To Mr. *Blain*.) You have, I believe, some Papers to hand in on behalf of the Treasury?—Yes, I have the Treasury Minutes on the Reports of this Committee for last year and the usual comparison of Audited Expenditure with Exchequer Issues and General Abstract of Appropriation Accounts for the year 1904-5. (*Handing in the same.*)

*Chairman—continued.*

2. So far as Class I. is concerned, the points raised in the Treasury Minute are in regard to paragraphs 1, 2, and 3 and also paragraph 19 of our Third Report of last year?—That is so.  
3. Those chiefly referred to giving more details than used to be given previously?—That is so.  
4. That, as I understand, will be carried out in future Estimates?—Yes.

CLASS I.

PUBLIC WORKS AND BUILDINGS.

The Honourable Sir SCHOMBERG K. McDONNELL, K.C.B., C.V.O., called in ; and Examined.

*Chairman.*

5. I think you answer on behalf of the Office of Works, whose Votes form most of Class I.?—Yes.

ON VOTE 1.

ROYAL PALACES.

*Chairman.*

6. I understand that Treasury sanction has been obtained in every case where there has been excess expenditure?—That is so.

7. In the third paragraph of the Report of the Comptroller and Auditor-General on this Vote, I see there is an expenditure on the installation of Electric Lighting at Hampton Court Stud House amounting to £317 11s.?—Yes.

8. That service, I understand, was carried out by the Office of Works, but the money was to be

*Chairman—continued.*

repaid by the occupier?—Yes, the money was to be repaid by the occupier plus three per cent. interest.

9. And the repayment was to extend over a period of four years, as I understand?—That is so.

10. (To Mr. *Kempe*.) I understand you to consider that this ought to have been placed to a Suspense Account?—Yes, it is not a final charge against the Vote—indeed, it is not a proper charge against the Vote at all. I consider it ought to be

14 February, 1908.]

Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Sir SCHOMBERG K. McDONNELL, K.C.B., C.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—On  
Vote 1—Royal Palaces—*continued.*CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—  
Royal Palaces—*continued.**Chairman—continued.*

be put to a Suspense Account; it ought not to be charged to the Vote Account. If it is paid out of the Vote Account it would be concealed and might be overlooked.

11. If it was not placed to a Suspense Account there would be an annual appropriation-in-aid for four years in respect of this payment?—Yes, it would go into Appropriations-in-Aid.

12. The instalments would appear on the receipt side?—Yes, under the Sub-head Appropriations-in-Aid.

13. Is there any precedent for treating a case of this sort in this way?—Not that I know of. The general practice, I believe, is the other way. In the Army and Navy a thing of this kind is not an uncommon occurrence, and it is always carried to a Suspense Account.

14. (To Mr. *Blain.*) Is that the opinion of the Treasury?—No, I think the Treasury considered that the arrangement which was actually made was a very good one. This work which was done was work on a residence which is in charge of the Office of Works. It is a work for the permanent improvement of those premises, and as such we considered it properly chargeable against the Vote. It happened that owing to the occupier being willing to pay for the work we were able to get these receipts against the outlay, but the Treasury did not think that was necessarily a reason for omitting the charge against the Vote.

15. (To Mr. *Kempe.*) Is it more than a matter of convenience as to the place where this should appear—is there any question of principle involved?—There is a question of principle involved in it in so far as the Treasury has laid down the ruling that this is not to be an ultimate charge against the Vote, but is to be recovered. If the Treasury had not laid down that ruling the ordinary course would have been to recover it by rent—that is to say, to charge the Vote with the expense, and then recover it by adding to the rent. But in this case the Treasury have ruled that it is not to be charged against the public funds at all—it is a private affair, and it is to be repaid by the person for whom the work is done. Therefore it ceases to be a matter of public account, and it ought not to be charged to the Vote at all.

16. You think, in view of this money being repaid by instalments over a period of four years, it should have been placed to a Suspense Account, and then at the conclusion of the four years it would disappear altogether from the Accounts?—Yes, I think it should have been so treated under these circumstances. It does not really belong to the Vote at all—it is done for private purposes. It is true that it is improving public property, but in a case of that kind in the ordinary course it ought to be charged against the Vote as a final charge, and then recovered as rent and not as the repayment of a sum laid out for public purposes.

17. If this were carried out, could a Suspense Account be opened now?—Yes, it could be transferred to a Suspense Account.

*Sir Daniel Goddard.*

18. (To Sir *Schomberg McDonnell.*) May I ask who is the very lucky occupant of this house who gets the public funds to advance money for his service, he making this repayment by instalment, is there any objection to stating his name?—Not in the least. It is Major Wilson who occupies the house, and, as has been explained, he is to pay back every penny with interest at 3 per cent. The wiring and the installation of electric lighting in the house all becomes our property at the close of the tenancy or when the house is given up. Under this arrangement it is put in at his own expense, and we become the proprietors when he leaves.

19. He not only gets free residence as grace and favour, but he also gets the pleasure of using the Treasury as his banker?—He has spent all this money on the improvement of the house, which becomes our property at the close of the tenancy.

20. And he pays 3 per cent. interest, you say?—He pays 3 per cent. interest in addition to the cost of the work.

21. Is that a reasonable rate of interest, do you think, considering that the Bank Rate has been up to 7 per cent.?—This was done before the Bank Rate was up. The Bank Rate was not so high as that at the time this work was done.

22. Supposing for instance (I put it as a hypothetical case) the tenant dies, is there any security for getting the repayment of this money?—Certainly; the next tenant is obliged to take over the obligation.

23. If it had been the case of a poor tenant who would not have repaid by instalments, I suppose you would not have put the electric lighting into the house?—I do not suppose we would; we would not go to that expense in the matter unless we were going to get the money back.

*Mr. Hazleton.*

24. I understand this sum is to be disallowed, is that so?—It is to be transferred to another account, I understand.

25. Is it only to be transferred?—So I understand. It is to be transferred to a Suspense Account, so far as I understood the Chairman's observation just now.

*Chairman.*

26. The Comptroller and Auditor-General reports it for disallowance. (To Mr. *Kempe.*) That is so, is it not?—I report it for disallowance as a charge against this Vote. I do not consider it an improper payment; that has nothing to do with me. I merely say it ought not to be charged against the Vote.

*Mr. Hazleton.*

27. (To Sir *Schomberg McDonnell.*) But I understand the money for this work has been paid?—Yes.

28. Has it not come out of this Account at all?—It has come out of this Account, but it is now to be transferred, as I understand, to a Suspense Account.

29. There

14 February, 1908.]

Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Sir SCHOMBERG K. McDONNELL, K.C.B., C.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Royal  
Palaces—*continued.*CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Royal  
Palaces—*continued.*Mr. Hazleton—*continued.*

29. There is nobody surcharged in connection with it?—Not to my knowledge.

Mr. Bowles.

30. (To Mr. Blain.) I understand the view of the Treasury is that this sum of money is properly chargeable against the Vote?—Yes.

31. I did not quite understand upon what ground you take that view?—At the same time at which the electric light was installed in this house at Hampton Court, the Office of Works installed the electric light in all Grace and Favour residences in Hampton Court Palace I believe, and the cost was charged in every case to the Vote. The tenants who got the benefit were not required to pay the whole of the cost, they were required to pay some small portion in consideration of the benefit they got of having the electric light installed. The Treasury view was that this case was very much on all fours with the general case of the installation of electric light at the Hampton Court Palace residences, the only difference being that in this case the occupier had to pay the whole cost, but we did not regard that as any sufficient reason for altering the mode of charge.

32. Is not the difference really this, that in all the other cases it was an expenditure for public purposes, but in this case it really amounted to a loan for private purposes?—In this case, I think, it is equally an expenditure for public purposes; it is an improvement of this residence for the ultimate benefit of the public. It is true that one individual gets the benefit at the moment, and, luckily, we are able to make him pay all the cost. If he died or disappeared within the next year or two, we hope to get the money back from his successor, but I do not know that there is anything to make us absolutely certain of doing that. (Sir Schomberg McDonnell.) I think it is quite certain. He must pay it.

33. (To Mr. Blain.) What I do not quite understand is why you should get the whole sum back: why should you look to get the whole of the money back in this particular case?—The tenant fortunately was willing and able to pay the whole by instalments. Rather than do without the electric light he was prepared to pay the whole cost, though his successor would share the benefit of it with him.

34. (To Mr. Kempe.) You hold that under these circumstances the amount is not properly charged to the Vote, as I understand?—As the Treasury have stamped it as being a repayable service not finally chargeable against the public, and as the whole is to be repaid, I hold that it should not be charged to the Vote.

Mr. Leif Jones.

35. (To Sir Schomberg McDonnell.) You regard this as an improvement to the house, I suppose?—Yes, undoubtedly.

36. Why did you not pay it yourself, and charge a reasonable rent to represent interest and sinking fund against the tenant?—Because that

Mr. Leif Jones—*continued.*

would be contrary to the Regulations. I must not make improvements of this sort at the cost of the country. The occupant may make improvements if he likes to pay for them, and we may make them for him, and charge him the cost thereof.

37. Why did you make him repay the whole money in four years, when the benefit of the improvement may last, I suppose, for 10 or 20 years?—I do not think it is unreasonable to make it repayable in four years. If he had asked for 10 years, we might perhaps have said 10 years, or possibly longer.

38. You think it is a case in which you have made a good bargain?—I think we certainly did not make a bad bargain—we are not losers by it.

Mr. Ashton.

39. You say that it would be contrary to your Regulations to have charged the country with the cost of such an improvement as this, and done the work yourselves. Was not that exactly what you did at Hampton Court Palace?—There the conditions, as Mr. Blain has pointed out, are not quite the same. At Hampton Court Palace we force everybody to take electric light, whether they like it or not, because of the extreme danger of fire to a very fine building. Hampton Court Palace is an extraordinarily inflammable place, and a place of extraordinary historic value, and, therefore, we make all the residents take electric light, and we forbid them to use lamps or candles. In the case of this house at Hampton Court, it was optional to the tenant.

40. Did you get an extra rent sufficient to cover the cost and interest and depreciation in that case?—No; we charged them with interest upon their fittings—not the cost of wiring.

41. That was done at the cost of the State?—Yes. There it was done as a matter of fire prevention, and not for the pleasure of the people who were living there, so to speak. We did not want them to use gas or inflammable oils.

Sir Robert Hobart.

42. Might I ask what a Grace and Favour tenancy is; are all the apartments in Hampton Court Palace, for instance, Grace and Favour tenancies?—Yes.

43. And at Stud House?—Yes.

44. There are some residences and some apartments?—That is so—some residences and some apartments.

45. In the case of Hampton Court Palace, I understand the electric light was installed for the whole Palace?—For the whole Palace.

46. And you oblige the occupants of the apartments to have electric light?—Yes, we oblige them to take it. We will not let them use candles or lamps, but that is done merely to guard against the danger of fire.

47. But Stud House, of course, is some way off?—Stud House is some little distance off, and

14 February, 1908.]

Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Sir SCHOMBERG K. McDONNELL, K.C.B., C.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Royal  
Palaces—*continued.*CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Royal  
Palaces—*continued.*Sir Robert Hobart—*continued.*

and there the occupier was made to pay the whole of the cost.

Mr. Hazleton.

48. Would you tell me who it is that decides in connection with the expenditure for new works, whether these works are necessary and ought to be carried out—for instance, on Sub-head D, "New Works, Alterations, and Additions," I see there was a Grant of £8,525?—Yes; there was a saving of £707 on that Sub-head.

Mr. Hazleton—*continued.*

49. Is it the Office of Works who decides whether those works are necessary, or how would that be decided?—We should have requisitions sent in, and we should carefully inquire into it and see whether they were wanted or not.

50. Have you special inspectors for the purpose?—Yes, and architects.

51. For these Royal Palaces?—Yes, we have an architect in charge, who is called the Surveyor of Royal Palaces.

## ON VOTE 2.

OSBORNE.

Chairman.

52. There are no observations by the Comptroller and Auditor-General upon this Vote, but I notice in each case there has been an over-estimate?—Yes, they were a little over-estimated—our estimates for next year have fallen in consequence. We have got less amounts taken on all these heads for the coming year.

53. I think the receipts from patients went up?—Yes, that is owing a good deal to the sums which they pay for massage and so forth. We do not give the patients that without their paying for it. There is massage, but the patients have to pay for it, and that is what has caused the increase in our Appropriations-in-Aid.

54. The receipts from patients have gone up, but the item for "Victualling Medical Comforts," and also the item for "Fuel, light, water and household articles," had been both over-estimated originally?—Yes, they were over-estimated, no doubt.

55. I see the note in regard to Sub-head I states: "The usual claim for tithes was not received during the year"—what is the meaning of that?—It was not sent in as it should have been, and it will fall upon the next year.

Sir Daniel Goddard.

56. Do I understand that you have reduced your Estimates by anything like this sum of £2,500 which was under expended on the last year's Estimates?—We do reduce it for the coming year, which will shortly begin. Taking the item for "Victualling," it comes to £5,000; we have reduced that, and "New Works" are, of course, much lower down—they are down to £250, and the others are equally reduced. The item "Maintenance and Repairs" is reduced to £2,300 in the Estimates for the coming year, and the item for "Fuel and Light" is reduced to £2,300.

57. What will be the total as compared with the total last year—will it be about £16,000?—No, it will be less than that; it will be £12,300.

58. That is a great saving?—Yes.

59. Could you tell me how many patients

Sir Daniel Goddard—*continued.*

there are in the place?—At the moment there are about 33 or 34.

60. And what accommodation is there?—There is accommodation, when the house is absolutely full, for 49.

61. Has it ever been full?—Yes; it has. The number depends very much upon the seasons.

62. I want to ask you a question in regard to Sub-head E, New Works and Additions—I see there is an Item No. 7 on page 14, "Work incidental to discontinuance of generation of electric current at Osborne, and transfer to supply from Company's mains," for which you gave an estimate of £850, and you spent £908?—Yes.

63. Was not that an extraordinarily large sum to expend on such an item?—I do not think so. We had some cable, and we had to rewire the whole of the house. The house was all fitted for a current of 100 volts.

64. But, apparently, this expense was simply to transfer it from electric current made at Osborne to a supply from the Company's mains?—Yes, but we had our own generating plant. It was very expensive plant, and it was wearing out. We went into the matter carefully, and we found that we should effect an annual saving of £150, which we are doing. Accordingly, we rewired the house, and connected it with the Company's mains, and ceased to have our own generating station.

65. But why should you rewire the house? Whoever supplied the electric current you would have the same wire, except for the immediate supply, would you not?—Yes, but I do not think the wiring would have stood the higher voltage. The wiring was done some years ago, and it would not have been safe to use it with the higher voltage; so we had to rewire the house.

66. What appears to me is this (you will correct me if I am wrong): You spent £900 for discontinuing the service of electric current from your own supply?—Yes, but we did so in order to save £150 a year. It was not as if we spent it and got no return for it—we effected an economy in



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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Osborne  
Vote 2—Osborne—*continued.*CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Osborne  
—*continued.*Sir Daniel Goddard—*continued.*

in consequence of it. It was not merely turning over from the one to the other. We had got an old system of wiring, and we could not put a 200 voltage upon these wires, which had been put in for a 100 voltage, or we should have set the house on fire.

67. The problem which struck me was this: If it cost £900 to merely discontinue a supply, what would it cost to put in a new installation altogether?—It seems a considerable amount, but we had to rewire the house, as I have explained.

68. I take it, what you really mean is that you reinstalled the house completely?—We rewired it completely—we had to do so. You will understand we did not put in this installation originally. The installation was there, and we took it over and the old generating station. It was driven by gas engines, and we thought the best thing to do was to get rid of all that, and to save the £150 a year.

Mr. Brigg.

69. Do these expenses which we are now considering belong to the Hospital Department at Osborne?—Yes, entirely.

70. There are other parts of the Osborne Estate which do not appear in this account at all?—Yes, there is the Naval College—that does not come in here at all.

71. There is the College and there is the show part of Osborne?—Yes, the show part comes in here, but we have not to do with the College under this Vote.

72. Then everything connected with Osborne is here except the College?—Yes, except the College.

73. This is the Hospital, I understand?—Yes, the Hospital is quite separate from the College. This is the Hospital only.

74. The Hospital and the show part?—Yes.

Mr. Hazleton.

75. Are the total expenses of the Hospital included in this Vote?—It includes the Hospital and the State apartments, and everything of that kind—the gardens, the Hospital, and the State apartments to which the public have access. It has nothing to do with the College.

76. Osborne is not used as a Royal Palace at all, is it now?—Not at all.

Mr. Parker.

77. In regard to Item 7 on page 14, about which an Honourable Member has been asking you some questions, could you tell me what would be the number of electric lamps, so that we could get at the cost per lamp?—I have not got that information with me, but I could get it for you.

78. It seems rather a big amount?—Of course it is to be remembered that it is a big place.

79. It is difficult to criticise the figures unless we know the number of lamps?—I will get the figures made out, and send them to you.

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Mr. Leif Jones.

80. As regards Item J, I see the note says that "The receipts from Patients and the proceeds of the sale of old materials, &c., were in excess of anticipation." Can you tell me how much of that was receipts from patients?—I am sorry I cannot tell you offhand. I can get the information. I ought, perhaps, to explain also that I have got a considerable sum from the sale of surplus hay. There are some ornamental grounds, and we mow them and take the hay. We mowed and got a large supply the year before. This year it happened to be a very bad year, and nobody had got any hay, and by keeping back our hay we were able to sell it at a very good price. I am sorry I have not got at the moment the figure as to the receipts from patients, but I will supply the information later.

81. Perhaps you could give the total receipts from the patients, and also show how much more that was than last year?—Yes.

82. Could you tell me what was the average number of patients throughout the year?—40.

83. When you received more from the patients, was there any difference in the scale this year?—No, the scale is entirely the same.

84. Then it is all due to the fact that there were more patients?—There were more patients, and they pay for special services. If a man requires a special nurse, for instance, he has to pay for it.

85. That would appear here?—Yes, that would appear in the Appropriations-in-Aid.

Mr. Ashton.

86. I notice that your expenditure on Osborne last year was £15,700?—Yes.

87. If you deduct the item for New Works, Alterations and Additions, that makes, roughly, £13,000?—Yes.

88. You say you had an average of 40 patients last year. According to that I make the average cost per bed over £300?—Yes, but there is also to be included the expense of keeping up the State apartments, which, on the average, 60,000 people visit every year. It requires park keepers and attendants, and cleaning, and so forth. The gardens also have to be kept up.

89. Then it is not only the Hospital?—No, it is the State apartments as well.

90. Would it be possible to know what the expenditure is on the one and on the other?—I divide up the figures so far as I can; but I also dovetail the work as much as possible. For instance, when one man is not doing one sort of work, he is put to another. A park-keeper, for instance, would be working as a gardener in his ordinary clothes till the time comes when he has to act as park-keeper. So, too, with the people about the house, I should employ them in one sort of work and another, so as to save expense.

91. Do you find out for your own purposes how much the Hospital costs?—Yes, we have a very fair idea what it comes to per head.

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92. Could

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Osborne  
—continued.

Mr. Ashton—continued.

92. Could you give us that information?—I have not got it by me, but I could get it. I may say that I took the Secretary and the Steward of London Hospital round last spring year, and they gave us a high character for economy. I wanted them to go into it thoroughly, and see how we were doing for economy.

93. Perhaps you would also give us those figures, if you have them?—Yes, I will try to get them.

Sir Robert Hobart.

94. You say you got a good price for your hay—may I ask what it was?—I cannot tell you off-hand.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Osborne  
—continued.

Sir Robert Hobart—continued.

95. May I ask where the charge for making the hay comes in—was it done by your own people?—It was done by our own people. We have had a little extra labour in one year—we had, perhaps, about £10—but we got a great deal more than that from our hay. But I will let you have the figures.

Mr. Brigg.

96. Is this Hospital a Convalescent Hospital?—It is a Convalescent Hospital simply.

97. That alters the cost of maintenance very much?—Yes—there are no operations.

98. It is a Convalescent Home for Naval people?—Yes, and for officers in the Army.

### ON VOTE 3.

#### ROYAL PARKS AND PLEASURE GARDENS.

Chairman.

99. I see there is a new Sub-head opened under this Vote for "Compensation for Injuries"?—Yes. That was due to a man being killed by a deer in Greenwich Park.

100. Do I understand that the country is liable for any accident that occurs in Parks where there may be deer?—I believe the country is not liable, but as an act of grace, it is usual to give compensation when any one is hurt.

101. Was the money given here as an act of grace, and not a legal liability?—It was given as an act of grace.

102. I observe there was no expenditure on the Edinburgh Botanical Gardens, or on the St. James's, Green and Hyde Parks, for the installation of pumping apparatus?—As regards the additional hydrants and water mains at the Edinburgh Botanical Gardens, that was because we could not get the pressure. After a good deal of negotiation with the Edinburgh Water Trust, we gave up the project, and determined to do the best we could without.

103. Was the scheme deferred?—We have not gone on with it. We got over the difficulty by getting hose and dragging it about the ground. We could not get the pressure without building a large tank, which would have been too expensive.

104. As regards the installation of pumping apparatus in St. James's Park, has that been deferred?—That was deferred, and has been carried out since in the current year. We were going to do it, but when we began we found it would cost more. We found we must have a bigger plant, and we put in telescopic pumps.

105. I observe you have an expenditure, which was not included in the original estimate, for making a bridge, connecting the North and Middle Gardens in Regent's Park?—Yes. That was due to a proposal which was suddenly burst upon us by the Zoological Society, who wished to make

Chairman—continued.

this bridge. The bridge cost £1,822, and the Zoological Society paid £1,422, and we paid £400. They practically made a new bridge altogether, and we paid an instalment towards the cost.

106. But could not that have been delayed?—No, and it could not have been foreseen, because they never put forward the proposition until, I think, the end of May.

107. (To Mr. Blain.) That, I understand, received the approval of the Treasury?—Yes.

Sir Robert Hobart.

108. (To Sir Schomberg McDonnell.) Was this injury for which the payment of £100 was made the only injury that took place this year?—It was the only one that I am aware of in this year. There have been other injuries in other years. A girl was killed in the year before this by a falling tree.

109. But this was the only one in this year?—This was the only one in this year.

Mr. Leif Jones.

110. This man who was killed was not employed by you, was he?—No.

111. This was a mere gift to the widow?—Yes.

112. What do you do in a case where one of your own employees is injured; do you come under the Compensation Act?—Yes, we come under the Act.

113. But you do not insure against accidents?—No, we do not insure.

114. Then you would have to pay?—We should have to pay.

Mr. Hazleton.

115. Is the payment for park-keepers' wages up or down this year?—The wages' bill has increased. Our Supplementary Estimate was due to the increase of wages to labourers.

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—On Vote 3  
—Royal Parks and Pleasure Gardens—*continued.*CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Royal  
Parks and Pleasure Gardens—*continued.*Mr. Hazleton—*continued.*

116. The wages were raised?—The wages were raised.

117. Was that within this year?—Yes, within the year under review. That is the cause of the Supplementary Estimate.

Sir Daniel Goddard.

118. As regards Item 5 on page 20, "Alterations to Cottage on the Barge Walk," you had an estimate of £350?—Yes.

119. When the work was begun, you found the cottages were too defective to renew?—Yes, it was impossible to renew them.

120. And you decided then to build two new ones?—Yes.

121. And the cost for those two new ones is put down here as £360. You did not spend £350, but £360?—We spent £360.

122. That was begun without an estimate, was it not?—Yes, I suppose you may say so. It was begun on the Estimate for Alterations.

123. Is that the total sum?—No, there was a further expenditure in 1907-8 of £359.

124. Why is there not a note here to explain that that is an unfinished work, and that there will be some further estimate? As it appears here, you started a new work at £360 without an estimate, and we do not know that there is any further cost?—I am afraid that is a serious omission. We ought to have put it in, undoubtedly.

125. As I understand, you have really commenced a new work which will cost £700 at least?—That is so. There certainly ought to have been a note to say that there was further expenditure in 1907-8 up to £700.

126. Turning to page 22, Item 12, "Two New Foot-bridges" at Regent's Park; I see the cost was £644, and that is very much less than your estimate?—Yes, the estimate was £950, and, therefore, there was a saving of £305 7s. 4d.

127. Is that because you adopted a simpler design?—Yes.

128. Why was not the simpler design adopted in the first instance?—In the first instance this design was produced and approved by the First Commissioner, but we were a little pushed at the end—we had not much time for the preparation of the Estimates.

129. Was the simpler design that was ultimately adopted a design by the same architect?—By the same engineer. He cut it down. We told him "This is too expensive"; and he agreed that we could get a plainer thing and an equally serviceable thing for less money.

130. But you took his estimate in the first instance?—We took it originally. What happens is this: these Estimates are made up in October and November, and, sometimes, as late as December and January. This one came in very late. We had been putting off the evil day in regard to these bridges for a long time. We ought to have got it earlier, I admit, but the Estimate came in very late, and, therefore, we had not time to go

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Sir Daniel Goddard—*continued.*

into it so fully as we ought to have done, and as we did when the Estimate had been passed, and we began to look and see whether we could not do it for less; we then thought we could.

131. You admit it was rather unwise?—We get pushed at the end of the year, I am afraid, sometimes.

132. The effect on one's mind is that possibly sometimes more costly designs are put into estimates than are necessary?—I admit that may happen sometimes, but I hope not often.

133. In regard to the next Item, "Public Footway over Bridge connecting North and Middle Gardens," about which the Chairman has already asked you some questions, you paid £400 as a contribution to the Zoological Society, I understand?—Yes.

134. I think you said that could not have been delayed and could not have been foreseen?—Yes.

135. But is there any reason why you should have paid the money without putting an Estimate in?—I do not know how we could have put it in, because the Estimates were passed then.

136. All that the Zoological Society wanted was that you would contribute something to their bridge?—Yes.

137. If they were very precipitate in seeing the necessity for a bridge which they had not seen before, there was no necessity, was there, for you to go and spend £400 without putting it into the Estimate?—But the Estimate for the year was passed before that time. I suppose we might have had a Supplementary Estimate; that is the only way we could have done it.

138. Or you might have waited till the next year. Why could not you wait till the next year to pay the Zoological Society; it is not a pauper Society?—We should be bound to pay for it during the financial year in which the work was carried out.

139. Does not the Zoological Society get some aid from the State?—I do not know.

140. It does not have the use of the Park for nothing, does it?—No, it pays a rent.

141. I cannot understand exactly why this payment was not held over. I do not see any necessity for starting a new payment like this without an Estimate?—We carried out the work of building the bridge.

142. That makes it still worse?—No, I think not, because the Society put down the money first.

143. What was the great need for having this bridge built then?—I believe the reason was that they had a large consignment of new animals given them, and they were under the necessity of enlarging their ground on the opposite side of the Canal, and, accordingly, they wanted to make a new bridge. We had a small independent bridge there already, which we should have had to rebuild sooner or later, and they wanted to build a new bridge, and we thought it was rather a good bargain, and we said, "Yes, we will pay this contribution towards it."

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Royal  
Parks and Pleasure Gardens—*continued.*CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Royal  
Parks and Pleasure Gardens—*continued.**Sir Daniel Goddard—continued.*

144. The new bridge was made for their convenience?—Yes, and for our convenience, too. I am sorry it was not in the Estimate, but the application for it came in after the Estimate had passed the House of Commons.

145. With regard to Sub-head H1, about which you have been asked some questions, that is the case of a man who was killed in one of the Parks; has it ever been considered whether this Park ought to have deer in it?—I have often thought that deer were rather out of place in Greenwich Park, but the public are very much attached to them.

146. This Park is quite a different place from what it used to be, is it not?—Yes. The public appear to be very fond of deer.

147. The Park is used as a public highway, is it not?—There are paths through it which the public use. I am told the deer were taken away once, and we had to bring them back, so great was the public agitation. That was before my time.

148. *Vox populi* was against you?—Yes.

149. I understand you to say this was not the first accident of this kind that had occurred in this Park?—I think it is the first case of injury by deer in Greenwich Park.

150. I understood you to say in a former answer that a girl had been killed?—In the case I was speaking of, a tree fell upon the girl.

151. Has it ever been considered whether the deer could not be confined during the dangerous season?—I am afraid this was not during the dangerous season—it was not during the rutting season at all. What happened, I believe, was this. A man was sitting in the Park reading a paper, and one of the deer, which are accustomed to be fed, and are extremely tame, came and poked at the man with his horns to attract his attention to get food. The man got frightened, and caught hold of the deer in fear, and it killed him. The man was not very strong, and the shock was too much for him. It was a pure accident.

*Mr. Leif Jones.*

152. Before we leave this Vote, there is one

*Mr. Leif Jones—continued.*

question I should like to ask about these cottages. I understand the total cost of the two cottages was £720?—£719.

153. I think the figures you gave us were £360 in this year, and £359 in the following year?—It is £719 for the two.

154. That is the whole thing?—Yes.

155. That includes nothing for the site?—No.

156. Were any of the old materials of these cottages used when they were pulled down?—I should say not. The old materials would not have been worth much in the case of these particular cottages.

157. What was the accommodation—what sort of cottages were they?—They were for two park-keepers and their families.

158. How many rooms were there?—I should be happy to show you a plan.

159. I should like to see a plan, because it appears to me that they are rather costly, are they not?—I agree, you could build cottages much cheaper, but you have to bear in mind the æsthetic point of view, because these cottages were in a very prominent place on the side of the river, and it would not do to put ugly cottages there. I think that would not have been right. The old cottages were very picturesque.

160. Did you build them?—Yes—that is to say, they were built for us by a Contractor.

161. It does seem a very large sum. I should very much like, either to see a plan, or to know what the accommodation provided is?—Yes; I will let you have a plan and an elevation.

*Mr. Ashton.*

162. Did you get an estimate from different Contractors?—Yes, we put them up to tender.

*Mr. Hazleton.*

163. Is the rent received from the Royal Zoological Society included in the Appropriations-in-Aid?—We receive no rent from the Society. It does not come under this Vote.

164. What Vote would it come under?—I do not know. (Mr. Blain.) They get a lease from the Commissioners of Woods and Forests.

## ON VOTE 4.

## HOUSES OF PARLIAMENT BUILDINGS.

*Chairman.*

165. (To Sir Schomberg McDonnell.) The original Estimate for this Vote was £52,180, and there was a Supplementary Estimate of £11,900?—Yes.

166. A great many of these changes were carried out in consequence of the recommendation of the new House of Commons, were they not?—Yes.

167. (To Mr. Blain.) In each case the Treasury

*Chairman—continued.*

have given their approval where there was an excess?—Yes.

*Mr. Hazleton.*

168. (To Sir Schomberg McDonnell.) In connection with Sub-head E, Police, on which the Expenditure was £3,063, were there any extra Police included in that figure. As we know, there have been a great many extra Police about the

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—Houses of Parliament Buildings—*continued.*

Mr. Hazleton—*continued.*

the Houses of Parliament recently; but I suppose there would not be any extra Police provided for in that figure?—I do not think the circumstances which have brought about the extra attendance of Police existed at the time this money was expended. The Honourable Member will understand that this is only for the Police connected with the building. This would not apply to the Police in the street outside.

169. What does this £3,063 consist of—is it wages?—Yes, it is for the wages of the Police.

170. Is that the total expense?—I think that is the total expense.

171. Whom is this paid to?—It is paid to the Receiver of the Metropolitan Police.

172. How is the charge arrived at; is it so much per man?—So much per man.

173. The Receiver sends in his bill to you?—Yes.

Mr. Bowles.

174. Is £3,063 the total charge for the Police within the building?—Yes.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Houses  
of Parliament Buildings—*continued.*

Mr. Bowles—*continued.*

175. It would be only, I suppose, about 20 or 30 Policemen?—I cannot say exactly how many there are.

176. Turning to the Item A2, on page 26, I see you took £1,800 for making additional rooms for Ministers; do you remember offhand how many additional rooms were made for that sum?—No, I am afraid I do not, but there were a large number.

Sir Robert Hobart.

177. With regard to Item A1 on the same page, Provision of Lift, House of Lords, has that turned out entirely satisfactory?—I believe it is perfectly satisfactory.

178. No complaints have been made about it?—I have not heard of any.

179. I see it cost rather more than you expected?—Yes, that was in consequence of cutting it through, which is always very difficult anywhere in this building, for it is very solidly built, and it is expensive work.

#### ON VOTE 5.

#### MISCELLANEOUS LEGAL BUILDINGS, GREAT BRITAIN.

Chairman.

180. I observe under this Vote there was a saving on New Works, Alterations, Additions and Purchases amounting to £4,691?—Yes.

181. About the biggest saving was at Westminster, where there was an Estimate of £4,000 and an Expenditure of only £681?—Yes.

182. What is the reason for that?—That is entirely due to the law's delays. We had very prolonged negotiations with the Solicitors of the Lessors; they went on for months, so much so, that I went away and tried to get a site elsewhere; but I failed, and had to come back to these people, and ultimately we came to an understanding. That was the cause of the delay.

183. I notice in the case of Oidham there was an expenditure without authority?—Yes, that is so; the reason of that being that we thought it would go for another year, but there were such strenuous complaints that we had to take it in hand.

184. In the case of Swansea on the next page, there was an expenditure of £1,267 without a Vote?—Yes, that is a joint building—a County Court and also Bankruptcy Offices. You will see under Vote 9, "Public Buildings," on page 116, an Item, "Swansea Official Receiver in Bankruptcy." We had great trouble there to get a site, and after passing the Estimate a very favourable opportunity occurred of getting a site, and with Treasury authority we seized upon it.

185. You will remember that last year I asked you a question as to whether you thought the position of the Sheriffs' Court Houses was satis-

Chairman—*continued.*

factory, and then you explained to us that it was a matter that would require legislation, but I notice in this year we had to take an Estimate of £2,400; that is a reduction of what it used to be in previous years?—Yes.

186. Yet we have practically no control whatever over it, as I understand?—We have none. As the Office of Works we have to pay under an Act a certain proportion, and we cannot alter that. Of course, what throws us out is the enormous delay in getting in our accounts, which very often have to be very carefully examined before they are paid.

187. You constantly are having to make an Estimate, and you can never be sure whether the money will have to be spent or not?—We never know quite accurately.

Mr. Leif Jones.

188. I see you are continuing your policy of building new County Court Offices as they are required?—Yes.

189. Have you formed any Estimate of what the total expenditure is likely to be for the entire country?—That would be for England and Wales, leaving out Scotland.

190. Quite so?—I am afraid I cannot tell you.

191. Are you in a position now to know where you are going to have to build, and where you will be able to lease satisfactory buildings?—No, I cannot go so far as to say that, because the demands for accommodation for County Courts crop up quite unexpectedly and increase amazingly.

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Mr. Leif Jones—continued.

Some district which has had only a small number of Plaints for a good many years will suddenly develop an immense number, and then the Lord Chancellor and the Registrar will press us at once to provide accommodation. I cannot see finality at all.

192. Last year you took £3,500 for the purpose, and in spite of the unexpected building at Swansea and the buying of the site, you were still nearly £5,000 under your estimated expenditure?—Yes.

193. That is mainly due to Westminster, I gather?—The saving on Westminster was £3,300.

194. You see no end to this Item at present?—No, I do not.

Mr. Hazleton.

195. These County Court buildings are entirely State authority, are they not?—Yes.

196. They are not used for any other purposes, except legal purposes?—Not that I am aware of. Sometimes we hire premises which are used for other purposes than County Courts.

197. But you get no contribution at all from Local Authorities for the Court House?—No, not for County Courts.

198. Do you know what is the practice in Ireland?—I do not know anything about what practice obtains in Ireland.

Mr. Brigg.

199. Can you tell us whether there is any difference in the rate of contribution from the Government for the Sheriff Court Houses in Scotland and County Courts in England—is there a different rate of contribution from the Government?—The whole system is entirely different. In England we build the County Court right out—there is no question of contribution from the County at all—it is done out of Government money. In Scotland it is done by the local authority, and we make a contribution under Act of Parliament in proportion to the amount spent upon it.

200. You pay a definite proportion fixed under the Act of Parliament?—Yes.

Colonel Williams.

201. The reason of that, I suppose, is because the Sheriff in Scotland tries both County Court cases and criminal cases—it is practically one officer who sits in one Court?—That may be the reason of it, but I do not know—it is rather beyond my province.

202. As regards Items A2 and A5, on page 34, Bradford and Halifax, and the first Item on page 36, Stockton-on-Tees, which are all for improved heating arrangements and ventilation, when a new heating system has to be put in, does the Office of Works take care that the Architect knows something about heating or ventilating, or is he allowed to try any fancy ideas of his own?—No; he is not an Architect at all—it is under a hot-water Engineer of our own.

203. But he is working under the Architect, I suppose?—Yes, but the hot-water Engineer—

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—continued.

Colonel Williams—continued.

working under the Chief Engineer—is responsible for the plans.

204. And the same with the ventilating?—Yes.

205. Surely, it is putting the country to great expense that all this money should be paid for improving heating arrangements and ventilation, unless the buildings are old buildings?—These are all old buildings, where the heating apparatus is obsolete. Our Engineer had nothing to do with the original putting in of the arrangements.

Sir Daniel Goddard.

206. As regards the second Item on page 36, "Swansea—Acquisition of Site and Erection of Building," where there was an expenditure of £1,267, there was no Estimate for that, was there?—There was no Estimate.

207. I see the note there says that the offices were inconveniently situated. You expected to have to find a new house, I suppose?—Yes, we thought it would come upon the following year. We thought we should be able to get the negotiations for the site concluded by the following year.

208. You have already spent more than this, I gather, for in the note you intimate that there is a further payment under the 1907-8 Estimates?—We spent £609.

209. You say in the note, "Provision for further expenditure is included in the Estimates for 1907-8"?—Yes, it is £3,000.

210. What I want to arrive at is, what will this building cost us?—£4,900.

211. Is that the total including this £1,267?—Yes, that is the total.

212. Is it finished yet?—No, it is to be completed this year. As I explained before, it is a joint building. It appears here, and also on page 116, where there is an item for the Official Receiver in Bankruptcy. Taking the two buildings together the total is £7,500.

213. Including the site and the building, you say the total is £7,500?—Yes, for the two buildings.

214. Then, what you have done by this payment of £1,267 is to commit the country to an expenditure of £7,500, without any possibility of its saying "Yes" or "No" to it?—We could only do it with the permission of the Treasury.

215. But is not that what you have done?—I should think, very likely; I think undeniably it is so.

216. It is a very large sum to expend without being put in the Estimates?—Of course, it is impossible to foresee that an opportunity of this kind of getting a site would present itself. We might not have got a site at all, if we had not taken that opportunity. We might have had to wait for two years and paid a very much larger sum. It may be wrong in principle—that is a matter on which we have to go to the Treasury, to settle whether it shall be done or not; but as to the

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—continued.

Sir Daniel Goddard—continued.

the ultimate economy to the country, I have no doubt at all.

217. Is not the Office of Works sometimes over nervous about losing these sites?—I never found myself afflicted in that way.

218. It is not the first time, is it, that they have found themselves involved with a site which they have afterwards abandoned?—That has happened

Sir Daniel Goddard—continued.

—it happened at Ipswich and it happened at Leicester.

219. You will agree with me that it is an undesirable thing to commit the country to this vast expenditure of £7,500 without an Estimate?—I quite agree. I think it is most undesirable. I am only sorry there was not any machinery that enabled us to put it in the Estimate.

## ON VOTE 6.

## ART AND SCIENCE BUILDINGS, GREAT BRITAIN.

Chairman.

220. Under Sub-head B, Maintenance and Repairs, I see there is an excess of £2,377. That is explained as being due to a clerical error?—Yes. The cost of the engineering services was put under the wrong Sub-head.

221. With regard to the Royal College of Science, I see a sum of £24,000 was voted and £20,000 expended?—Yes, that is the case.

222. But there were five new Items opened for which no Estimate had been made?—Yes.

223. Although on the Item for fittings and furniture there is an unexpended balance of some £3,085, there is a considerable sum of money spent upon other purposes for which no Vote was taken?—That is so.

224. Could not it have been foreseen that there would have been a certain amount of engineering work?—It is extremely difficult for us to foresee these things, because what happens is this: When a building is finished and the people are in it, they then come upon us for these new things, some of which are very necessary indeed; but I do not think it can be always foreseen, or generally be foreseen, that they will be wanted. Such a thing, for instance, as this "Provision of Shed"—that was one Item for which £288 6s. 9d. was spent. We had no reason to suppose anything of the kind would be wanted, and I do not think they had themselves either, for they did not ask for it until afterwards.

Sir Daniel Goddard.

225. In regard to Sub-head B, I do not think the note is very satisfactory. I understand that this excess expenditure of £2,377 was due to the cost of engineering services at the Victoria and Albert Museum being by inadvertence included under another Sub-head; is that so?—Yes.

226. The money was charged to Sub-head B ultimately, was it not?—It was charged to Sub-head D, and it has been allocated to Sub-head B.

227. The deficit on Sub-head B was met by the surplus on Sub-head D, is that so?—Yes.

228. That seems a very odd mistake to have occurred. Have you ever known such a thing as that before in these Accounts?—I do not know that I have.

Sir Daniel Goddard—continued.

229. Is there any explanation; was there a new clerk employed, or anything of that sort? It is a serious matter, and I think I am justified in asking whether the Office attribute it to carelessness, or want of attention to business, or what?—Our Engineering Department had not been started very long, and I think the mistake was in some degree due to that; but it is a very unfortunate mistake.

230. Is it traceable to anybody?—Not to anybody in particular, I think.

Mr. Brigg.

231. As regards the Item on page 42, "Temporary Accommodation at Tywarnhail Mine, Redruth," it appears from the note that previously there was a certain amount of accommodation at the disposal of the mining division of the Royal College of Science; but it has now been moved, and it has been taken away for mining purposes, and now we are called upon to erect temporary buildings for the purpose. Have the Government lost the possession of those buildings which they formerly had there?—The explanation is this: they used to give us this accommodation for nothing, and then they wanted it themselves, and they took it away, and therefore we had to provide portable buildings.

Mr. Hazleton.

232. How is it that there are no police charged for under this Vote?—Do you mean for the Police at the Museums?

233. I mean for the Police inside all these buildings?—That would not be upon this Vote. It would be upon the Vote of the Department occupying the Museum.

234. Then why is it that in the case of the Houses of Parliament the charge for the police is put upon Vote 4, as you told us?—I really cannot say, except that it always has been there. The cost of the Police for these Museums is not carried upon our Votes, and never has been, so far as I know.

235. Is it an arbitrary difference in all these cases?—It is not we who make the Regulations.

236. Who

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Mr. Hazleton—continued.

236. Who would decide that?—The Treasury would decide the Department upon whose Vote it should be carried. (Mr. Blain.) In all cases the Police inside the building are charged upon the Department that inhabits the building. That is so in the House of Commons; the Police inside the building are charged upon the House of Commons Vote. The Police who are borne upon Vote 4 are the Police outside the building who are guarding the building and protecting it against fire. They are not the ordinary street Police,

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Mr. Hazleton—continued.

keeping order in the streets, which does not come upon the Votes of Parliament at all.

Mr. Bowles.

237. As regards this mistake between the two Sub-heads B and D, can you tell me what the cost of the engineering services at the Victoria and Albert Museum was?—It was £2,000.

238. So that it really does account for the greater part of the discrepancy?—Yes.

## ON VOTE 7.

## DIPLOMATIC AND CONSULAR BUILDINGS.

Chairman.

239. In the case of the Cairo New Consulate the Grant was £4,000, I understand?—Yes.

240. And yet you have not spent £3,869?—Yes.

241. Last year £2,000 was granted, and you only succeeded in spending £2 19s.?—I do not quite follow.

242. My point is that in the year before this you took £2,000, and you were not able to make practically a beginning; and this year again you took £4,000, but you were only able to spend £130 19s. Is there any reason for this delay, because these Items appear to be repeated in the Estimates year after year, and practically no substantial start is made with the work?—We have had the most extraordinary difficulty in getting that contract at all. That is really responsible entirely for the hanging up of this business. We took £4,000 in 1907-8, and for this coming year, to complete, we shall have £2,500.

243. Will that complete it?—Yes, that will complete it.

244. You have got it actually started?—Yes, we are well ahead now.

245. Then, taking the next case, Dakar, there was a considerable delay over the starting of the Consulate last year?—Yes, that is very much the same case, only it is worse for us, in this way: It being in French territory, in French Senegal, we thought probably French firms would take it up and tender, and so they did, but their tenders were so outrageously high, that we declined them all, and we have gone to work again. That has also delayed us. That is entirely the cause of the delay.

246. Then, take the next case, Lisbon—what is the explanation there?—At Lisbon, it was proposed to alter the Chancery—it was thought to be very badly wanted. A new Minister was appointed, and after a good deal of consultation with him, it was determined to leave the whole thing alone, and let it go on as it was, and see if we could not manage without the alteration.

Chairman—continued.

247. Again, at St. Petersburg exactly the same thing occurred in this account as occurred last year, when a sum of £2,000 was taken for new heating apparatus, and yet you told us that you failed to get English workmen to go there under the existing condition of affairs?—Yes, then a further difficulty arose here at the last moment. The lessor, who is Princess Soltikoff, made the most impossible difficulties about our installing any new system. We did not think we had any right to go and spend a great amount of money on this house, which is on a lease, if the whole heating plant is to be handed over to the lessor at the termination of the lease. She insisted upon these conditions, and, therefore, we abandoned the project altogether.

248. Then, in the case of Peitaho, there was a grant of £1,000, and nothing was expended; what is the explanation there?—That is a question of erecting summer residences in place of those which were destroyed in the Revolution. This total estimate of £2,700 is perfectly delusive—it is no use putting it forward. We did not make the Estimate—it was made by persons on the spot. We have determined to defer it until our new Architect, who has just been appointed, could go there himself and see it, and send a proper estimate for it.

249. Now, coming to the Excesses, there is an excess in the case of the New Embassy House at Madrid of £5,546?—Yes.

250. (To Mr. Blain.) I understand the Treasury refused to give their consent to that?—Yes, at the time.

251. (To Sir Schomberg McDonnell.) The original Estimate was £40,000?—Yes.

252. And it was increased to £46,000?—Yes.

253. The total expenditure has now come out at £51,000?—Yes.

254. (To Mr. Blain.) But the Treasury refused to accept the reasons advanced by the Office of Works?—The Treasury view was that their authority had not been asked as early as it ought to have been for the excess over the authorised expenditure



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Chairman—continued.

expenditure, and that as things had gone so far, they would prefer the question to come before this Committee without their sanction having been given.

255. (To Sir Schomberg McDonnell.) Why was it that the principal architect did not call for a complete return until after the work had been in progress some 15 months?—If the Committee would allow me to state briefly what I think is the cause of this, I should be much obliged. In the first place, I wish frankly to acknowledge that I think myself and the Department are to blame in this matter, in that we ought to have found out earlier what was happening in Madrid. We should not have gone into this extra expenditure without asking sanction, but having said that, I should like, in way of extenuation, to explain what the position was. At the particular date when this work was done we were in a great difficulty which does not now obtain, and which did not obtain in the old days. Before my advent to the Office of Works there was an Architect, a highly-skilled man, who was paid £1,000 a year, who had charge of all our buildings abroad, and whenever work of this kind was required it was his business to go out and travel and supervise the work very carefully. Some years ago, before I came to the Office of Works, that officer was abolished, and we had no person analogous to him at all; we had nobody of the kind. This work, therefore, was entrusted to Sir Henry Tanner, the Principal Architect, but Sir Henry Tanner, being immensely pressed here with all the work that he had to look after, could not go out himself to supervise as much as was desirable, and the result was this unfortunate occurrence. The person who was put in charge of the work was not one of our established officers. We had not anybody to spare. Since this occurred we have instituted someone who does this work, but we had nobody in those days to send, and we had to rely upon this man. He was a very good man for pushing on the work, but he was extremely bad as to finance. I do not wish at all to absolve myself from blame; I ought to have found it out sooner. I repeatedly pressed the Architect for returns upon this matter, and he repeatedly pressed this man who was representing us; but we did not get the figures nor did we learn until the expenditure had been incurred how much we were on the wrong side of the Account.

256. I understand that the work is now finished?—Yes, the work has been finished some time; it was finished last year.

257. You think, with the appointment of this new officer, you will be able to avoid similar cases in the future?—I can only say that in the case of Christiania, owing to this new arrangement, we have saved £2,000 on an Estimate of £26,000; we have carried it out strictly according to our Estimate. And I may say we are engaged now in a purchase where, I believe, equally we shall come out extremely well.

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matic and Consular Buildings—continued.

Sir Daniel Goddard.

258. (To Mr. Kempe.) Are you satisfied with the explanation which has been given in regard to the Madrid house?—I do not think that quite concerns me. I reported the case because the Treasury had not given their sanction, but I do not go behind that.

259. (To Sir Schomberg McDonnell.) I should like to ask a question as to one or two of these Items. On page 46, on Item A5, Boma, I see there was a small Vote of £350, and that was unexpended. It is said that the work was not proceeded with; why was that?—The project of lining the walls with boarding was abandoned. It was due to a change of Consuls; one man came and wanted this work done, and insisted very strongly upon it, and then his successor said that it was not wanted, and so we gave it up.

260. On page 52 there is an Item No. 38, "Works and alterations of an unforeseen or minor character and on change of occupation"; there were some questions asked you last year in regard to that?—Yes.

261. The state of the account is worse than it was last year, is it not?—I do not quite understand in what respect.

262. Was it not the case that you took £1,500 last year, and that you spent in excess of that £5,748? It is referred to in Question 2880 of the evidence of last year. In the year under review you took £1,700, and you have expended £7,211?—I am afraid I have not got the evidence of last year here.

263. What I want to draw attention to is this: there is a tendency for expenditure to grow in these matters. That was the reason you gave last year, was it not, that there were a good many unforeseen works that turned up?—I think that is very probable; that sounds perfectly true.

264. And that there were "a good many changes of occupation"?—Yes.

265. There is still more unforeseen works this year. Does the same explanation apply, or is there any further explanation?—I think that is the explanation, that there were more.

266. If these unforeseen things always amount to £4,000 or £5,000, would it not be best to take a larger estimate?—I think it might be. The largest item is Port Said, where we got a site.

267. In taking so small an estimate in proportion to the expenditure, are you relying upon having surpluses to meet it?—No, I am not. I often wonder where I should be if there was no surplus; I should have to let these things go. For instance, at Port Said I should not have been able to have bought that site.

268. Is it not the fact that this Item is always under-estimated?—Yes, I think it is under-estimated always.

269. I thought it was worth drawing your attention to it, because it makes the estimate and the expenditure diverge so considerably?—Yes.

270. Continuing

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Colonel Williams.

270. Continuing the same subject, a good part of these are remanets from the year before; there are several very large remanets from the year before, are there not?—That is where the work has not been got on with so rapidly as it should have been, and it falls into this year.

271. But that would be one reason for increasing the Estimate for this year for minor and unforeseen works?—Yes.

272. Because these remanets alone amount to some £7,000, do they not?—They amount to a considerable sum.

273. As regards Item 27 on pages 50 and 51, "Ichang," where there is an excess of £120, I see the note says: "The cost of superintendence was greater than had been anticipated." Is there an officer sent out from England, who goes to Ichang?—Yes, we have a staff at Shanghai. We have been obliged also to get European superior Clerks of Works to overlook the work and the cost is considerable, for one reason, because the Chinese persist in poisoning them, and it is extremely difficult to get men to go in consequence. They think that if they poison the person superintending the works, they will then be able to rob and cheat. We have been obliged to institute that system, because, if not, we get such bad work done—they scamp everything.

Mr. Brigg.

274. Referring to a question which the Chairman asked as to the explanation on page 49, with regard to the Madrid building, I think you said that the thing was completed, but I see the last line of the explanation says: "A further charge falls on the year 1907-8"?—Yes, that was last year. It was completed last year.

275. I see it says there was a rise in the rate of Exchange; was that likely to be an important item?—It was very important. It was £2,000, I think.

Sir Daniel Goddard.

276. £1,600 was attributable to loss on Exchange, I understand?—(Mr. Blain.) It was more afterwards. (Sir Schomberg McDonnell.) It is as nearly as possible £2,000.

Mr. Brigg.

277. On page 55 there is an Item for the construction of a new wine cellar; was that at Washington?—That was at Washington, the reason being that when Sir Mortimer Durand was there he represented that he had had wine to the value of £300 destroyed or damaged through the cellar being too hot. He has, of course, to entertain largely, and to keep a large stock of wine, and I thought it was very hard upon him that that should be the case. We did not build the house, but we bought it. The builders appear to have put a hot-water pipe in the cellar. We tried lagging the pipe, and did everything we could to prevent the heat coming through, but it was no use—it still spoils the wine.

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Mr. Kettle.

278. What did you say was the cause of the delay in building the Consulate at Cairo?—Trouble with the contractors. We could not get a trustworthy contractor, and we had to send a man backwards and forwards from Constantinople to go through the business with those who tendered.

279. The work is in hand now, is it?—The work is very much in hand now. It will be completed in the coming financial year 1908-9.

280. How do you manage in these cases; do you advertise for tenders, or make a private arrangement?—We should invite tenders in Egypt.

281. Was this contractor a native Egyptian?—He might be an Egyptian or a Greek. He was a native contractor.

282. On page 48, I see an Item No. 18: "Purchase of Madame Vartini's property." Who is Madame Vartini?—Madame Vartini was a lady who lived in a house just outside the wall of our property there, there was a question of getting extra accommodation—building larger accommodation—and it was found that it would be more economical to buy Madame Vartini's property—that is to say, her house and her garden. I do not know what she was, except that she was a local resident. I should think she was one of those people half Persian and half European.

283. She got £428 16s. more than you expected to have to pay?—Yes. Her property included a house and grounds—it was not only the house. We went to arbitration upon the matter. The British and Russian Consuls met and went into it.

Mr. Hazleton.

284. In connection with the Madrid Embassy House, would this cost of £51,000 have been less if there had not been what the Treasury call defective methods?—I think had I been able to have a man on the spot the whole time, he would probably have prevented some waste of money. I do not think our supervision was all that it should have been.

285. Would the difference have been a serious amount?—No. I do not think it would have been a large amount.

286. Does the Treasury propose to sanction this extra expenditure now?—I do not know.

287. They have not decided?—No. (Mr. Blain.) If the charge is now passed by the Committee there would be no necessity for Treasury sanction.

288. Does the sanction of this Committee do instead of Treasury sanction?—Yes, the charge would stand, unless the Committee were to recommend that it should be disallowed.

289. (To Sir Schomberg McDonnell.) But generally in connection with all these foreign Consulates, is it the Office of Works that has the supervision and control of the buildings in various parts of the world?—Yes, that is so now in every case. As I say, it was not so at the time when this unfortunate incident at Madrid took place; that

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Mr. Hazleton—*continued.*

is to say, we had the control of it, but I had no person to supervise and really control it. But I have now.

290. Would that only apply to a few of the principal Embassies throughout Europe?—No. We have a man, for instance, at Teheran, who looks after all our buildings in Persia, and we have a man at Constantinople who looks after Constantinople, Smyrna, Egypt, and Athens.

291. What is the procedure in distant places; does the Consul advise for certain new works to be done or make certain recommendations?—Perhaps I might take China as a concrete example. We have a staff at Shanghai—three architects, that is a Head Architect and two minor ones. The Consul sends in his requisition for what he wants. Supposing he wants a house, if the Architect sees a good bargain for a site he buys it, and then, after he has visited the spot, he will send home an estimate of what the work will probably cost, and will also say whether in his opinion the Consul could go on living for a time as he was without a house. A good many applications for houses are made and some are not granted. The Foreign Office if they thought it very necessary would press us and the Treasury to have a house built in a particular place as trade develops there.

292. Or making improvements?—Yes.

293. And you would get the work carried out locally?—Yes.

294. In the best way you could?—Yes.

Mr. Bowles.

295. About this Madrid incident, as I understand you made an amended Estimate in June, 1905, for building works and for furniture amounting to £18,100?—Yes.

296. That was sanctioned by the Treasury?—Yes.

297. Thereupon in August, 1905, or thereabouts, you began work?—Yes.

298. And it was only in November, 1906, 15 months later, that any sort of inquiry was made by your Department as to what the state of affairs was at Madrid. Is that so?—No, that is not quite the case. There were inquiries made, but I admit they were not sufficiently exhaustive. Sir Henry Tanner visited the place once within that time and was quite satisfied up to that time that all was perfectly straight, and indeed up to the last moment he was perfectly satisfied that he had a saving on the amount provided.

299. That is to say, in November, 1906, until you saw the true state of affairs, his belief led him into an error of many thousands of pounds?—Yes, that I frankly admit is the case. I may say with regard to our present procedure we have now a quarterly return of all the expenditure and all the liabilities, and if it is in a distant part of the world the information is telegraphed to us.

300. But although it is clear that you had not anybody of very great competence at Madrid representing your Department, still you must

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matic and Consular Buildings—*continued.*

Mr. Bowles—*continued.*

have had somebody there, I suppose?—Yes, we had a representative upon the spot.

301. Had you put no conditions upon him requiring him to tell you how things stood from time to time?—Yes, but he was equally entirely at sea. As I said, he was very good at the actual work at drawing, and so forth, but bad at figures, and I do not think he knew in the least where he was.

302. Was he an Englishman?—He was an Englishman sent out for the purpose. But we had nobody of our own to send; we had to send anybody we could.

303. Was this person an officer of your Department?—No, he had been employed before by our Department, but he had no special knowledge of this kind of thing.

304. He was a sort of superior foreman, was he?—A sort of superior Clerk of the Works.

305. He was a good practical man, but he did not really understand the books, I take it?—He did not understand the books.

306. I suppose the fact that you in London were really in complete ignorance of what was going on explains your failure to refer to the Treasury?—That is so.

307. You had not the slightest idea of this?—No, on the faith of our representative out there we were assured that there would be a saving on the building. I was entirely misled. I do not wish to exonerate myself at all; I ought to have found it out before, but it was extremely difficult to do so in those days with no machinery at our disposal.

Mr. Leif Jones.

308. In regard to Item A2, on page 46, I see the explanation says that "The Estimate of £450 was of a tentative character." What does that mean?—It means that it was not made by one of our people. It was made by somebody on the spot before our architect went there.

309. Was it an estimate of what it ought to cost?—It was an estimate, but it was made by people on the spot, not by our officers. That sort of estimate is very illusory, and we should not accept it now. If a Consul sends in a plan, and says that a building is going to cost so much, we do not accept it offhand; we wait until we have had the plans examined by a competent man.

310. The note says that "The additional cost has been largely met by the partial postponement of the Service provided for under A4." Has that been since done?—Yes, that was done in 1907-8, at a cost of £104.

311. Then, taking Item 8, "Copenhagen: Adaptation of two rooms for ball room," where the expenditure was £833, is not that a very large sum for the adaptation of two rooms? What was done there?—It was an old house, and of course old houses are more difficult to pull about than others. It was a fine house; but there was no ball room in it, and it was necessary

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Sir SCHOMBERG K. McDONNELL, K.C.B., C.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—Public Works and Buildings—Diplomatic and Consular Buildings—*continued.*

Mr. Leif Jones—*continued.*

to have one. I do not think it was really extravagant. There the work was very carefully overlooked and very carefully watched. We sent out a man frequently.

312. I see the expenditure is very near the estimate. Then, taking Item 10, "Dakar," there, as you have told us already, you could not accept the French tenders because they were so excessive?—They were enormously high.

313. Will you tell me what the lowest of them was?—I cannot say offhand, but I think it was more than double what we thought it ought to come to.

314. How did they compare with the actual cost; what is the total cost?—The total cost will be £7,400.

315. Then the estimate is under the total cost?—Our total estimate is £7,476. The lowest of the French tenders was, I am sure, double that—I think it was more than double.

316. Is the building complete now?—It is to be completed this year.

317. Do you think it will be under the estimate?—Yes. Dakar is a case where there is a revised estimate. The revised estimate for Dakar is £9,000—the original estimate was £7,000. The Expenditure this year, as you see, was £1,063, and the Expenditure for the following year, 1907-8, is £4,737. The total revised estimate is £9,000.

318. You are not certain yet that that will be the whole cost, are you?—Yes, I am. At least, I have very good reason to think so from the last account of our Expenditure and Liabilities.

319. Turning to page 54, under "Washington," I see an Item, "Enclosing open porch, £341." That was, as I understand, a kind of glass porch. Is not that a very great deal of money to spend for such a thing; is it a very extensive porch?—It is very extensive, and it had to be dealt with architecturally because it is right in front of the Embassy. It is the great entrance to the Embassy; the carriages drive up there, and there was great complaint of the cold in mid-winter, which is the entertaining season. Now the carriages drive into a glass box as it were.

320. The next Item is the construction of a new wine cellar, £469; that seems a great deal of money?—Yes; but work is expensive in America.

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Class I.—Public Works and Buildings—Diplomatic and Consular Buildings—*continued.*

Mr. Leif Jones—*continued.*

321. We have heard that you can house a park-keeper and his wife and family for £360. It seems a great deal in comparison with that?—Yes. If my memory serves me, I think in making this wine cellar we tapped a spring of water, which is an unusual thing in a wine cellar, and that added very much to the cost.

322. Is this a very large wine cellar, put up in view of the rumour that Washington was about to become a Prohibition territory?—I do not know, but I think Ambassadors are exempt.

Sir Robert Hobart.

323. In regard to the case of Christiania on page 47 I see the note says: "A further charge will therefore appear in the Accounts for 1907-8." That, of course, has been taken in the estimate?—Yes.

324. Is the work now completed?—Yes, it is all completed, and the house is in occupation.

325. Was it completed within the original estimate?—Well within the original estimate.

326. Then as regards Item 9, "Crimean Cemeteries," is that work completed yet?—Yes. There is always some work going on—works of maintenance—but that particular work of the new boundary wall is completed.

327. May I ask two further questions about the new Embassy house at Madrid? I see a great deal of stress is laid upon the question of the increase of expense on the furniture?—Yes.

328. What happened about the furniture; was the old furniture turned out?—When we came to move the old furniture a good deal of it was found to be extremely bad; it did not come up to expectations at all. We could not examine it before because the Ambassador was in residence and some of the furniture was big settees and things which were fixed to the side of the room. I had a lot of it done up and used in various ways. For instance, there were some immense mirrors which did not fit in anywhere in the new house and could not be got in at all, and I sent them out to Japan.

329. Was it fine old furniture?—No, it was not fine—some of it was old, but none of it was fine. Some of it was in much worse repair than we thought.

(The Witnesses withdrew.)

Friday, 21st February, 1908.

MEMBERS PRESENT :

Mr. Cavendish.	Mr. Leif Jones.
Mr. Bowles.	Mr. Kettle.
Sir Daniel Goddard.	Mr. McCrae.
Sir Robert Hobart.	Colonel Williams.

THE RIGHT HONOURABLE VICTOR C. W. CAVENDISH, IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Mr. J. A. KEMPE, C.B., and Mr. WILLIAM BLAIN, C.B., called in ; and Examined.

CIVIL SERVICE ACCOUNTS, 1906-7.

CLASS I.

ON VOTE 8.

REVENUE BUILDINGS.

The Honourable Sir SCHOMBERG K. McDONNELL, K.C.B., C.V.O., recalled ; and further Examined.

*Chairman.*

330. (To Mr. Kempe.) I think the first five paragraphs in your Report deal with the variations between Estimate and Expenditure?—Yes.

331. (To Sir Schomberg McDonnell.) In the case of these Revenue buildings, your office principally acts as agent I presume?—That is so.

332. I do not wish to go through all the various Votes, but I wish especially to take now the Post Office Buildings. At the bottom of page 68 I notice that there was an estimate for works in progress in the London district of £112,270 ; that is the correct figure is it?—Yes.

333. And the total expenditure in the year was £69,254?—Yes.

334. Then if you would not mind turning to page 84, I see for minor and unforeseen works in the same district, that is the London district, the Vote was £11,000, and the expenditure was £42,346?—Yes.

335. From that you see on specified works for which estimates had been made, there was something like £43,000 underspent, and on minor and unforeseen works, the expenditure was practically very nearly four times the original Vote?—Yes, that is the case.

336. Is it not possible that more correct estimates could be formed when the original estimates are prepared?—I think the difficulty was that in that

*Chairman—continued.*

year we had a good deal of delay with some very large works, and that in consequence we went to the Treasury and represented to them that the Post Office were pressing very strongly for certain minor and unforeseen works to be begun ; and with the Treasury consent we did it.

337. I notice that in the specified works a considerable sum of money, I think £40,000, was taken for the new King Edward VII. General Post Office?—Yes, a very large sum, £40,000.

338. And I think a little over £2,000 was spent?—Only £2,200. That was due to a very long delay in the settlement of the plans, which were altered to meet alterations in the requirements. We were particularly anxious not to go ahead until we had got all their requirements most accurately stated, because of the impossibility and expense of cutting away, and so forth, and adapting afterwards. We have had perpetual delays on this subject, the King Edward VII. Post Office building. The delay is not due to us in any degree at all.

339. On the other hand, amongst minor works, I notice at the bottom of page 88 that a sum of £23,000 was taken for the enlargement of the Paddington District Post Office. Thus on one post office there was practically twice as much taken as for the whole of the minor works?—Yes, there was a difficulty there in obtaining possession

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Sir SCHOMBERG K. McDONNELL, K.C.B., C.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Class I.—On Vote 8—Revenue Buildings—  
*continued.**Chairman—continued.*

possession of the occupied houses in the neighbourhood. We did not anticipate that we should have got them so soon. In January, 1906, after the Estimate had been submitted, the Post Office were particularly insistent in this matter, both with the Treasury and ourselves; they insisted very strongly both with the Treasury and ourselves that this must not be put off, and we got special Treasury authority to begin in May, 1906, the reason being that we had to hand over some houses in that street to the Great Western Railway Company at a fixed date. I think the point you wished to insist upon was that the expenditure ought to have been foreseen?

340. Yes?—Quite so. That is our explanation of it.

341. Because I observe in the note appended to it, "Provision for further expenditure is included in the Estimates for 1907-8"?—Yes, there is £26,000 in the Estimates for 1907-8. That was the reason; we did not expect that we should start till the following year, till the year after this year now under review. We were expecting to make provision for it in the following year, but matters went more quickly than we thought, and with special Treasury authority we started at once.

342. The following figures I have had to take out, and my additions may not be correct, but I think they are substantially so. In regard to post and telegraph buildings in the country, apart from London, I have added up the sum, and I find that the Vote amount to a little over £247,000, and the expenditure to £200,902, a difference of £46,000. Those figures are not given anywhere, but do you know whether that is the case?—I should say that it would be about that.

343. Equally on the minor and unforeseen Items, the original Vote was £11,155 and the expenditure £20,468, I think?—Yes, it would be about that.

344. I do not wish so much to deal with any individual items here, but is it not possible that Parliament should be placed in the position of having greater control over what is voted?—Nobody would like it better than I should, because I can only say that all this unforeseen work gives us endless trouble, and the greatest possible inconvenience. It is not our doing. It is done on the earnest representation of the Post Office.

345. It is due to the policy of the Post Office?—It is due to their work being very much in arrear. They have a long list of things pressing; they do not get nearly all of them put into the Estimate for one year, because there are such an immense number of them; but if there is money outstanding, they will urge the Treasury, and the Treasury will consent if it is a good case, to begin upon one of these unforeseen works.

346. (To Mr. *Blain*.) I believe all these cases have received Treasury sanction?—Yes.

347. And they have all been investigated in full detail?—Yes.

348. Do you see any means whereby better

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8.—Revenue Buildings—*continued.**Chairman—continued.*

Estimates could be made in the future?—The position, as the Treasury see it, is that every year when this Estimate is framed the Post Office have a list of new building requirements which they are pressing in excess of the amount that the Treasury is prepared to ask Parliament to provide; therefore, the Treasury has to insist upon their cutting down their requirements for the particular year to those which are most essential. Then what happens during the year so often is that some of these works that were considered most essential, they find they cannot make progress with; perhaps they cannot get the site, or a difficulty arises about the plans. Then the Treasury takes upon itself the responsibility, if it thinks a sufficiently good case is made out, of allowing some of the money saved in that way to be spent on other works which they had to cut out at the beginning of the year. I am afraid that any other plan would be very detrimental to the Service.

349. You do not think it is possible for the Post Office to be able to make a better forecast of what they are capable of doing?—The Treasury is always urging it upon them, and reproaching them strongly when these cases have come up. (Sir *Schomberg McDonnell*.) I might say that I think it is probable that in the year just coming to an end, and in the coming year, much greater progress will be made with the Works for which accurate estimates have been furnished and submitted to Parliament, and therefore the amount of unexpended money will be very much less for 1907-8 and 1908-9.

*Mr. McCrae.*

350. Would you turn to page 100. I want you just for a moment to look at the totals for new Works. The Estimate of Expenditure for new Works amounted to £380,000, is not that so?—Yes.

351. And on that Estimate you only spent £276,000?—Yes.

352. Leaving unexpended £114,870?—Yes.

353. Now, can you not give any more detailed explanation of such a very large discrepancy, nearly 30 per cent. underspent?—By going all through the various Items, and describing them to you in detail, I could—in fact, it is obvious from the figures where the delays have taken place, and I could explain them in detail to you.

354. I will come to that by-and-by. Therefore you underspent on this head alone, £114,000?—Yes.

355. Then you overspent £61,800?—Yes.

356. For which you had no Parliamentary sanction?—That is so. But we had the sanction of the Treasury.

357. The point I wish to emphasise is this. You spent £61,800 without the sanction of Parliament, but with the concurrence of the Treasury?—Yes.

358. Now in London alone, as the Chairman has pointed

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8.—Revenue Buildings—*continued*.Mr. McCrae—*continued*.

pointed out, you saved £43,000; there was £43,000 unexpended?—Yes.

359. And you made up for part of that by expending on minor works for which your Estimate was £11,000, £42,300?—Yes.

360. Do not you think that spending £31,000 in excess on an Estimate of £11,000 (that £31,000 not being sanctioned by Parliament), really makes these Estimates for any practical purpose of no use whatever?—I do not like it any more than you do, but I cannot help myself.

361. Would you agree with me (exactly what is wrong I want to get at by-and-by) that these Estimates, as a guide or test of expenditure, are practically valueless?—As a test of expenditure, no. But on that matter of principle, I think it is obvious that these particular details have not been submitted to Parliament; that I admit at once.

362. Now let us turn to the Comptroller and Auditor-General's Report on page 103. We have on page 102 a long list of those Estimates which have not only not been exceeded, but on which under expenditure has taken place; but I wish you to turn to page 103, where there has been excesses on Works in progress. If you add the grants (these are detailed by the Comptroller and Auditor-General), we find on those five items the Estimate was £23,400?—Yes.

363. The excess on that is £12,666?—Yes.

364. There is an increase there on those five separate Works of 50 per cent.?—Yes. I would like to point out that it is not an increase in the total cost; it is an increase in the expenditure for that year.

365. I am taking the separate Works. There is an increase on those particular Works over your Estimates?—Yes.

366. It is the Estimates that we are dealing with?—Yes, the Estimates for that year.

367. On an Estimate of £23,400 you have been £12,666 out?—Yes, we have spent more to that amount.

368. Now if we turn to the details of that, in the Northern District on page 68, K3, the total Estimate was £4,500?—Yes.

369. And there is an expenditure of £6,600 in round figures?—Yes.

370. And the explanation given is that the progress of the works had not permitted of so much expenditure as had been anticipated?—Yes; in the year previous to this under review.

371. If we turn to the next Item, K4, we have there an Estimate of £6,000 and an expenditure of £9,700?—Yes.

372. The reason given there being that the total cost chargeable on the year was greater than had been anticipated?—Yes.

373. Now I want particularly to refer to K21, on page 72, the Buxton New Post Office. The Estimate there was £500?—Yes.

374. And the expenditure was £1,053?—Yes, that is so.

375. That is an increase of 100 per cent.?—Yes.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8.—Revenue Buildings—*continued*.Mr. McCrae—*continued*.

376. And the explanation given is that a revised scheme was adopted which increased the cost?—Yes.

377. Can you give us an explanation of how that scheme required to be revised?—In that particular case we had a long and considerable controversy with the local authorities, and the plans had to be revised. We and the local authorities could not agree upon the question of the elevation and also of the general style of the building, and after a good deal of controversy, we did alter our scheme, and it was a more expensive one than it had been originally. This question did not arise until after we had begun the work.

378. Then was the increase in cost entirely due to requirements insisted upon by the local authority?—Mainly, and also to our liability of £125 to the Contractor in consequence of the delay.

379. Then, apart altogether from that liability of £125, there was an increase of £400 on an estimate of £500, due entirely to requirements insisted upon by the local authority?—No, not due entirely to that. I think we spent more money on that this year than we should have done, that is to say there was something spent in the year before and this was to finish it; I think we pushed on to get it finished; having been stopped we spent more rather than have anything fall upon the next year too, because there was nothing taken in the year 1907-8. The increase on the total cost is, I think, £370.

380. Do you not agree that there are two things here. First, there are great discrepancies on individual items, and then a very great discrepancy in the total. I think you said that the Post Office had a difficulty in forecasting their expenditure, or was it Mr. Blain who said that they had some difficulty?—(Mr. Blain.) The Post Office are not allowed to have all the buildings that they require provided for on the Estimate for a particular year. Then the difficulties that arise afterwards in carrying out those works that are provided for may be either on the part of the Post Office acquiring sites or may be on the part of the Office of Works, difficulties about plans or with contractors.

381. But do not you think that with a little more care, we could get a much nearer Estimate than within £114,000 of the actual expenditure on the works which they say are pressing and require to be gone on with?—I think the amount is very exceptional in this year, and as has been pointed out, there have been one or two very considerable individual works, particularly the General Post Office case, which made a difference of £38,000.

382. But is it not the case that every year there is a considerable discrepancy, to put it no higher?—Yes, always, and I think it is inevitable. I do not see how it can ever be avoided when you have to make estimates for a work of this kind so long ahead. (Sir Schomberg McDonnell.) We make estimates as long ahead as November, and then

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8.—Revenue Buildings—*continued*.Mr. McCrae—*continued*.

then by the end of the year, the 31st of March, the situation may have changed very much. In this very Buxton case, if we had not gone on and spent the money and got the work finished, we should have had to hang it up to next year, and it would have cost us very much more in the long run.

383. That always is the excuse urged by Contractors—in my experience it has been so, but what I put to you is this: This large margin that they have undoubtedly every year on their Estimates enables them to undertake expenditure for which they have no Parliamentary sanction. This expenditure under review has amounted to £53,000?—Yes.

384. Surely some system could be devised by which a Supplementary Estimate should be necessary above a certain amount. I certainly think that to the extent of £53,000 on the Estimate of what we have before us is rather stretching the power of virement; because although it may be necessary under certain heads, I question whether under a power of virement you can without the sanction of Parliament make such a large alteration, even with the sanction of the Treasury. Of course that is a matter for the Treasury to consider. But have you any suggestion yourself—you have been accustomed to all this work; you see the difficulties that the Post Office have, and there may be difficulties as between your Department and the Post Office. Have you no suggestion at all to make whereby this may be avoided?—I have this suggestion to make, that I think in the year 1907-8 a great difference will be apparent. The unexpended money on the works actually in progress and to be begun will not be nearly so large, and consequently the excesses on the unforeseen works will not be so large either. It is very largely now with us a question of staff. We have more staff to deal with these Post Office buildings now, and we have every reason to hope that we shall be much nearer the Estimate in the year that is just ending.

385. But does it not come to this—that from the fact of your not having so much to spend you will take care that you will not exceed the Estimates under other heads?—No, I shall have more to spend, but I shall have more people to spend it.

386. With your margin under your Estimate, you will spend up to nearly your Estimate?—I hope so.

387. Then not having a balance as you have here of £114,000, you will be very much more careful in giving sanction to works which do not appear in the Estimates?—It is just this way. When the Post Office come to us and say, You ought to spend so much under this Vote on this building, or the other building, but you will be unable to do so, and there will be a lot of money in hand, some of which ought with the consent of the Treasury to be devoted to starting some of these buildings which are urgently pressing, owing to the arrears caused in the time

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8.—Revenue Buildings—*continued*.Mr. McCrae—*continued*.

of the South African war—when that happens obviously the Treasury will see that the money is not there, and say, You cannot do it, because the money is not there.

388. So that really it comes to this, the argument for this excess of £53,000 is that you had this £114,000 in hand, and thought you might spend some of it?—If a work is very urgent and the Department is pressing us to do it, all we can do is to go to the Treasury and put the case before them, and say, Do you think this case sufficiently urgent to spend this money or not; and if they think it sufficiently urgent we should do it—not otherwise.

389. Supposing that you had no balance available, and the work was urgent, what would you do?—We could not do it; there would not be any money to do it with.

390. Which brings us back to the same point, that it is this balance in hand on one work which has been the reason of the excess on the other?—Yes, if you like to put it in that way. It is not exactly the case, because if the balance was not there, it could not be done; therefore, I would not precisely say that that was the cause.

Mr. Leif Jones.

391. Does it not rather amount to this: You have taken this very large sum of £380,000, and you have made a list of the most urgent works, and if for any cause you do not carry out any of those works you go on to the next most urgent. Of course, there always will be some unforeseen works, but practically you have a long list of works of which you think you will do a certain amount in the year for which you frame the Estimate?—Yes.

392. If for any reason you cannot go on with any of those works in your urgent list for that year, then you proceed to others in the list which have not yet been presented to Parliament?—We go to the Treasury and say, We think we should spend money on these others if you think the case sufficiently urgent.

393. So that practically it really does come to your having a long list in your own mind or your own books, some of which you present to Parliament, and then if you do not carry out what Parliament has sanctioned you go on without the sanction of Parliament, with the sanction of the Treasury, to the next lot, which would naturally have come up in Parliament in the following year?—Yes, or which would have been put in for the current year had there been room. (Mr. Blain.) But that Treasury sanction is not given as a matter of course; far from it.

394. Do you recognise this long list of works which are sooner or later going to appear on the Estimates, and provided they are there and that the work is one which it is probable Parliament would sanction, do you then give your sanction or do you say, Well, last March this was not sufficiently urgent for us to put it into the Estimates, and therefore we do not think that another

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On Vote 8.—Revenue Buildings—*continued.*CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 8.—Revenue Buildings—*continued.*Mr. Leif Jones—*continued.*

six months can matter; we will wait for the new Estimates?—When the original Estimate for the year is framed the Treasury is never able to decide this question simply with a view to the requirements of the Post Office. If they admitted into the Estimate of any year all the cases for which the Post Office are able to make out sufficient necessity, it would require a Vote much larger than the Treasury would be prepared to present to Parliament for the Service; therefore they have to cut them down arbitrarily, and there always is a waiting list of the kind the honourable Member refers to.

395. Have you any idea of the extent of that waiting list in the case of the Post Office?—I think sometimes it would be 50 per cent. more than the amount included in the Estimate; there might be 50 per cent. excluded.

396. And that is just the figure that you have dealt with in this year. You must have got really to the end of your list?—I am sure that they came up with another large list in the following year.

397. Then really it does practically come to your taking for this purpose of the Post Office as much money as you think you can get Parliament to sanction for the particular purpose during the year, and taking care to expend at any rate the greater part of that, even though it is not on an Item that has been before Parliament?—The attitude of the Treasury when it is a question of going on with a work that has not been sanctioned is to admit it more readily if there are savings. If it involved going to Parliament for a Supplementary Estimate, no doubt the Treasury would make more difficulty about sanctioning it.

398. Why?—Because of the objection that the Treasury and the House of Commons have to Supplementary Estimates.

399. I do not think that the House of Commons has any objection to Supplementary Estimates if the expenditure is going to be made?—Supplementary Estimates for inevitable expenditure of course are another matter; but we have always been given to understand that the House of Commons object very strongly to optional Supplementary Estimates.

400. But ought you not really to take the position of being at least as careful guardians as the House of Commons would be?—That is what the Treasury tries to do.

401. The only reason for not coming for Supplementary Estimates would seem to me to be that you do not require any money, that you are confident in your own mind that it would be a mere formality, that the case is such that it must be sanctioned and undoubtedly the House of Commons would sanction it; so that it is really not necessary to come to us because you have the money?—Yes.

402. If you grant it more leniently, because you have not to take a Supplementary Estimate, I submit that that is a real withdrawal of control from the House of Commons, and transferring

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Mr. Leif Jones—*continued.*

it to the Treasury?—The Treasury has very much impressed upon it a statement made by Mr. Gladstone many years ago on the subject of Supplementary Estimates that there is nothing more detrimental to sound finance than Supplementary Estimates.

Chairman.

403. Is not that because you spend the money first and ask the House of Commons to pay for it afterwards?—No, Mr. Gladstone's statement, which was made before this Committee, was that he objected to Supplementary Estimates because the House of Commons, for the purpose of its control, ought to have all the finance of the year before it in one block.

Mr. Leif Jones.

Therefore, he said, if money is going to be spent without its control do not tell the House of Commons. That can hardly have been Mr. Gladstone's meaning; he surely meant that there ought not to have been expenditure that was not foreseen, and which the House of Commons did not control. That was the thing that was bad finance, surely, in his mind.

Sir Robert Hobart.

404. (To Sir Schomberg McDonnell.) You mentioned the question of arrears at the time of the South African war. Did the South African war cause some works to be discontinued?—There was a cutting down of our estimates in consequence of the expenditure which took place at that time, and I always have imagined that it will take from four and a half to five more years to wipe it out.

405. Has that matter been before this Committee already?—I am sure it has been mentioned.

406. (To Mr. Blain.) A good deal has been said about under-estimating and over-estimating. I daresay you will remember that last year this Committee, or some of us, at all events myself, talked a great deal about the extension of this system of virement, and an amendment was made in the Appropriation Act; but it seems to me that the system of virement is going on by leaps and bounds; I do not know whether you had this in your mind at the time that the Treasury proposed an extension?—I may say that the alteration which was made in the Appropriation Act had nothing whatever to do with this matter; it had reference to the power of virement between votes, which is a question that only comes up on the Army and Navy Services. This is a question of virement between Items included in one Vote, and the Appropriation Act has no cognisance of these Items at all.

407. This is a very extraordinary case, larger at all events than I remember taking place last year,

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year, or taking any notice of?—It is very large this year.

Mr. McCrae.

408. Is that so; is it not the case that last year under Sub-head K there was an under expenditure of a sum of £111,000?—I do not remember the sum last year, but certainly it is very large this year.

409. I find in a question that I put last year, on page 175: "Under Sub-head K the under expenditure on these buildings amounted to £111,300?" and the answer was "Yes"?—(Sir Schomberg McDonnell.) That is quite right.

Sir Robert Hobart.

410. (To Mr. Blain.) At all events the impression upon some of us, upon me at any rate, was that this system of virement is going on to a very large extent, and taking the control, as has been mentioned by my honourable friend, entirely out of the hands of the House of Commons. The Treasury practically seem to do what they like. You might just as well have a blank paper. No doubt this will be very carefully watched?—The Treasury has no control over the figure of £114,000; that is the sum provided by Parliament and not spent.

411. But they have over the £61,000?—They have over the £61,000 spent out of it to some extent. The whole of that £61,000 is not new works that the Treasury admitted, which had not been provided for; a good deal of it means more rapid progress with works that were provided for.

412. The Treasury has given way to pressure of the Department?—And of circumstances, yes.

Colonel Williams.

413. (To Sir Schomberg McDonnell.) With a large number of works all over the country, it is inevitable that with six weeks' fine weather you will get on more rapidly than at other times?—Yes, just as six wet weeks will delay us very much.

414. (To Mr. Blain.) Does this process have to be gone through with other Departments besides the Post Office; do either the Army or the Navy have a list of works that you put back?—I cannot speak for them. I am not in the department of the Treasury that is concerned with Army and Navy works, but I know that the same kind of question does arise.

415. Does not the Navy sometimes produce a revised Estimate for Parliament?—When they want sanction to use the money that they have got for some entirely new work. For instance, there is a Supplementary Estimate before the House of Commons now.

416. I do not mean a Supplementary Estimate. Do they not sometimes produce a revised Estimate showing that whereas they asked for money under certain heads for certain work, they now want it for other work?—I think that has happened but it is a rare thing, I think.

417. Would it not be a good system in the case

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of such works as this, to check the Post Office a bit—that if, in fact, four or five months after the Estimate had been made, you found it necessary to alter the Estimate and to spend money on other works, a revised Estimate should be brought to Parliament, and Parliament should be made cognisant of the proposed expenditure?—Four or five months after it could be a closer approximation, but it would still be a long way from the actual outcome.

418. It would be some check though upon this £61,000 expended without sanction, would it not?—You mean merely to present an amended statement for the information of Parliament—not a separate Vote?

419. I mean, as in the case of the Navy, a revised Estimate, that is all, subject to Parliamentary control. Would you consider that, and see what has been done?—I think it might very well be considered, but it is not a principle that could be well adopted for all the Votes; else we might be having all the Votes taken twice over every year.

420. It would seem that some such system ought to be adopted to give a little more Parliamentary control over very large sums of money like this. (To Sir Schomberg McDonnell.) There are one or two individual questions I want to ask you. One is with reference to Buxton, on page 73, where I think you said that you had to pay £125 to the contractor for delays?—Yes.

421. Those delays being due entirely to local requirements?—To revision of plans in consequence of local requirements.

422. Ought not the local people to pay that £125? Were they told that if they delayed in that way there would be extra expenditure, which they would have to bear?—I am afraid we cannot force them to pay.

423. Then you need not have had the alterations made; you might have said, We will have the alterations if you choose to pay the extra cost?—That has been done in some cases. When the local authorities have come forward in the first instance and have insisted upon some point, we have said, If you make a contribution we will do this. We have done that at Hanley in the year just coming to an end.

424. Then there was a case I noticed on page 68, at Knightsbridge, where the delay was owing to the requirements of the freeholders. Surely the requirements of the freeholders ought to be able to be ascertained beforehand, and no estimate ought to be made without finding out what the requirements of the freeholders were?—We thought they were perfectly satisfied, but they were not.

425. Had you good ground for thinking that they were perfectly satisfied?—We had no reason to think that they were otherwise; but they were not satisfied ultimately with the elevation, they wanted a better one, and that added to the cost.

426. Then in the case of Manchester, on page 76, there is a note, "The soil was found to be calcined by

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by the heat from the boilers and had to be replaced." Is it not usual to take care that the ground is not calcined by the heat from the boilers; ought not the boilers to have been put in properly in the first instance?—Yes, but you may not find that kind of thing out until you put in new foundations; it is a contingency that may happen in all building work; you are liable to that kind of surprise in private life.

427. You cannot take precautions against it when you put in the boilers originally?—I believe they were put in a considerable time ago.

428. They are very old ones?—Yes.

429. One other question about Croydon, on page 72. It is stated that the substitution of electric light for gas reduced the charge on this Vote. Is it less expensive to instal electric light than it is to instal gas?—The explanation is that if gas is put in the Office of Works pays for it; if electric light is put in the Post Office pays for it. I ought to have explained that in my answer.

Mr. Kettle.

430. Mr. Blain has just explained that the Post Office has always a considerable waiting list of works?—Yes.

431. And that when you have savings, the Treasury is ready to give sanction to works that have not been foreseen?—Yes.

432. At least, it is readier than it would be if there were no savings?—Yes.

433. Is it the Treasury or the Post Office who determines the order of precedence in which these unforeseen works can be taken?—The Treasury, the Post Office, and ourselves.

434. In consultation?—Yes.

435. Mr. Blain told us that there was always careful inquiry made by the Treasury in the case of unforeseen works?—(Mr. Blain.) Yes. The Post Office must give a very full and elaborate report to the Treasury of the reasons that make it, in their opinion, indispensable to proceed with the work before the Treasury will allow it to be undertaken, without the previous sanction of Parliament.

436. (To Sir Schomberg McDonnell.) Then after that consultation, do you take the works in order, or how do you decide?—We take them in the order that is thought necessary.

Mr. Bowles.

437. Would you turn to page 66, Item K1. You took there, I see, a total of £40,000 for building works in connection with the new General Post Office?—Yes.

438. That Estimate was made, I take it, in November, 1905, probably, there or thereabouts?—Yes.

439. And what sort of information, can you tell us, generally did you rely upon in making that Estimate that you would require £40,000 straight off? Had the Post Office given you the information that they would want them?—Yes, and we got our sketch plans out by that, and

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Mr. Bowles—continued.

then came, after making the working drawings, a large amount amount of alterations; and, of course, we could not begin to build until we had got them settled.

440. Quite clearly; but who made those alterations?—The Post Office made them in consultation with us. With all large buildings like those, sometimes it takes us a long time to settle the plans and their requirements. Sometimes their Engineers want different accommodation, and sometimes other branches want different accommodation. We meet, and discuss the plans. We have monthly meetings now to expedite matters; every month we meet representatives of the Post Office, and go into these cases with them.

441. But in November, 1905, neither you nor the Post Office, I imagine, had any notion whatever that you would not spend the money?—Not the remotest idea. We had every confidence that we should be able to spend it, and if we could have begun soon enough, I think we should have done so.

442. But you would have had to begin that building practically a year sooner?—We did not begin in that year until November, I think; indeed, it was even later.

443. You do not see any way in which, in consultation with the offices concerned, you could come to any more definite notion really of when you are likely to begin these works?—Yes, I think we should now, because we have improved our machinery for this purpose. We did not have these frequent meetings in those days; they are a later institution altogether; they have only been going on since last summer.

444. And you now meet together, and consult once a month?—Yes.

445. Is that only in the case of the Post Office?—We have only done it for the Post Office, because the Post Office is the Department where the difficulty mostly happens.

446. You say, in fact, that you have greater trouble of this sort in connection with Post Office buildings, than with buildings of other Departments?—Yes.

447. (To Mr. Blain.) I just want to ask you one question, if I may. You said, and it must be so, of course, that a great many demands of this kind are made upon the Treasury by the Office of Works, and they are not agreed to as a matter of course. I take it the principle is that they are not agreed to, except where a real case of genuine urgency can be shown?—That is so.

448. Have you any notion at all what proportion of the demands of this sort are agreed to?—No, I do not think I could answer that—they would not necessarily be on record. A question might be raised first of all unofficially as to whether the Treasury would be prepared to entertain an application in a particular case; it might be ruled out, and never come to be on record.

449. Still, there would be a considerable proportion

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portion not agreed to?—Of course, the Departments get to know pretty well what the Treasury standard is, and I have no doubt that they reject a great many themselves.

450. Then, just one other word on what seems to me to be a larger question—about what you said about the dislike of the Treasury to Supplementary Estimates. That dislike, of course, is founded upon the desire of the Treasury to safeguard, so far as it can, the control of the House of Commons?—Yes.

451. I take it that that is the real object of the Treasury in these matters?—At the beginning of the financial year the provision for raising the revenue for the year is based on the Estimates which are then presented to Parliament, and the Treasury is always averse to upsetting that basis if it can help it.

452. But let us take this case; here is £114,000 saved, unexpended, from the Parliamentary Appropriation, and the question that occurs to me is really which is worse: to take the money from the purpose to which Parliament has appropriated it and to spend it upon some entirely different purpose, on which Parliament has never been consulted, without its consent, or whether the better plan, from the point of view of the control of the House of Commons, would be, having saved money, not to spend it upon some works which Parliament has not been consulted about, I mean in large cases, without at any rate giving it some opportunity of agreeing to it or not. I am on the question of Supplementary Estimates?—One consideration which weighs very much with the Treasury in those matters is that they try their best to fit in this system of Parliamentary control by Estimates with the necessities of work like the putting up of great buildings. If there is not a certain amount of elasticity and a certain amount of control left to the Treasury in this way, my belief is that the Departments concerned would chafe so much under the restrictions that they would be under, that there would be great difficulty in maintaining one point which we regard as very important, namely, the surrender of balances at the end of the year.

453. I quite see that, but when one has Supplementary Estimates presented for really unforeseen things and for sums very often considerably smaller than these sums, it seems to me rather inconsistent with the general view that in the case of large sums of this kind no Supplementary Estimate should be presented and it should be defended upon the assumption that the House of Commons dislikes Supplementary Estimates?—The Supplementary Estimates that are taken are, of course, taken in cases where Parliamentary authority is required to spend the money; there, of course, we have no alternative; but the Treasury is very slow to present a Supplementary Estimate in a case where it has the power under existing Rules to sanction the expenditure. On the other hand, it is very loth to exercise that

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power except where the necessity is demonstrated.

Sir Daniel Goddard.

454. One question arising out of your examination by Mr. Bowles just now. I do not quite follow how the omission of a Supplementary Estimate safeguards the control of the House of Commons over expenditure. Did you agree to his statement? I should have thought that a Supplementary Estimate was the very way of bringing the account under the control of the House of Commons?—I thought the honourable Member's observation was sarcastic; I may have been wrong.

455. I do not want to pursue it. (To Sir Schomberg McDonnell.) These Estimates, I understand you to say, are made in the previous November?—Yes.

456. Are they printed at once?—Oh, no.

457. They are not printed, I suppose, much before February?—They are not finally printed by the Treasury until then. We get them typed out and work upon them beforehand.

458. Are they never reviewed between November and the time when they are printed?—Yes, frequently.

459. Then it is not quite correct, is it, to fall back upon the excuse that they are framed in November?—No; they are reviewed again and again, but we should not be able to review a large sum, such as we take for the General Post Office. We should be just as confident of spending that, and we were just as confident of spending it, in February as we were in the November previous, November, 1905.

460. Precisely; but if there is a period of two or three months after the Estimates are first framed, surely the effect must be to reduce the number of items under the head of unforeseen expenditure?—Yes, it comes down a good deal and it would be very much larger if we did not cut it down.

461. Some questions have arisen in regard to the interference of the local authority in the case of one particular building; the questions raised by the local authority, I think, was the expression used. What kind of questions can the local authority raise?—They gave a great deal of trouble about the site in the first instance; they wanted us to take another site, and to build there, and we would not do it; we rebuilt where we were. Then they also took exception to the elevation, and in deference to their strong views the elevation was improved.

462. Do the Government plans, the plans for your Office of Works, have to go before the Plans Committee of the local authority in the same way as any other builder's plans would?—No, not in England; they do in Scotland in some cases.

463. Then these are really questions of sentiment and not questions of really sound objection?—It would be hard to say whether it is a sound objection or not if it is a question of elevation.

464. There

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464. There is no legal right to object to any elevation that you like to use?—There is no legal right whatever.

465. But if a local authority objects to your plans or the scale of elevation and in that way puts an extra expense upon you by delay, surely that is a very good reason for making them pay?—Yes, and we have done so in some cases.

466. If it was a question of frontage or anything of that sort they might be in the right and you in the wrong?—Yes.

467. But in regard to elevation or site they have no right to say anything, have they?—Yes, I think they have. They have no legal right, but I think they have a moral right.

468. I am sorry to have to go over one or two points, but I wish to have them cleared up. On the question of the control of the House of Commons over these Accounts, the expression has been used that these discrepancies of cost are entirely out of the hands of the House of Commons. The great bulk of these discrepancies of expenditure are on buildings that have received the sanction of Parliament, are they not?—Yes, that is so, certainly.

469. What Parliament has voted is that a certain sum shall be expended during a certain year?—Yes, and Parliament has approved of the total estimate.

470. Exactly; Parliament is aware that there is more to be expended?—Yes.

471. And the only way in which it is out of the hands of the House of Commons is that you are spending money in one year that you would spend in a subsequent year?—That is so.

472. There are of course some cases where you have begun new works altogether?—Yes.

473. And those may be fairly said to be outside the power of the House of Commons?—Yes.

474. When once you have started them you cannot help completing them?—No, that is so.

475. Is there any table (I suppose you could arrive at it by extracting the figures here) which would show a list of discrepancies on buildings which have been expedited, as opposed to those which have been newly started?—Expedited and delayed; or expedited only?

476. Expedited, I will take first?—No, I do not think so.

477. You can get it of course from the Accounts, by going minutely into them?—Yes.

478. But the difficulty is that the Committee cannot always know whether the work is absolutely finished until long afterwards. Therefore we cannot tell what the variation is between the Estimate and the expenditure?—The total Estimate and the total expenditure?

479. Yes?—Yes, I think you can always tell that.

480. You cannot take any of these Items and tell us; because in some cases they are not finished?—I see your point—unless they happen to be finished.

481. We often have to ask you, "Is there any

Sir Daniel Goddard—*continued.*

more to be spent on that building?"—Yes.

482. That shows that we do not know?—Yes. I do not see why we should not put in a complete list.

483. I was going to ask you whether we could not have that. I think it would help your case very much?—Yes.

484. Because there is not anything like so serious a fault in spending a little more in one year than Parliament has passed in the Estimates, but which they know they are going to spend in a subsequent year, as in your starting an altogether new building which has not been before Parliament?—Yes.

485. I think that would help your case very much if you could show us the discrepancies?—Quite so.

Mr. Leif Jones.

486. Before leaving that point may I ask whether this expenditure which has been sanctioned by the Treasury and has not been before Parliament is altogether on buildings which have never been before Parliament?—No, not altogether. A good deal of this excess consists of excess expenditure upon Items in regard to which money was taken in the Vote, but where the expenditure has been in excess of the amount taken.

Sir Daniel Goddard.

487. I was coming to that point. On page 60, for instance, there are three Items—"Tilbury Docks, New Iron Building"; "West India Dock," and "Cardiff, Improvement of Accommodation," which were all taken without any Vote, and with regard to which a sum of £750 was expended. You see the Items?—Yes.

488. Then on page 62, there are four more works, all of which were started without a Vote. There are four works at Somerset House, towards the bottom of the page, upon which there is an expenditure altogether of £970?—Yes.

489. Those seven cases to which I have drawn attention have never received the sanction of Parliament?—No. These works are sprung upon us after the Estimates have been passed without our hearing of them beforehand; those would probably come upon us about June or July, probably July.

490. Could you tell me at all what sum is eventually involved in these buildings?—As regards the Somerset House works that represents the whole of the expenditure. There was no further expenditure on any of those.

491. That was the total?—That was the total.

492. Then they were small matters?—Yes.

493. (To Mr. Blain.) Let me take one of these Items—I will take the case of Tilbury Docks, new iron building, not because I know anything about it, but it will serve as an example—there is an expenditure there of £263 without any sanction except from the Treasury; suppose they came to you and said, "We want this building urgently

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urgently, it will cost a couple of thousand pounds, but we shall only require to spend £263 in this year," would you agree to that?—An urgent case would have to be made out. I do not happen to remember the particular case to which the Honourable Member is referring, but if I may take, for instance, one on page 62 which has been referred to, the Companies' Search Room at Somerset House, the Treasury agreed to that because there had been complaints made in the House of Commons about the inadequate accommodation there.

494. That is not quite my point. No doubt you had very good reasons for doing it, but what I wanted to find out was supposing the total sum which would have to be expended on this work would greatly exceed the sum that would be required in the year in question, would you give your sanction to the starting of the work?—That is if there was no money available for it.

495. Take the case I was putting: Supposing you would have to consider an ultimate expenditure of £2,000 instead of £200, and they said, "We cannot do more than £200 worth of the work in this particular year, will you sanction our beginning this work, which will involve an expenditure of £2,000?" what would the Treasury do then?—The Treasury would not agree to that unless some very definite case of urgency was made out. I remember a recent case where the work was sanctioned in that way to be begun in this year, but that was because it is required to be finished by a certain date early in the next financial year owing to a contract with some outside body, and the Treasury have agreed to begin the work with a slight expenditure this year which will have to be finished in the next financial year, but really on the ground of absolute urgency.

496. You will, no doubt, see the point I am trying to make, that though these are comparatively small sums which are paid with Treasury sanction without the sanction of the House of Commons, if they involve very large sums hereafter it seems to me a very serious point. That is the point I wish to bring to your notice?—Cases are sometimes admitted which have that result, but I think I may say it is always on very strong reasons indeed being shown.

497. (To Sir Schomberg McDonnell) I want to ask you a question or two about these "Minor and Unforeseen Works." I am not going through the figures about which you have been asked some questions already, but I will just take an item on page 86, "Greenwich New Sorting Office," on which £2,171 was spent during the year—that is put under the head of "Minor and Unforeseen Works"?—Yes.

498. How can you call it an "unforeseen work," when there was expenditure previously incurred upon it; there was an expenditure of £8 in the previous year, was there not?—Yes. That must have been after this Estimate had gone in; it

Sir Daniel Goddard—*continued*.

must have been just at the close of the previous year.

499. It seems to me that this heading, "Minor and Unforeseen Works," is a very dangerous heading. I do not like the heading at all?—I think the term employed for this heading perhaps leads to misconception, but it is the heading that has always been used, and I suppose that is the reason why it is continued.

500. Take, for instance, an item on page 88, "Paddington District Post Office Enlargement," about which some questions have already been asked, there you spent £23,000 under this heading, "Minor and Unforeseen Works." It seems an absurd heading in that case. Surely, that is not what Parliament intended when this heading was submitted to it?—I do not know. I have always heard it said, that it was supposed that where a work like this Paddington District Post Office was obviously necessary, it would be allowed to be begun under that heading, always, of course, with Treasury sanction, because while it is true it was a work that would have come on in the next year, matters went much faster than could have been foreseen, and to that extent it was really "an unforeseen work." Whether it could be rightly called "a minor work," is another question. It is "an unforeseen work," not "a minor work."

501. If the adjective "unforeseen" were put first, it might convey a different impression, but "minor" is the controlling adjective in that heading as it stands?—Yes.

Mr. Bowles.

502. The heading might be "Minor or Unforeseen Works"?—Yes, "Minor or Unforeseen Works" would be better, or "Unforeseen or Minor Works."

Mr. McCrae.

503. There is one question I should like to ask further upon what Sir Daniel Goddard said with regard to the Parliamentary control. I would like to be quite clear about this point. With regard to the "Minor and Unforeseen Works," in the London District the Estimate was £11,000, and the expenditure was £42,300. No part of that excess of £31,300 came under the purview of the House of Commons; that is so, is it not?—Yes.

Colonel Williams.

504. As regards the term "Unforeseen Work," it does not mean that the work was unforeseen, but that the expenditure in that particular year was unforeseen, I take it?—Yes.

Sir Daniel Goddard.

505. In paragraph 6 of his Report, the Comptroller and Auditor-General raises a point in regard to sums which were paid some years ago for sites for

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for new Inland Revenue buildings. May I ask what is the proceeding in a case of that sort? I do not want to go into the details of these cases at all, but I want to know how the Office of Works set about obtaining a site?—In those days what they did was this: Someone went down from the Office of Works, and looked at the sites that were available, and he would buy one if he thought it a good one. We would recommend it to the Treasury for acceptance, and if they approved, we should buy it. We have rather changed our procedure since then. We are not quite so eager to send our people down direct, because we find that we get sometimes rather higher prices charged against us.

506. (To Mr. Blain.) Does the Treasury accept the dictum of the man who goes down and looks at the site; or does it make any investigation as to his report about it?—In the case of purchasing sites, we take the opinion of the expert Department, the Office of Works, or the Post Office, as it would be in the case of Post Office sites. But the Treasury always has regard to the amount of the sum, as compared with corresponding sums required in other cases. The Treasury, however, does not profess to have any opinion as to the value of any particular site itself.

507. (To Sir Schomberg McDonnell.) There have been cases of unsuitable sites acquired in this way, have there not?—Yes; there are two here, which are not wholly suitable.

508. What I want to get at is this: How did they come to buy these unsuitable sites; somebody gave bad advice to the Office of Works, I suppose. In the case of those purchases, somebody advised them to buy a site that was not suitable?—They advised them to buy a piece of land which was afterwards found to be unsuitable.

509. Then they would go to the Treasury, I suppose, and obtain sanction for it. (To Mr. Blain.) In the case of purchases of sites, whether it comes in the Estimates or not, the Treasury has to be consulted, has it not?—Yes.

510. (To Sir Schomberg McDonnell.) You accepted whatever the experts said about it, and you find yourselves landed with pieces of land which you cannot get rid of?—At Ipswich I think it was a local difficulty. The local authority objected very strongly to the site which we bought, and they wanted another. In the case of Leicester, after the purchase of the site we determined to amalgamate the Inland Revenue building, the Post Office and the County Court on one site, and consequently the building was built upon that site, and this site was left derelict. I understand there has been a slump in Leicester in building properties since. I think there were 1,300 premises vacant a year ago.

511. What steps do you take to sell these sites—do you advertise or do you put them in the hands of local agents?—I do not think we ever

Sir Daniel Goddard—*continued.*

advertise them. We put them in the hands of local agents.

512. Who would it be that forms the opinion as to what the value of the site is?—Nowadays we should take the local opinion. In those days we did not do so. We would send down a man to look at it, and he would pick up what he could and form an estimate of what the site was worth. We have a vast number of sites to deal with, and I do not think we have many failures on the whole. These, of course, are two conspicuous examples of failure.

513. (To Mr. Kempe.) You have noted these two cases in your Report; are they unusual cases?—Yes. Such cases as these we should always note specially; they are obviously unusual.

514. We may take it on the whole the purchase of sites is satisfactory—that the sites which are purchased are used and are not often thrown on our hands?—I do not often find a case of this kind, though we have very many points arising on the Purchase of Sites both in regard to the Civil Service and the Army and Navy which we have to notice.

515. (To Sir Schomberg McDonnell.) Are efforts really made to find purchasers for these pieces of land?—Yes, but I do not want to sell them at a loss.

516. When you say at a loss, you mean at less than you gave for them?—I should say not at a great loss. I would prefer to hold them for a time until I could get a fair offer.

517. That is supposing you gave a good price originally?—Yes. If we had as good an offer as the sum we gave we would not hesitate a moment—we would sell at once.

## SUB-HEAD S.

## APPROPRIATIONS-IN-AID.

*Chairman.*

518. With regard to paragraph 7, would you explain what happened in this case as to how the doubts arose as to the correctness of the measurements, and how it was discovered?—The doubts arose through the Comptroller of Accounts in London, who in going over the accounts thought the measurements did not seem quite right—he doubted their correctness. We communicated with the Principal Architect in Scotland, and had the matter gone into thoroughly. Then we found that these Quantity Surveyors had not been doing what they should have done. We went into this with our legal advisers, and we thought the best plan would be to have these rough measurements made, and to deduct this sum of £2,600 from the contract. I need scarcely say that we struck these Quantity Surveyors off our List. That I see is mentioned in the Report.

519. Are

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Sub-head S.—Appropriations-in-Aid—continued.*Chairman*—continued.

519. Are the Quantity Surveyors separate firms employed by you?—Yes.

520. You do not do it by your own men?—Not there. We have our own people in London to measure the work in England; but we do employ three or four firms for measuring here, though we do a great deal of the work ourselves.

521. Which do you think is the most satisfactory plan, to use your own people or to employ other firms?—I would much rather use our own people, but there is such a lot of work that we could not do it all ourselves; we must use some outside firms.

522. I understand you could only recover the sum of £26?—Yes.

*Sir Daniel Goddard.*

523. These Surveyors are paid on commission, I suppose; it was apparently a commission of 1 per cent.?—Yes, for preparing the quantities.

524. Are these Surveyors members of the Surveyors' Institute?—I could not say. It is a Scotch firm.

525. When you remove the names of Surveyors in such a case as this from your List, do you give any information to the other Departments that you have done so?—Yes, always.

526. All the other Government Departments would know it?—Yes, where we have removed Contractors or Surveyors or others we always warn other Departments.

*Mr. Bowles.*

527. I suppose there was nothing to justify these people in supposing, as they appear to have done, that they would be responsible to the builders for any omissions if the measurements had turned out to be wrong?—No, I do not think so. I think they behaved extremely ill.

528. The excuse which they appear to have given was really no excuse at all?—It was no excuse at all.

529. The truth was it was fraudulent—is that so?—I will not go quite so far as that, but it was getting very near it.

*Colonel Williams.*

530. As regards this sum of £2,600, is that anything like the real value of the amount over-estimated?—It is very very near it. We had it measured up. I should like to correct an answer I gave just now. It was the Clerk of the Works on the spot in the first instance who called our attention to this proceeding.

531. Whoever got the contract it did not strike him at first that the figure was so much too big; what was the total amount of the contract on which there was this excess of £2,600?—It was a large building. I think the total amount was £60,000 or £52,000.

532. Then the excess was not a large percentage on the whole—it was not such an excess as ought to have been detected before the contract was signed?—Oh, no.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Appropriations-in-Aid—continued.*Mr. McCrae.*

533. Was the Clerk of the Works who discovered this in the employment of the contractors or in your own employment?—He was our own Clerk of the Works.

534. Was this firm of Surveyors a local firm at Aberdeen?—I think it was an Aberdeen firm—it was a Scottish firm.

535. You are not sure whether it was a local firm or not?—No, I think it was an Aberdeen firm.

536. I do not want to know the name of the firm, but I was wondering whether it was an Aberdeen firm?—I think it was.

ON VOTE 9.

PUBLIC BUILDINGS—GREAT BRITAIN.

*Chairman.*

537. There was a saving, I think, under New Works of £6,238 in regard to the Admiralty, Erection of Official Residences?—Yes.

538. That was due to delay in getting the works started, was it not?—Yes, there was a delay in the foundations; they took longer than we thought, and therefore, of course, we could not get ahead with the superstructure as soon as we expected.

539. In paragraph 4 I see the sum awarded by the Arbitrator, together with interest and costs, brought up the total cost in regard to this Magnetic Observatory to £6,434?—Yes.

540. The original claim by the contractors was £6,341?—Yes.

541. I am afraid that was not a very good instance of going to arbitration, was it?—No, I am afraid not.

542. Was anybody to blame for not having foreseen these difficulties as to the stone, and so forth?—No, I do not think so, because it has been a difficult business altogether. You must get stone that is absolutely free from any magnetic attraction, and it was necessary to go a very long way in some instances to get it.

543. The work was originally estimated at £15,000, and it will ultimately amount to £22,000?—Yes.

544. Will that be the final figure?—I would not like to say that that is absolutely final. I should not be at all surprised if it reaches a higher sum yet.

545. (To Mr. Blain.) As regards the restoration of the Reubens' Ceiling at Whitehall, I understand the Treasury sanction was given to the expenditure there?—Yes.

546. They felt that the funds of the Institution were allocated to other purposes?—Yes, that was one reason; the Institution gets a Grant from the Government, and they would have to get a larger Grant, if it had had to pay for this.

547. It would be merely taking it out of one pocket, instead of out of another?—Yes.

548. (To



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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 9.—Public Buildings—Great Britain—  
*continued.*

Mr. McCrae.

548. (To Sir Schomberg McDonnell.) As regards A1, "Admiralty, Erection of Official Residences," about which you told us there had been this delay, are you going on with the work now speedily?—Yes, we are going on with it now, as fast as we can.

Mr. Leij Jones.

549. I should like to have a little more explanation in regard to the work upon the Reubens' Ceiling; in what sense was that an "unforeseen work"? The repair of the ceiling is a question which has long been considered, has it not?—It has been talked of from time to time, but it was not at all proposed to deal with it in this way. When the question of the repair of the ceiling first came forward, it was noticed that the painting was sagging a little in the centre, and Mr. Westcott, our Architect, who I am sorry to say is now dead, went to look at it. We thought it was going to be quite a small matter. He made a prolonged investigation, more than we had ever done before, because there had been no alarm about it before. I think it was fairly late in the year when this was noticed, and he then came back much alarmed, and said he was very doubtful whether, if we did not re-do the whole ceiling very thoroughly and take all the canvas down, and re-back it, and place it upon some other foundation, the whole thing would not fall away, and hang in strips from the ceiling. I do not think it was possible to foresee that. I think the mischief had gone much more rapidly latterly, and I think it was only the slipping of one particular support that called attention to the serious state of things.

550. It was really most urgent to be done?—Yes. I do not think we could have put it off.

551. Did you discover it after the Estimates were framed?—Yes.

552. (To Mr. Blain.) You said if you had not made this Grant you would have had to pay it in another way, by making a larger Grant to the Institution?—I say that the Institute does get Grants from the Government Funds, and the Grant just at the time when this question was on had been increased on the ground that they could not pay their way. Indirectly, I may say, they did pay towards this work, because the Institution was shut up for a considerable time, and they lost their receipts through the public not being admitted.

Sir Robert Hobart.

553. (To Sir Schomberg McDonnell.) I see in paragraph 3, as regards Item A16, "New War Office—Iron Shelving for Records," nothing was spent at all. Have they done without it?—They have done without it. They have adopted a cheaper form of shelving.

554. They are shelving their records, but without this iron shelving?—They are shelving them, but not with such expensive iron shelving.

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 9.—Public Buildings—Great Britain—  
*continued.*

Colonel Williams.

555. Where does the cost of the shelving come in? If this £3,000 was not spent for iron shelving under this Vote. I suppose something else must have been spent instead, which comes in somewhere else?—No, it was abandoned altogether.

556. And there is no other expense for the other shelving in place of the iron shelving?—No, we used up existing shelving, and added, possibly, a little to it.

557. In regard to paragraph 4 of the Report, was the Arbitrator in that case one of your own Architects?—No. Under the contract we had to go to the Institute, I think, to nominate an Arbitrator.

558. It was not one of the contracts under which your own official was himself the Arbitrator?—No, I wish it had been.

Mr. Bowles.

559. As regards this Magnetic Observatory, I see in paragraph 4 one of the reasons for the discrepancy is that you had difficulty about suitable stone?—Yes.

560. But I imagine you knew when you went into the original arrangement that you would have to get a non-magnetic stone?—We did make elaborate investigations, in that part of the country, which I happen to know very well myself, in order to see what stone there was, and it was found that we would get no proper stone nearer than 15 miles away; the Contractor went even further, and brought a great deal of it from Northumberland. Then there was trouble afterwards because they got hold of a magnetic stone, and a lot of it had to be taken out again.

561. I hope they paid for it?—I think that came into the arbitration.

562. That was all considered by the Arbitrator, was it?—Yes.

563. I understand there is a further amount still to be added?—Yes, there is £500 for the coming year, making the total £22,800 instead of £22,300, as stated in the last paragraph on page 120. That finishes it.

564. (To Mr. Blain.) This is the result of an arrangement between the Treasury and the Royal Society, I understand?—Yes, to give them a new building in exchange for the one they had.

565. (To Sir Schomberg McDonnell.) I suppose you refer all disputes of this kind, as a matter of course, to arbitration. Is that the usual course?—Yes, we always have a provision in the contract for reference to arbitration.

Sir Daniel Goddard.

566. On page 116 there is an Item, "Swansea Official Receiver in Bankruptcy, Acquisition of Site and Erection of Building," upon which £633 was spent, but there was no Vote taken for it?—That, again, was one of the "Minor and Unforeseen Works."

567. But this is a considerable work, is it not?

11

—It

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[Continued.]

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n Vote 9.—Public Buildings—Great Britain—  
*continued.*CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 9.—Public Buildings—Great Britain—  
*continued.*

Sir Daniel Goddard—continued.

—It falls into the category of “Minor and Unforeseen Works.”

568. It does, but I wish to protest that it should not. Can you say what the cost of this building, including the site, will be?—There was £300 spent upon it in the following year, and then there is some more also, because it is a joint building. The total there is £2,450, and then there is £4,100 for the County Court, making a total together of £6,550.

569. What you have done in that case is to involve the country in an expenditure of £6,550, without the cognisance of Parliament—without any control of Parliament; is not that so?—I think that is so.

570. There was really nothing urgent in that case, was there?—Yes, there was indeed. We had the greatest difficulty in finding a site there at all, and one suddenly turned up and we jumped at it.

571. Would you really have lost the site if you had not jumped at it?—I am quite certain we should have had to pay a great deal more if we had not taken it then when the opportunity offered.

572. Other people have to go through experience of this sort, and they make provisional contracts without having to pay much for it in advance. Do you not ever do such a thing as that?—Do you mean buying options on land, for instance?

573. You get a certain amount of time for completing the purchase, or something of that kind?—But then in our case it might go over the close of the financial year, and then I should be in a difficulty.

574. When was it that you had to buy this site—when was it that the site was sprung upon you, as you say?—I have not got the information here, but I can get it for you and find the exact date when we did it.

575. I cannot really see the great urgency in this matter, which has involved an expenditure of £6,550, which is simply and purely started with Treasury sanction without coming to Parliament at all. It is rather a gross case as it seems to me. If you have not the information here I will not trouble you about it now, but I should be very much obliged if you could provide me with it. I think we ought to know what were the reasons why this was put down as a matter of urgency, and was not in the Estimates as it should have been?—I will get the information.

Colonel Williams.

576. Might I ask one question on that point: Was this one of the works in regard to Post Offices which had been put forward and then had been put back by the Treasury?—No, this has nothing to do with the Post Office—this is a joint work, a County Court and Bankruptcy Offices.

577. Was this a work which had been projected before and which had been delayed because the

Colonel Williams—continued.

Treasury would not sanction it?—No, speaking from memory, it was a work that was extremely pressing—it was very much wanted, and it would have come in the ordinary Vote in the following year. Then, as I said, we had had great trouble to get a site, and a site turned up and we took it at once.

Sir Daniel Goddard.

578. You say this was a work that was very much wanted?—Yes, but we could not get a site.

579. You only spent £300 upon it in the next year?—That is so in this Vote, but there is more expenditure elsewhere as regards the County Court under the Vote for Legal Buildings. It is a joint building—it is apportioned between the two Votes.

580. But you have something for it in the present Estimates?—Yes, there is something to finish it this year.

581. All that goes to show that there was no pressing need for it?—It is a large building. We cannot build that kind of building in a year—we need some time after you have got the site.

582. That makes it all the more important to have come before Parliament, if it is an important building like that. With regard to this Observatory, we shall have to spend, as I understand, something like £12,000 more than the original estimate?—Yes.

583. Is all that £12,000 accounted for by the difficulty in getting stone?—By that, and increased demands for accommodation. It is a very remote place, and since the building has been begun, more things have been wanted by the Department, which is to occupy the place.

584. Then you have altered your plans?—To a certain extent, but not largely. Additions have been made in the accommodation.

585. Does the Royal Society contribute at all to this?—They have to keep it up internally, and we have to keep it up externally. We do the external repairs, and they would do the internal repairs. I may mention we had £10,000 from the Tramway Company for compensation for disturbance, but that has nothing to do with this.

586. You estimated you would have £5,000 to spend, in addition to the £10,000?—Yes.

587. And now we have £12,000 more?—£7,000 more.

588. Yes, £7,000 more than the £15,000?—Yes.

589. You estimated it was going to cost £15,000, and of that £10,000 was compensation for disturbance?—Yes, and now it is going to cost £22,800.

590. That is £12,000, instead of £5,000 more?—The £10,000 was not spent on this building; it was carried to Appropriations-in-Aid. We did not spend the £10,000, and then another £15,000.

591. It was estimated that the cost of £15,000 would

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On Vote 9.—Public Buildings—Great Britain—  
*continued.**Sir Daniel Goddard—continued.*

would involve a charge of £5,000 upon the Estimates, was it not?—Yes, the net result of it.

592. That is what you took—you may have added it in the Appropriations-in-Aid, but that is what you intended to spend—this net £5,000?—£5,000 over and above what we got.

593. And now you have to spend £7,000 more than that?—Yes.

594. That difference cannot all be due to the difficulty about the stone?—No; as I said before, it is due partly to an alteration in the accommodation.

595. Having passed the Estimate, ought it not to be kept down to what it was when it passed through Parliament?—I wish I could keep scientific people down to our estimates.

596. You might have done so, perhaps, had you asked them to pay. They have plenty of means, have they not?—I do not know.

597. You would not listen just to any suggestion that they liked to make, would you?—Certainly not. Might I say, in further explanation, there is no doubt that the cost of the building here is enormously under-estimated. £15,000 was a delusive estimate. It was made by our then Principal Architect in Scotland, who was in extremely bad health at the time, and I do not think he ever went down there: we did not find that out until afterwards. The figure was a mere shot, it was altogether beside the mark.

*Chairman.*

597A. I think those are all the Votes in Class I. for which you are responsible?—Yes.

598. You are responsible for Vote 25 in Class II., I believe?—Yes.

CLASS II.

ON VOTE 25.

OFFICE OF WORKS AND PUBLIC BUILDINGS.

*Chairman.*

599. (To Mr. Kempe.) As regards the Non-Voted Services, this is simply a statement of facts?—That is all—it shows the balances.

600. There is nothing to which you wish to call attention?—No.

*Sir Daniel Goddard.*

601. (To Sir Schomberg McDonnell.) This is an account of the work that is undertaken by the Office of Works for various Departments and private persons, is it not?—Yes.

602. For which payment is recovered from the Departments and the persons concerned?—Yes.

603. I observe there is an Item on both sides, "Grace and Favour Residences Insurance," in which the receipts are rather larger than the expenditure, while as regards the rates the expenditure is rather more than the receipts? I suppose over a longer period those two Items would always balance each other?—Yes, or rather I ought to

B

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class II.—On Vote 25—Office of Works and  
Public Buildings—*continued.**Sir Daniel Goddard—continued.*

correct that: We make a small profit on the insurance, and we pay it over to the Exchequer.

604. Is that so always?—Yes, we get exceptionally favourable terms.

605. Why does the Office of Works pay the rates for Grace and Favour Residences?—We only collect them.

606. Who do you collect them from?—We collect them from the people who live there—we act as collectors. We have ceased doing that now. We do not collect them any longer.

607. Does it rightly belong to your business?—It was supposed to, but I thought it was a rather cumbrous way of doing it and could be done by simpler machinery, and it is done now by the people themselves.

608. Does it not belong to the Treasury Valuer's Department?—No, it did not belong to anybody, and I think that was why we did it—as a matter of convenience.

609. You get the money from the people living there, do you?—We used to do so.

610. And do you pay it now?—No, we have nothing to do with either the collection or payment of it now; they do it themselves. We have dropped it altogether.

*Mr. Bowles.*

611. I see you made a considerable profit this year by Brompton Cemetery—how was that?—We usually have a good deal of profit from the Brompton Cemetery. We pay it over to the Exchequer.

612. How does the profit arise?—According to the number of people who are buried there.

613. I still do not quite understand; does the Brompton Cemetery belong to you?—Yes.

614. You really run it as a commercial undertaking?—Yes.

*Chairman.*

615. I think you also answer for two separate accounts, namely, Public Offices, Acquisition of Sites Account, and the Land Registry Account?—Yes.

PUBLIC OFFICES, ACQUISITION OF SITES ACTS, &C.,  
ACCOUNT, 1906-7.*Chairman.*

616. (To Mr. Kempe.) Taking first the Public Offices, Acquisition of Sites Account, I gather you have nothing to call our attention to in that Account, except a statement of the facts?—That is all.

617. You call attention to the Investment Account, which is now closed, is it not?—Yes, it is now closed.

618. That is a matter which has been before this Committee on several previous occasions, has it not?—It has.

619. The total loss is represented by a sum of  
11\* £371,881?

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[Continued.]

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Class II.—Public Offices, Acquisition of Sites  
Acts, &c., Account, 1906-7—*continued.*

*Chairman*—continued.

£371,881?—That is the loss on the investment in Consols alone.

620. That is the balance after deducting the sum of £227, which is the difference on the purchase and sale price of Treasury Bills?—That is the loss on the sale of Treasury Bills.

621. This Investment Account is now closed finally, is it not?—Yes.

622. That represents the total loss that has been sustained?—Yes.

*Colonel Williams.*

623. (To Mr. *Blain.*) As regards these Treasury Bills, it is rather a large loss, is it not, on such an amount as that?—It is about £200. It was a large quantity of Treasury Bills that were held.

624. That is the balance, I suppose. There was sometimes a gain on the transaction and sometimes a loss. Treasury Bills would only run

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class II.—Public Offices, Acquisition of Sites  
Acts, &c., Account, 1906-7—*continued.*

*Colonel Williams*—continued.

for a short time?—In the ordinary course there would be neither loss nor gain—there would of course be interest, but there would be no loss or gain in the ordinary course. But this was a case where Treasury Bills had to be realised before they were due in order to find money for the progress of the work, and there was a little loss in that manner.

LAND REGISTRY (NEW BUILDINGS) ACT, ACCOUNT,  
1906-7.

*Chairman.*

625. (To Mr. *Kempe.*) With regard to the Land Registry Account, you have nothing to call attention to except a statement of the facts, as I understand?—No, nothing more.

(*Sir Schomberg McDonnell withdrew.*)

#### ON CLASS I.

#### VOTE 11.

#### HARBOURS UNDER THE BOARD OF TRADE.

Sir THOMAS W. P. BLOMEFIELD, Bart., C.B., called in; and Examined.

*Chairman.*

626. Under Sub-head C of Vote 11 "Grants in Aid of Harbours," I see the expenditure was £3,272 less than granted?—Yes.

627. What is the reason for that?—The reason was that we could not pay the whole of the Grant for Pwllheli Harbour because they had not completed the works in time. And the same occurred with Mevagissey.

628. Will that represent a bigger expenditure in the following year when they have completed the work?—In the case of Mevagissey the money was re-voted and will be paid during the year. In the case of Pwllheli in all probability the same thing will happen.

*Sir Daniel Goddard.*

629. There was a footnote on the Estimates which provided this sum of money, £14,938; I have not got the Estimate here, but the footnote reads like this: "The expenditure out of these Grants-in-Aid will not be accounted for to the Comptroller and Auditor-General, nor will any unexpended balances of the sums issued be surrendered by the payees at the close of the financial year"; do you remember that footnote?—Yes.

630. That does not seem quite to agree with this Appropriation Account, which shows a saving of £2,000; how is that?—Because the whole of the money was not paid to the grantees during the year.

*Sir Daniel Goddard*—continued.

631. There will be no unexpended surplus?—There will be none out of the sums paid to the grantees.

632. It is a Grant-in-Aid, is it not?—It is a Grant out and out to the Harbour Authorities.

633. Might I ask if you can briefly state on what principle these harbours are selected for these particular grants?—Application is made to the Treasury for a Grant-in-Aid, and the papers are referred to a Committee consisting of the Secretary of the Treasury, the Secretary of the Board of Trade and the Secretary of the Scottish Office. They go into the matter very fully, and very carefully, and make recommendations to the Treasury.

634. Is any final Estimate of the probable total cost ever given?—Yes, always.

635. In the case of Pwllheli the original Grant was £17,500?—Yes, it was; but there were all kinds of unexpected difficulties in carrying out the work, and the cost had to be very largely increased.

636. It was increased to £23,500?—The Grant was increased to that, and it has been subsequently increased beyond that.

637. By whom are these sums for doing these works fixed?—By the harbour authority. They make out estimates for the cost, and send them in, and these estimates are submitted to the Treasury and referred to the Committee. As a rule the Treasury do not advance more than one-third of the cost.

638. Before

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Sir THOMAS W. P. BLOMEFIELD, Bart., C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Class I.—Vote 11—Harbours under the Board  
of Trade—*continued.*

Mr. Bowles.

638. Before you leave that point, I do not quite understand, in view of the foot-note, which Sir Daniel Goddard has read, exactly how we stand about these Grants-in-Aid. As I understand Parliament has made, as you say, out and out grants, Grants-in-Aid proper, in regard to certain harbours amounting altogether to £14,938, and in a foot-note it was said at the time the Grant was made that no unexpended balance would in fact be surrendered, it was in fact a full-dress Grant-in-Aid. In those circumstances I do not understand why it is that the £3,272 which has not been expended is in fact to be surrendered?—The amount is only paid in instalments on certain conditions. The promoters have to show that they have expended a certain sum on the works before each instalment of the Treasury Grant is paid to them. They have had some of these instalments paid to them, and they have not been able to prove that they have expended a sufficient amount to receive the whole of the instalments, so this £3,272 has not been paid to them.

639. It was really a conditional Grant?—It was a conditional Grant.

640. It was not quite an out and out Grant, but it was subject to conditions?—It was subject to conditions. What I meant was that the grantees had not to account in detail for the sums paid to them.

641. (To Mr. Kempe.) Have you seen any of the Accounts of these Grants at all?—Yes, we see the Accounts—we examine them all.

642. Do you audit the expenditure of these Grants?—We do not audit the expenditure after it is passed to the payees.

643. All that you are concerned with is what is passed, and what, therefore, remains?—Yes.

644. But as to the purposes to which the money is applied, you do not follow it further?—We have to ascertain that it has been paid over for the purpose for which it was granted.

645. But you do not really follow it, I understand, past the pocket of the payee, it being a Grant-in-Aid?—Not in detail. May I point out that the foot-note refers to unexpended balances not being surrendered by the payees; that is to say, if it is paid to the payee, there can be no further question.

Chairman.

646. (To Sir Thomas Blomefield.) I think you also answer for Vote 8 in Class II.?—I do.

CLASS II.

SALARIES AND EXPENSES OF CIVIL DEPARTMENTS.

ON VOTE 8.

BOARD OF TRADE.

647. I see there is a falling off in the Appropriations-in-Aid under this Vote?—Yes.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class II.—Salaries and Expenses of Civil Departments—On Vote 8—Board of Trade—*continued.*

Chairman—*continued.*

648. That, I understand, was due principally to the smaller number of applications for Tramway and Harbour Provisional Orders?—That is so.

649. That, of course, you cannot estimate?—It is a matter which it is extremely difficult to estimate.

650. You have to do it by averages, I presume?—Yes.

Sir Daniel Goddard.

651. There is nothing in the Estimates, is there, for the new Office for the Industrial Census?—No.

652. Was nothing spent on that work during the year under review?—It does not come under this Vote.

653. What Vote does it come under?—It would come under the Office of Works, I think. (Mr. Blain.) Does the Honourable Member refer to the Building, or the Staff?

654. I was speaking of the Building?—That would come under the Office of Works Vote.

Sir Robert Hobart.

655. (To Sir Thomas Blomefield.) In regard to Sub-head I of the Vote "Law Charges," I see there is a very large increase?—Yes.

656. I see the expenditure was £1,433 more than was granted; what was that due to?—There were a great many shipping investigations in that year—a larger number than usual—and there were one or two important law-suits; one went to Appeal, and involved considerable expense.

657. You have your own law advisers, I presume?—We have our own Solicitor.

658. And you employ Counsel?—We employ Counsel. It is very difficult to estimate the expenditure.

ON VOTE 9.

MERCANTILE MARINE SERVICES.

Colonel Williams.

659. As regards Sub-heads A and G, I observe there is a large saving on "Salaries, Wages and Allowances," and in the case of both Sub-heads, it is explained as being due to deaths and retirements?—Yes.

660. Does that mean that the vacancies have not been filled up, and that they are trying to do with a smaller staff?—No; the saving is due to the fact that when a man retires, he is generally at his maximum salary, and his successor comes in at the bottom.

661. Does that account for the whole of this very large reduction?—Yes; I think it accounts for the whole of it.

662. Then, the saving is merely accidental?—Yes.

Sir Daniel Goddard.

663. Can you not alter this amount under Sub-head X, Appropriations-in-Aid—it is very largely in excess?—Yes.

664. It

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Sir THOMAS W. P. BLOMEFIELD, Bart., C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 9.—Mercantile Marine Services—*continued*.Sir *Daniel Goddard*—*continued*.

664. It is always in excess, is it not?—No, I think not always. Of course, we have to be careful that it shall not be below the amount.

665. It is £9,000 above the Estimate?—Yes, it is.

666. And it was £4,000 above last year?—There has been a very large increase in the fees from surveys of ships, which we could not foresee when the Estimate was formed. The Estimate

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 9.—Mercantile Marine Services—*continued*.Sir *Daniel Goddard*—*continued*.

was framed before we had the full accounts for the year in hand, and we had to estimate for some 15 or 17 months in advance.

667. Did you reduce the amount in the next year's estimate?—The estimated receipts from survey fees were increased in the next year, and further increased in the following year.

(Sir *Thomas Blomefield* *withdrew*.)

## ON VOTE 10.

## BANKRUPTCY DEPARTMENT OF THE BOARD OF TRADE.

Mr. J. G. WILLIS called in; and Examined.

*Chairman*.

668. This Vote, I think, has been divided in a different form?—Yes, the Companies (Winding-up) Vote will be taken as from the 1st of April next, by the Board of Trade; but for the purpose of this Appropriation Account, the particulars of the Companies Vote are shown here.

669. So that this will be the last year in which we shall see it in this form?—It will appear in the Appropriation Account once more.

670. But in the Estimates for this year it will not appear here?—For the Estimates of next year, 1908-9, it will appear separately under the Board of Trade.

671. (To Mr. *Blain*.) In paragraph 3 it is stated that "The unexpended Parliamentary Grant to be surrendered to the Exchequer is £8. The Treasury Advance from Revenue exceeded the actual expenditure by £550 16s. 3d., and this amount will have to be repaid to that Department or otherwise adjusted." Has that matter been adjusted?—Yes. This adjustment takes place every year.

672. It is the usual course, is it?—Yes.

Mr. *McCrae*.673. (To Mr. *Willis*.) In regard to Sub-head D1, I notice there is an expenditure more than granted of nearly one thousand pounds for "Country Receivers paid by Fees and Commission." Can you give me the explanation of that?—That is due to the payment of about £1,500 to the Official Receiver at Norwich, being the last instalment of a special sum granted to him. He is a fee-paid non-salaried Official Receiver, and he had to undertake the investigation of a bankruptcy that occurred about 40 years ago under the old Act of 1869. He was put on the track by a clerk who had been in the employment of the Trustee in Bankruptcy, with results that led to the solicitor concerned in the bankruptcy being struck off the rolls, and to the recovery of a very large sum, upwards of £50,000. His work was of a very laborious and unusual character, and with the consent of the Treasury he was awarded a sumMr. *McCrae*—*continued*.

covered partly by the special charge made upon the estate by order of the Court, and partly by the usual percentage fees.

Mr. *Bowles*.

674. I see as regards Item A1 there was a considerable saving, amounting also to nearly £1,000, and that is said to be due to the non-filling up of the post of Travelling Inspector. Does that altogether account for it?—Yes, it accounts for the whole of it. It was a saving due to a gap in filling up the office.

Sir *Daniel Goddard*.

675. Was there any correspondence with the Treasury about this case?—Yes, we had Treasury authority and the Order of the Court.

676. There is never any correspondence of this kind published in connection with the Civil Service Accounts, though it is always published in connection with the Army and the Navy, I think. (To Mr. *Blain*.) Why is that?—I think possibly it is the Comptroller and Auditor-General who decides that. (Mr. *Kempe*.) We publish it where it is required. It would be impossible to publish all the correspondence that goes on because it is very large and voluminous.

677. I suppose the correspondence would have explained this payment under D1?—No doubt. The Department as a rule would attach it to their Account if they thought it important to supplement their Account in any way, and we should publish it if necessary.

(Mr. *Willis* *withdrew*.)

## ON VOTE 2.

HOUSE OF COMMONS OFFICES.

No Questions.

(The *Witnesses* *withdrew*.)

Friday, 28th February, 1908.

MEMBERS PRESENT :

Mr. Ashton.	Mr. Leif Jones.
Mr. Bowles.	Sir George Kekewich
Mr. Cavendish.	Mr. McCrae.
Sir Daniel Goddard.	Mr. Parker.
Sir Robert Hobart.	Mr. Runciman.
	Colonel Williams.

THE RIGHT HONOURABLE VICTOR C. W. CAVENDISH, IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Mr. J. A. KEMPE, C.B., and Mr. WILLIAM BLAIN, C.B., called in; and Examined.

CLASS I.

ON VOTE 8.

REVENUE BUILDINGS.

Colonel *Williams*.

678. (To Mr. *Blain*.) With regard to a matter we were discussing at the last sitting, with reference to the large amount of £61,000 spent upon Post Office buildings under the heading of "Minor and Unforeseen Works," which has practically received no Parliamentary sanction, I should like to ask whether it would be possible in each year's Votes to have a second Schedule of Works which might be regarded as authorised, so far that they might be undertaken if the works in the first list were not able to be carried out in the year; so that Parliament might have some sort of foreshadowing of what was going to happen. Do you see any objection to that?—The objection that occurs to me at the moment, is that I think it might cause Ministers some trouble in the House of Commons.

679. You think that a supplementary list of works which were half sanctioned, so to speak, to be sanctioned finally by the Treasury would not be understood?—The particular difficulty that I have in my mind, is that very frequently a Member of Parliament is interested in the question, whether a new Post Office is going to be built in his constituency, and if he saw that particular Post Office put in the postponed list there might be many questions as to why one Post Office was preferred to another, and I think Ministers might be rather afraid of such a system.

Mr. *McCrae*.

680. Apart from that, would there not be a danger of allowing just a little too much latitude if you had a second list?—It would of course to some extent weaken Parliamentary control.

Colonel *Williams*.

681. But would it weaken Parliamentary control as compared with the present system. In the year under review, you spent £61,000 on these new works without Parliamentary control at all. The works in this second list would be, so to speak, half sanctioned, so that Parliament would have some foreshadowing of what might happen?—Yes.

*Chairman*.

682. I think what Colonel Williams had in his mind, was the analogy of the Army and Navy, where revised programmes are issued, are they not?—Yes, but of course there is a very great difference between the two cases. In the case of the Army and Navy, what the Treasury and the Departments between them have done has been to divert money from the purpose to which Parliament had allocated it by the Act—that is, to divert money from one Vote to another. In this case, Parliament has voted a total sum of money for the erection of buildings, and it has had information as to how that money is intended to be

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MR. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class I.—On Vote 8—Revenue Buildings—  
*continued.*

*Chairman*—continued.

to be spent; but Parliament has never approved formally of the allocation of the money between the different buildings. There is no interference with the Appropriation Act in this case at all.

Colonel *Williams*.

683. The money is not changed from one Vote to another in this case, but it is changed from one building to another?—Yes, but it is all expended upon the purpose for which the House of Commons voted it.

684. So that so far it has received Parliamentary sanction?—Yes.

Mr. *McCrae*.

685. Is that so exactly? Let me take, for instance, the heading "Minor and Unforeseen Works," where in London alone the estimate being £11,000, the expenditure was £42,000; you cannot say there Parliament had allocated the money to that purpose?—Parliament merely allocated the total sum, so many hundreds of thousands of pounds, to the erection of Revenue Buildings—that is all Parliament did.

686. But it is detailed in the Estimates as to how it was to be appropriated?—Yes, that is given for the information of Parliament, showing the best distribution of the money that the Department and the Treasury can make at the time the Estimate is prepared.

687. Surely that applies to all Estimates? The Civil Service Estimates are not in any different position from the Army and Navy Estimates in that respect, are they?—Yes; in the case of the Army Estimates, for instance, you may vote a sum of money for the Volunteers, and the War Office, with the consent of the Treasury, might spend it upon the Regular Forces, subject to ratification by Parliament always.

Sir *Robert Hobart*.

688. I understand it was agreed that that heading should be called "Unforeseen or Minor Works" in future?—(Mr. *Blain*.) That alteration is being made in the Estimates for next year.

*Chairman*.

689. That is a point that will perhaps come up upon the Irish Votes later. I am not sure that the Irish classification is not better than that which we have already adopted, but that point can be raised when we come to the Irish Office of Works Vote?—Yes.

Mr. *Leif Jones*.

690. Is there any real objection to a longer list of works being presented to Parliament each year than will be carried out during the year. That would leave to the Treasury and the Department the opportunity of finally deciding which were to be the buildings to be carried out during the year; but, at all events, no building would then be built which has not been sanctioned by Parliament. What is the real objection to a larger programme being presented than you can

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 8—Revenue Buildings—*continued.*

Mr. *Leif Jones*—continued.

carry out in the year, taking for granted that some part of the programme will fall through during the year, which will give you a margin?—The difficulty is that in the programme you have to show, not only all the buildings, but how much you expect to spend on each building. Then you have to add that up to a total. But I may add that it was the practice a few years ago, and possibly it might be well to revert to it, to put in a bigger list and to make a deduction at the end from the total, which I think was described as "Deduction for possible failure of progress," or some such phrase. In that way we did not give any more money, but we had a larger list of the offices in regard to which work might be carried out, with the amount put opposite.

691. You say that was the old custom?—Yes.

692. How many years ago was that?—I think seven or eight years ago that was the practice.

693. Do you know why it was abandoned?—I am rather under the impression that the Comptroller and Auditor-General found that it made it rather difficult in comparing the grant with the expenditure.

694. (To Mr. *Kempe*.) I should very much like to have the view of the Comptroller and Auditor-General on that point?—I do not see any very strong objection to that, except that it prevents us from fixing certain expenditure to certain buildings; because if a certain amount is deducted in that way the amount deducted may belong to any one building or to any buildings. We could no longer say so much has been provided for a certain building, and so much less, or so much more, has been spent on it, because there is an item of deduction which may be applied to any building. It destroys the appropriation altogether to certain buildings.

695. Does it do so except in appearance? As a matter of fact, in that list, as I understand, to each building there was apportioned the sum of money which the Department expected to spend during the year; then at the end of the year you would be in a position to say whether that money had or had not been spent, or whether more or less had been spent?—Yes; but the total estimated would be a very much larger amount than is actually voted. We know the whole of the money cannot be spent on all the buildings, and the question is, which building Parliament does mean it to be spent upon. If Parliament does not mind the money being spent upon any of the buildings in the list, it seems to me it might be simpler to adopt the form which we have just abolished: it comes to much about the same thing.

696. What strikes me is that we want to have some method devised of bringing before Parliament the buildings upon which you intend to spend the money; that would give us more Parliamentary control?—Yes, but I should have thought that a list of all the buildings in regard to which the Office of Works wished to carry out work



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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8—Revenue Buildings—*continued*.Mr. *Leif Jones*—*continued*.

work during the year, but limiting the total amount to be spent, would come to exactly the same thing. It would not give more latitude.

697. Does it not seem to you that the present system very much weakens the control of Parliament over the expenditure?—I think that it is very difficult to see how to avoid that, except by a revised Estimate in the course of the year, bringing it as nearly up-to-date as possible.

698. (To Mr. *Blain*.) Is there any real objection to such a revised Estimate being presented, as is done in other cases?—You mean a revised Estimate being presented and voted?

699. Either both presented and voted, or, at any rate, presented?—I do not know that there would be any objection to presenting an amended statement for the information of the House. I think the Government probably would find great difficulty about having to pass Votes twice over.

700. What occurred to me was that it is the presentation of such a statement in the revised Estimate that would be the opportunity of Parliament to object to these buildings if they think fit. Where the present system breaks down, as it seems to me, is that while we pretend to sanction in Parliament the Items to be dealt with, as a matter of fact we really give to the Treasury and the Department the power of deciding that to a great extent, to the extent of some 50 per cent. on the Estimates in the year we are dealing with here?—In any case there would have to be some cases that could not be foreseen; cases would arise in which you could not refuse; for instance, an office might be burnt down, and you would have to put up another.

Mr. *McCrae*.

701. Do you think that any difficulty we have experienced is the result of a departure from the system laid down, namely, that we ought to spend the money upon the work for which it has been voted?—That is so.

702. The unforeseen expenditure which is inevitable should be a very small proportion to the actual amount of money spent; it could not surely amount to £114,000 out of the £384,000, could it?—No, certainly not.

703. Therefore, is it not the case that if we conformed exactly to the system which we are supposed to work under, there would be very little difficulty really? (To Mr. *Kempe*.) Do you say that reverting to the old system which obtained prior to seven years ago would make it more difficult for you to accurately check Appropriations?—No, I do not know that it would. It would be merely organising a weakness which now exists. It seems to me to be very much the same thing as is done now, with the exception that Parliament would have the whole list of possible expenditure before it. As it is, it has not the whole list; but the authorised list is departed from.

704. Would you say that the power of alteration should be exercised to the extent it was exercised last year, namely, to the extent of about 30 per

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8—Revenue Buildings—*continued*.Mr. *McCrae*—*continued*.

cent.?—I do not see how you could lay down any rule of that kind; I think you would have to take it as it comes. If you have a long list of buildings, with practically power to spend upon any of them, you must leave it to the Office of Works, or the Office of Works and the Treasury between them, to decide.

705. Do you not think that any slackening of the system would rather tend to extravagant expenditure?—I should doubt that. After all, the over or under expenditure in this case is merely a question of anticipating or postponing the work; that is all. I think going back to the old system would be merely organising the existing system.

Sir *Daniel Goddard*.

706. Has the plan ever been adopted of a lump sum being taken without allotting it to each building?—That is very much the system that was abolished last year in regard to the Revenue Department Buildings and the Irish Works. In those cases, for certain works there was a large sum taken and a mere list of the works put in upon which the money might be spent. That was done up to last year, when the Committee recommended it should be altered, and it has been altered.

707. In that case was the total amount that was estimated to be spent on each building given— I mean not the amount in the year, but the total amount on the building, for that seems to me to be the governing point for discussion by the House. We want to know what the total cost of the building is to be—not so much what is going to be spent upon it in the particular year?—Exactly. I do not think the total was given. (Mr. *Blain*.) I think that was omitted. (Mr. *Kempe*.) If that was given the plan would be less open to objection than it was.

*Chairman*.

708. We shall have the representatives of the Post Office before us later on, when their Votes are dealt with, and it might possibly be advisable to ask Sir Schomberg McDonnell to come again then, and we might go into this question again then if it is desired?—Yes.

CLASS II.

ON VOTE 1.

HOUSE OF LORDS OFFICES.

No Questions.

ON VOTE 3.

TREASURY AND SUBORDINATE DEPARTMENTS.

*Chairman*.

709. (To Mr. *Blain*.) I think you answer for Vote 3?—Yes.

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710. I

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class II.—On Vote 3—Treasury and Subordinate  
Departments—*continued.*

*Chairman—continued.*

710. I notice under the Treasury Vote there are a good many things which are not really Treasury Work, for instance Sub-head (V), "Annuities under the Light Railways Act"?—Yes.

711. I suppose they have been put into the Treasury Vote because there is nowhere else for them to go?—That is the main reason, I think.

712. It is hardly fair to credit the Treasury with that expenditure?—Of course it is not the cost of the Treasury.

*Sir Daniel Goddard.*

713. As regards Sub-head (C), "Special Inquiries," the amount taken for that Sub-head has been reduced; you used to take £1,000, did you not?—Yes.

714. It is reduced in the year under review to £500?—Yes. We have raised it again since.

715. Can you tell me what are the special inquiries that are undertaken by the Treasury under that Sub-head?—There is no general list of them; they vary from year to year. In the year to which this Account relates, there were three Inquiries: one was an inquiry into the work of the University Colleges, which receive a grant out of Class IV. A Committee is appointed every five years to inquire into their work, and to see how the grant should be distributed among them. Another Inquiry was an inquiry into the Establishment of the Office of Works.

716. Is that a new Inquiry?—Yes. It only occupied a short time during the year. And the third Inquiry was a similar inquiry into the work of the Government factories.

717. In what sense are those Inquiries unforeseen inquiries; are they sprung upon you? For instance, the first one you mentioned occurs, I understand you to say, every five years. You knew that was coming on, did you not?—Yes, it would have been possible to specify that.

718. The reason I asked the question is that in the explanation of the surplus on that Sub-head you say: "It is impossible to foresee what expenditure may be required under this Sub-head"?—Yes.

719. Are not these Inquiries mostly foreseen?—But, even so, this variation could not have been avoided, because you cannot foresee what you will spend when a Committee is appointed to inquire into these subjects.

720. Under Sub-head (W), "Appropriations-in Aid," I notice there is a "Dividend on share in Cunard Steamship Company"—what is that—how does it come into these receipts?—It is in connection with the Cunard agreement; the Treasury is obliged by the terms of the agreement to take one share in the Cunard Company, and this is the dividend on that one share—I think it is a £20 share.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 3—Treasury and Subordinate  
Departments—*continued.*

*Mr. Leif Jones.*

721. As regards Sub-head (T), "Receiver of Hereditary Revenue," could you tell me what are the duties performed by the Receiver of Hereditary Revenue, and what the revenues are which he receives?—A certain number of fines and penalties in connection with theatres and markets, and a miscellaneous number of receipts in regard to the hereditary revenues of the Crown, which are not brought to account in any other way, are paid over to him.

722. Is this a special officer for this purpose alone?—He is a special officer—he has no other work beyond what this Item represents; it is quite a small job.

723. Is it necessary to keep a special officer for this purpose?—The present occupant of the office has been there for over 30 years. The Treasury departmentally, I think, would have been glad to abolish the Office before he was appointed.

724. May I take it that a successor to him will not be appointed?—I think it is noted on the Estimates that the continuance of the office will be the subject of consideration.

725. It will not be renewed without consideration?—Not without consideration.

*Sir Daniel Goddard.*

726. Does that mean consideration of the Treasury, or consideration of the House?—Of the Treasury.

*Mr. Leif Jones.*

727. Do you mean the Treasury might appoint a successor without consulting the House. It would be on the Estimates for the year?—Yes, it would be on the Estimates, but the House of Commons having had this notice that the question would have to be considered, would require to be satisfied, I presume, if they found that a new man was appointed.

*Sir George Kekewich.*

728. The amount of the salaries at the Treasury is very large in proportion to the number of officers employed, is it not?—The heading "Salaries," of course, contains some highly paid officers, such as the Prime Minister and the Chancellor of the Exchequer.

729. I am not speaking of Ministers; I am speaking of Permanent officials alone. The Permanent officers of the Treasury get much larger salaries, on the whole, than the officers of other public departments, do they not?—I do not think they are larger than those of the Secretaries of State's offices.

780. Are

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 3—Treasury and Subordinate  
Departments—*continued*.Sir George Kekewich—*continued*.

780. Are there many of them receiving large salaries; what is the proportion of, say, the superintending staff, which I should put at officers who rise to £400 or £500 a year, and the superintended staff, which I should put as officers who do not rise in their classes to £500 a year?—The ordinary establishment of the Treasury consists of officers appointed at salaries rising to £500 a year.

781. Then they are all officers of the superintending staff?—The whole of the business of the Treasury may be said to be superintending, because it is controlling the other departments in respect of finance.

782. You consider that the Treasury does control the other departments?—It attempts to.

783. Do you think that is a good arrangement; that the Treasury should have this control over all other departments?—I certainly think so.

784. You do not consider that these salaries are too high for the work done?—No, I do not think so.

785. In regard to this hereditary revenue about which you have been asked, I am not quite clear about that. I asked a question about it last year, and I think I was told that it had something to do with Scotch work; has it anything to do with Scotland?—No.

786. It is all English, is it?—It may include some revenue drawn from Scotland, but it is not specially Scotch.

Mr. Bowles.

787. I see in the third paragraph of the Comptroller and Auditor-General's report on this Vote reference is made to a sum of £500 which has been paid to the Exchequer in repayment of the expenses of the Treasury in connection with the administration of the Local Loans Fund. That does not appear upon this Account?—No.

788. Nor, so far as I understand, in any of the accounts?—It appears in the Finance Account—the Account of the Consolidated Fund—as a receipt into the Exchequer.

789. But it does not appear in any Appropriation Account?—No, it would appear normally as a note on this Account under Extra Receipts in connection with this Account if it were received by the Treasury; but the National Debt Commissioners manage the Local Loans Fund, and they ascertain from all the Departments the amount of their expenses in each year, and pay that direct to the Exchequer out of the income of the Local Loans Fund; so that it does not come into the hands of the Treasury at all in connection with the Treasury Vote.

790. All that comes into this account are the expenses of the Treasury?—The expenses are borne here.

791. The fact of their being repaid does not appear in the Account?—No; the Comptroller

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## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 3—Treasury and Subordinate  
Departments—*continued*.Mr. Bowles—*continued*.

and Auditor-General notes it here because he is aware that it is paid into the Exchequer.

792. Would it not be a good plan, and make the account more intelligible, if some note of the kind were appended to the Appropriation Account: because these expenses might in any year be rather considerable. Perhaps it really all does appear as Appropriations-in-Aid on the Vote of the Public Works Loan Commission. The point is that this re-payment has been made, but it does not appear, so far as I understand, in any Appropriation Account. We have to rely entirely upon the Comptroller and Auditor-General for any knowledge of this transaction at all?—(Mr. Kempe.) This same note will be found on all the other accounts where this occurs. It merely means that the work of a certain number of clerks valued at a certain amount has been paid to the Local Loans Fund. You could hardly note it in any way, except as it is noted here, I think.

793. Could not a note be inserted on the Appropriation Account itself?—This is a note on the Appropriation Account.

794. Yes, but it is your note; could it not be noted by the Department making up the Account?—That might be done, no doubt. (Mr. Blain.) I think it would be possible. The Treasury could easily note it because they are aware of the payment into the Exchequer; but for the other Departments it is not so simple. They would all have to be specially informed that the money had been paid into the Exchequer. They could be informed of that, and then they could note it.

795. I ask the question because I take it that the whole expense of the work of the Commission, taking it over all the different Departments, is considerable?—About £30,000. (Mr. Kempe.) A list is sent to me by the National Debt Commissioners every year, and we append a note to each of these Votes in this way. I doubt if you could have a clearer way of showing it; it is mentioned in my report upon each of the Votes.

796. As a matter of fact, you do mention it in your report upon any of the Votes where it occurs?—Yes, and if all those Votes are taken together, it would amount to some £31,000.

Mr. McCrae.

797. (To Mr. Blain.) I see under Sub-head W, "Appropriations-in-Aid," there is a contribution of £150 from the Funds of the Congested District Boards for services rendered; in respect of what services is this sum payable?—The Chief Clerk of the Exchequer Office in Scotland acts also as the Secretary for the Congested Districts Board in Scotland, and some additional expenditure has to be incurred on the Treasury Vote to provide for his absence while engaged on work in connection with the Congested Districts Board, and so it was agreed that they would repay £150 to cover that expense.

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798. Yo.

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

## ON VOTE 4.

## HOME OFFICE.

Mr. W. P. BYRNE, C.B., called in; and Examined.

*Chairman.*

798. You answer for the Home Office Vote, as well as for two other Votes in Class III., I think?—Yes, for the Police and Reformatory Votes in Class III.

799. In regard to Sub-head A of Vote 4, I see there is an over-expenditure of £1,095?—Yes.

800. That is mainly due to the appointment of a new Under-Secretary of State?—Yes.

801. Under Sub-head C, I see there is an excess-expenditure of £1,500. That is due to various causes, which are stated in the "Explanation," such as the appointment of four important Departmental Committees on the Truck Acts, and so forth?—Yes.

*Mr. Ashton.*

802. Under the Head of "Extra Remuneration," on page 173, I see a Junior Clerk received £30 as Secretary to a Departmental Committee on the Baronetage. What was the nature of that Committee?—A Petition, signed by a considerable number of Baronets, and energetically supported by them, was addressed to the King a short time ago, applying for an investigation into certain alleged grievances of the Baronetage, and for the conferment of certain privileges. It was carefully considered, and the decision arrived at was that the bulk of the prayers of the Petition could not be granted, but that it was very desirable that consideration should be given to the question as to whether any steps could be taken in the matter of the improper assumption of Baronetages. That was His Majesty's wish, as advised by the Home Secretary, and this Committee was appointed to inquire into that specific matter.

803. Was it a Committee of the Home Office?—No. It consisted mostly of Members of Parliament. Lord Pembroke was the Chairman, and there were several Members of the House of Commons and others.

804. Would the expense of that Committee come under the Home Office?—Yes, it was a Departmental Committee.

805. Can you tell me what the expenses of the Committee would be, roughly?—No, I could not say off-hand what the expenses were. It would be mainly the travelling expenses for the witnesses. The witnesses were very limited in number; the inquiry was limited to people who really knew a good deal about the subject. There would also be a trifling sum for the expenses of the Members of the Committee themselves, and there was a small allowance to the Secretary, who was a Clerk in the Home Office, for attending the meetings of the Committee, and doing work in connection with it, and, no doubt, helping in the drafting of the report.

*Sir Robert Hobart.*

806. I believe the report has been already completed and presented to Parliament?—Yes, I think the report has been presented to Parliament. The final steps have not been taken on it.

807. It has been presented to Parliament in the form of a Blue Book, has it not?—Yes.

*Colonel Williams.*

808. Turning to page 171, under the Aliens Act, on Item D.D., "Salaries, &c.," I see very much less was spent than was granted; were there less Inspectors appointed than was expected, or what was the reason of that?—The Estimates on which that sum of £11,000 was taken were prepared before the Act actually came into force, and while it was being considered generally, and, consequently, they were conjectural. Some of the important decisions which would really affect the work under the Act, and the amount of the expenditure, had not been arrived at at that time. A reduction was made in the following year in the Estimate.

*Mr. Bowles.*

809. I see under this Vote certain clerks in the Home Office received various sums for services of an official character, not directly connected with their Home Office duties?—Yes.

810. Upon what principle are those sums arrived at?—Two of them were Secretaries to Departmental Committees and the other was Secretary to a Royal Commission.

811. On what principle are the sums arrived at?—The salary and allowances made to a Secretary of a Royal Commission are on a fixed scale, which has been in force by Treasury authority for some years. The remuneration for a Secretary of a Departmental Committee is also a matter under the control of the Treasury. There is not absolutely any fixed scale on which it would be granted, but it is dependent, more or less, upon the number of meetings that the Committee hold and the amount of work that is thrown upon the Secretary, both in the way of correspondence and in the way of drafting the Report.

812. I do not quite understand the theory upon which this system reposes. I imagine that the clerks undertaking this work are withdrawn to that extent from the ordinary work of the Department?—No, that is scarcely so. It nearly always happens that a clerk in the Home Office, who is also at the same time a Secretary of a Departmental Committee, has to work a great deal overtime. He is as much as possible relieved of his Departmental duties by his colleagues, but in a busy office like the Home Office with a small staff, it is impossible that that should be carried to any great extent, so that it really means working out of his regular time.

813. The

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 4—Home Office—*continued*.Mr. Bowles—*continued*.

813. The theory is that he goes on with his Departmental work?—Yes.

814. And this work is wholly extra outside his office hours—entirely an outside thing?—That is so.

815. Would you go so far as to say that, generally speaking, that theory is carried out in fact, and that it makes no difference to his work in the office?—It makes a difference to his work in the office. His colleagues have to a certain extent to do his work for him, but he himself has invariably to do a great deal of extra work out of hours.

816. Do his colleagues get any extra remuneration for helping to do his work?—No.

Sir George Kekewich.

817. I understood you to say that this work was done outside office hours?—To some extent.

818. As a matter of fact these Departmental Committees are all held within office hours, are they not?—Yes, they always sit in the daytime.

819. Within office hours?—Yes.

820. As I understand the officer who obtains this extra remuneration does his ordinary work as far as he can?—Yes.

821. Does it not sometimes happen that he cannot do any of his ordinary work?—No; I never remember any such case.

822. He does a certain amount of his ordinary work, and his colleagues help him?—Yes.

823. They help him without remuneration, I presume; he does not share this remuneration with his colleagues, does he?—It occasionally happens that a clerk who receives remuneration as a Secretary to a Committee will distribute part of it by a purely voluntary arrangement among subordinate members of the staff who have assisted him by type-writing, for instance, after hours, or writing a memorandum from dictation, or something of that kind.

824. Does a clerk who acts as Secretary to one of these Committees as a general rule stay after office hours?—He has to perform some of his work out of office hours at home. I should say it is invariably the case that he must work a great deal at night to get through the work. Most of the clerks at the Home Office work a good deal at night after office hours, and when they act as Secretaries to a Departmental Committee or Royal Commission they always have to work a great deal after office hours.

825. I do not doubt their zeal and industry, but what I wanted to be sure of was that a man entrusted with a Secretaryship of one of these Committees for which he gets this extra remuneration, does not get off any of his ordinary work?—No.

826. As a matter of fact he does get off some of his work, because you say his colleagues do it for him?—He gets off some of his work because his colleagues are willing to take a little extra work themselves—it is a question of give and take, and some of his colleagues, who may have

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On Vote 4—Home Office—*continued*.Sir George Kekewich—*continued*.

been Secretaries to other Committees before, are quite willing to take a little extra burden themselves, in order to let one of their colleagues assist in the work of Committee.

827. And to make a little money?—I do not think it is always the trifling amount of money that he gets that makes a clerk willing to undertake the Secretaryship of a Committee, it is chiefly because he knows or wishes to know more about the subject which the Committee is considering.

828. You think it is his interest in the work and public spirit and not the money?—Frequently.

829. All I can say is that has not been my experience as head of a Department?—It is mine definitely.

Mr. Leif Jones.

830. On page 170, under Sub-head C, "Special Inquiries," I notice there was £1,500 spent more than the Estimate; that is to say 150 per cent. more than the Estimate?—Yes.

831. How is that?—It is explained on the following page.

832. Were none of these Committees foreseen when the Estimates were framed?—I think one may say that the probable necessity for each one of them was foreseen, but the precise time when it would be appointed and the amount of work which it would be able to carry through within the limits of the year, and consequently the amount of money that would be spent, were not foreseen.

833. The result is very far away from the Estimate, is it not?—It is very far away. Of course from its very nature the Item is one on which the expenditure does depart from the Estimate a good deal. As a matter of fact in the following year, although there was £1,500 in excess, there we have taken another £1,500 more still.

834. On page 171, under Sub-head A.A., I notice the contributions to certified Inebriate Reformatories were £1,500 below the Estimate; what was that due to?—Simply to the fact that the number of committals was a trifle less than was anticipated. The committals are entirely in the hands of the magistrates all over the country, who have to deal with the cases of inebriety that come before them. The Home Office has no control over the number of cases which they deal with by fine or a short sentence of imprisonment, or the number they send to Institutions. The saving was due to the fact that the committals were somewhat less than was anticipated.

835. You told me last year that you paid 16s. a week in the case of criminal inebriates and 7s. a week in the case of police court drunkards; is that still the scale?—Yes, there has been no change since then.

836. To make up £1,500 there must have been a considerably smaller number of cases?—Yes.

837. Do you happen to know the number of each

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[Continued.]

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On Vote 4—Home Office—*continued.*Mr. *Leif Jones*—*continued.*

each class in the Reformatories?—No, I do not carry it in my head.

838. Could you let me have that information?—Yes, I could get you full particulars of the numbers of each Class. The particulars were supplied by the witness. (*See Appendix, Paper No. 4.*)

839. As to the Aliens Act, this was practically the first year of the working of that Act, was it not?—Yes.

840. So that your Estimate was a good deal of the nature of guesswork?—That was so.

841. I notice that the expenditure was 20 per cent. below your Estimate practically?—Yes.

842. Are you able now to get nearer to the actual cost in your Estimate; do you know the expenditure in this last year, 1907-8?—I think I may safely say that the expenditure will be very much more close to the Estimate in future years.

843. Is the expenditure increasing or diminishing?—It is increasing, but not markedly so.

844. The expenditure this year was, roughly, £12,000?—In the following year we took £1,280 less under Item D.D.; we took the same amount under Item F.F., and in some of the other smaller Items we took sums amounting to £250 less, so that, on the whole, though the difference is not great, the expenditure is less.

845. In this year's Estimates is the amount about the same, or is it increasing?—Roughly speaking, it is about the same.

846. On page 173, I see coincidentally with this Aliens Act, the fees under the Naturalisation Act have very greatly increased this year; they are £850 above the Estimate?—Yes.

847. Is there any special reason for that sudden jump—the coincidence is a little curious?—Yes, it was quite contrary to expectation. The fees received from the Naturalisation Act vary in most extraordinary ways, for reasons which we cannot quite explain.

848. It is a very difficult Item to estimate?—Very difficult to estimate. Sometimes we see reasons why they should vary, and they do vary accordingly; but at other times they vary contrary to expectation. This was an unexpected variation.

849. I see the fines imposed in England and Wales under the Factories and Workshops Act and other Acts were £432 more than was estimated; can you account for that; was it due to greater vigilance on the part of the Inspectors, or was there a greater amount of laxity on the part of employers in that year?—The fines are enforceable for such a variety of matters, that I think it would be difficult to give you the cause for it all. But I do not think the amount indicates any very serious change.

850. There is no special reason, at any rate, by which you can account for that?—No.

Sir *Daniel Goddard.*

851. In regard to these Commissions and Committees, is it not possible to spread them a

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little more, instead of congesting them and over-expending the Estimate?—It would certainly be very greatly to the convenience of the Department if they had, say, one or two Committees every year, and could make a regular allowance for them; but I do not think the circumstances would admit of that. Sometimes matters become pressing because of a public agitation, or because Parliament is interested in the subject, and sometimes because of special opportunity for useful investigation. I do not think it is a matter of serious import whether there are four Commissions held one year and only two in the next and one in the next, and then, say, five in the next year.

852. Except that it puts out your Estimate?—But, after all, that is a trifling affair whether you spend £1,500 or £2,000 upon very important inquiries of this nature in any particular year.

853. At the bottom of page 173 I notice there is a paragraph which says that "a lady Inspector of Factories received £105 for investigations made by her for the Royal Commission on the Poor Laws." Was that an additional expenditure?—No, it was on the ordinary Estimates.

854. Was that the lady Inspector who was lent to the same Commission; there was one to be lent, was there not?—Yes, I think she was in a sense lent to the Commission. That is so.

855. I thought her salary was to be saved from the Home Office and paid by the Commission?—No, I think she was continuing during this work to do as much work as possible connected with Factory inspection, and other Home Office duties, and she received this extra £105 (which, of course, was not paid out of the Home Office, but out of the funds of the Commission) for an investigation and a report upon that investigation. It was largely a matter of writing and collating figures and statistics, and so on, which would be quite compatible with her doing some official work.

856. There was a saving, was there not, under Sub-head F, under which the expenses of this lady Inspector would have come?—Yes.

857. You did save that amount of expenses while she was in the service of the Commission?—Yes, certainly, there was a saving both in salaries and in travelling.

(Mr. *Byrne withdrew.*)

VOTES 5 AND 6 POSTPONED.

ON VOTE 7.

PRIVY COUNCIL OFFICE.

*Chairman.*

858. (To Mr. *Blain.*) The saving on Sub-head B of this Vote is mainly due to the absence of the necessity of special trains, I understand?—Yes.

859. You

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

## ON VOTE 11.

## BOARD OF AGRICULTURE AND FISHERIES.

Mr. WILLIAM THOMAS TAYLOR called in ; and Examined.

*Chairman.*

859. You answer for the Board of Agriculture, I believe?—I do.

860. I see under the Royal Botanic Gardens, at Kew, there is an increase on all four Sub-heads?—Yes.

861. Is that due to an increase in the wages of the subordinate staff?—It is so.

862. Under Sub-head F the increase is due to the fact that three extra institutions received grants?—Yes, there was £200 more paid to three institutions.

*Sir Daniel Goddard.*

863. Under the head of "Extra Remuneration" I see two permanent writers received £63 and £55 respectively; is not that rather a large sum for those men to receive?—No, I do not think so. They are paid by the folio, or the piece, for work which is paid for by the public. It is all overtime; it is done out of office hours.

864. What would be the salaries of these writers?—They get about £137 a year.

865. Then this is a very considerable addition to their salaries?—It is, but these men have been in the Office a great many years—40 years. These writers used originally to be called law stationers, and were receiving salaries, and were paid up to £250 or £300 a year, and the Treasury allowed these men to remain as permanent writers in the Office, and to be allowed to do this work, which was paid for by the public and done for the public after hours.

866. Do I understand that these two sums are recoverable from the public?—Yes, they are paid for by the public before the work is put in hand.

*Sir George Kekewich.*

867. Who are these permanent writers? I did not know there were any permanent writers in the Civil Service now?—No, but in old days when there was the Copyhold Inclosure and Tithe Commission there were certain clerks who did the work, called Law Stationers. The writing of the apportionments was a very large work when the Tithe Department was first started, and some of these men remained in the office doing the ordinary office work afterwards. It is difficult to see why they should not have been on the permanent staff.

868. These men have nothing to do with the old class of Civil Service writers?—No, they have nothing to do with them.

869. They are writers in a different sense altogether?—Yes.

870. What did you say their salaries were?—£137 a year as clerks.

871. Then this is half as much again? How old are they?—One of them is 70, I think, and the other about 68. They are simply allowed to remain now in the Office over the time because

*Sir George Kekewich—continued.*

they are in this unfortunate position; they are not entitled to any superannuation.

872. They are not subject to the ordinary Civil Service rules of retirement?—No.

873. They are writers in that sense?—Yes.

874. I ask the question because I have in my mind the case of some old writers who were dismissed some little time ago by the Treasury, without any compensation; they were not allowed to stay on over 70. These men are allowed to stay on over 70?—Yes.

875. They seem to be exceptionally favoured, then?—In that sense; but no doubt as they were temporary officers of the old Copyhold Inclosure and Tithe Commission, I think they might have expected to have been on the permanent staff; but they received no superannuation, they were simply allowed to remain.

*Sir Robert Hobart.*

876. Will not these writers receive anything when they leave the Office?—They receive a gratuity.

877. On any scale?—Whatever the Treasury think it right to give them; but I think it is, generally speaking, rather less than a year's service.

878. Then it is merely the benevolence of the Treasury?—Yes, just so.

879. But they will, no doubt, get something?—I think so. The Treasury have never refused it in any such case, as far as I know.

*Mr. Ashton.*

880. I see an Inspector received £120 from the Vote for Temporary Commissions for acting as Secretary to the Small Holdings Committee. How can a man in the position of an Inspector act as Secretary to a Commission? I thought an Inspector had to be all over the country, has he not?—Yes, he would have.

881. Then how does he manage to act as Secretary to a Committee; why is a man in that position selected?—This Inspector had special knowledge of land matters, and, no doubt, he was selected for that reason; but I could not tell you exactly, because it was not an Account matter at all.

882. There are not an unlimited number of Inspectors; how would this man's work be done in the country when he was kept in London as Secretary to the Committee?—The other Inspectors, of course, would be called upon to do rather more.

883. Does it really mean that there were rather more Inspectors than were necessary?—I do not know, but I do not think it could be that, because they seem to be requiring more Inspectors; I see papers

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Mr. WILLIAM THOMAS TAYLOR.

[Continued.]

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*continued.*

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papers where they are asking that additional Inspectors may be employed.

884. Of course a salary of £120 a year is a pretty large sum; what would be the salary of the Inspector?—It would be from £300 to £400 a year.

885. With whom does it rest to select a man for this rather nice appointment?—It rests with the President of the Board.

Mr. McCrae.

886. With regard to these two permanent writers about whom you have been asked, are the sums of £63 and £55 just about the average that they make out of this work each year?—Yes, it would be generally about that.

887. Then is there a Fee Fund? I understand that these sums are first of all paid to the Department and then the Department pays it out to these permanent writers?—It is not exactly the same amount. The Office actually makes a profit on their work.

888. That is what I wanted to be at?—They only get paid a certain rate that has been allowed for many years.

889. Is this what the Department does: they charge the public certain specified fees?—Yes.

890. And then they make an allowance to these two clerks?—Yes.

(Mr. Taylor withdrew.)

## ON VOTE 12.

## CHARITY COMMISSION.

Chairman.

891. (To Mr. Blain.) There are no excesses and no observations by the Comptroller and Auditor-General upon this Vote?—That is so.

Mr. Ashton.

892. Could you tell me why, as appears on page 202, a first-class clerk receives this extra remuneration for taxing bills of costs? Is it not the duty of anybody in the office to do that work?—No, I think that duty has not been allocated to the staff of the office at all. It is an occasional thing.

893. Is it not part of the regular routine of the office?—No, I think taxing bills of costs would ordinarily be done by a solicitor.

894. They have not enough of that work to employ somebody permanently upon it?—No.

## ON VOTE 13.

## CIVIL SERVICE COMMISSION.

Chairman.

895. (To Mr. Blain.) I see on Sub-head B there

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On Vote 13—Civil Service Commission—  
*continued.*

Chairman—continued.

is a saving of £5,457, and it is stated in the explanation that "The provision made for contingencies proved to be somewhat liberal." Is it not possible to foresee more accurately the number of examiners that will be wanted?—It depends upon the requirements of all the Departments in the year,—the number of vacancies occurring, and the number of new appointments to be filled in Departments like the Post Office, for instance; it is a very uncertain quantity.

896. Still, on an original Estimate of £18,900 you got a saving of £5,400?—Yes, it is rather liberal; they evidently took a very considerable margin for possible increase.

Mr. McCrae.

897. I see that the explanation in regard to the variation between grant and expenditure on Subhead A, "Salaries," is that "mainly owing to improvements in organisation considerable savings were made on the Items 'Overtime,' 'Temporary Messengers,' and 'Copying.'" Is that the result of the observations made by this Committee on the matter of overtime?—Certainly the views of this Committee on the subject are known to the Department and are very well known to the Treasury; so I think that may be said to have influenced it.

Mr. Bowles.

898. As to these Assistant Examiners, the Civil Service Commission asked for £19,000 and only spent £13,000—that is an enormous variation. You say it depends upon the number of posts to be filled. I imagine that the number of examinations and the number of Assistant Examiners is probably pretty constant, whatever may be the number of posts to be filled. Is not that so?—But they are paid by fees dependent upon the number of papers they have to examine. That depends not only upon the number of posts to be filled but upon the number of candidates.

899. But the number of candidates I take it is pretty constant and does not vary with the number of vacancies. Most of these examinations are standing examinations, are they not?—Some of them are, but in some cases they may have to hold examinations for a large number of appointments, sometimes twice and at other times three times in the year, according to the requirements, and that may make a great difference. Moreover, some of the candidates may come up, over and over again.

Sir Daniel Goddard.

900. I notice that there is a larger number of examinations held for which fees are paid. On page 205 in the paragraph headed "Extra Receipts," it says, "The number of examinations held, for which a fee is paid in cash, was greater than had been anticipated?"—Yes, those are examinations for which the fees are paid in cash.

901. And yet the fees paid to examiners are a third



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[Continued.]

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On Vote 13.—Civil Service Commission—  
*continued.**Sir Daniel Goddard*—continued.

third less than was anticipated. That strikes me as being rather contradictory?—But the examinations where the fees are paid in cash are only a very minute proportion of the whole. The fees are ordinarily paid in stamps, and it is noted by the Comptroller and Auditor-General, under the heading "Extra Receipts," that the stamp receipts were £16,000.

902. I was not so much referring to the fees as to the point that there were a larger number of examinations?—That is the number of examinations for which the fee is paid in cash, but they are only a minute proportion of the whole.

903. I understand. It does not mean an increase in the whole of the examinations?—No.

904. There were less examinations in the whole, I take it?—At any rate the number of candidates was less.

*Sir George Kekewich.*

905. The over-estimate was very large in proportion to the total sum?—Yes.

906. Is that the ordinary practice in the case of the Civil Service Commission, or is it exceptional for this year?—It is rather exceptional in amount this year. I see in the previous year there was a surplus of £3,000 on that Item. The year before that there was a deficiency.

907. On these three Items?—On that same Item for "Assistant Examiners."

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 13.—Civil Service Commission—  
*continued.**Sir George Kekewich*—continued.

908. But on the whole Vote how was it?—On the whole Vote they generally have a fair margin.

909. They always have a surplus to be surrendered?—Yes. The total Vote was reduced by nearly £2,000 for the present year.

910. What I mean is this: cannot the Treasury bring under the notice of the Civil Service Commissioners the desirability of estimating a little more closely than they do for their Vote?—The Treasury does that, I think I may say, every year, when the Estimates come up. If the Vote has been underspent in the previous year, the Treasury will insist upon a reduction unless the Department can give a satisfactory reason why one should not be made.

911. Did the Treasury insist upon a reduction in this case?—Either the Treasury insisted or the Department volunteered; because there was a reduction of £1,500 in framing the Estimate.

912. Then you do insist from time to time?—Certainly.

*Sir Daniel Goddard.*

913. Am I not right in saying that this Item B has increased by £1,000 within the last three years?—You mean the three years ending with the year of this Account?

914. Yes?—It was increased by £1,000, and that has been given up now.

## ON VOTE 14.

## EXCHEQUER AND AUDIT DEPARTMENT.

Mr. H. J. GIBSON, C.B., Examined.

*Chairman.*

915. You answer for this Vote?—Yes.

916. The under expenditure on Sub-head B is due to less local audit being required in connection with the Army Accounts, is it not?—We rather over-estimated the amount of expenditure on travelling in connection with auditing the Army Accounts.

917. That was during the time when there was a considerable change of system going on, was it not?—It was mainly in connection with the movements in South Africa. We were not quite sure how the reliefs would work out. We have periodically to relieve the local staff in South Africa.

918. You are in the fortunate position of being able to strike Sub-head C, "Law Expenses," out of the Estimate altogether in future, I understand?—Yes.

*Mr. Bowles.*

919. Is that reduction in the Item "Travelling and Removal Expenses" likely to be permanent owing to the rearrangement of the Army Accounts?—No; it just happened in that particular year. We are taking £200 less in the

B

*Mr. Bowles*—continued.

current year and have spent nearly the whole.

920. This was only a casual reduction?—It was a casual reduction.

921. With regard to "Law Expenses," what was the nature of your Law Expenses. I see there were none in the year under review?—No, we have struck out the Item; we have had no expenditure under this head since 1898-9. In former times it was thought advisable occasionally for the Comptroller and Auditor-General to consult counsel, who, of course, had to be paid out of the Vote.

*Sir Robert Hobart.*

922. Have you still any officer of your Department out in South Africa?—Yes; in fact, we only commenced to send them out three or four years ago. When the War Office started their scheme of decentralisation of Accounts, they particularly requested that we should follow suit with the audit. We sent out a senior clerk, a Chief Examiner and three Examiners, to conduct locally an audit of all the Army Accounts in South Africa.

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923. I

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Mr. H. J. GIBSON, C.B.

[Continued.]

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On Vote 14.—Exchequer and Audit Department—  
*continued.**Sir Robert Hobart*—continued.

923. I presume that with the reduction in the number of troops out there you will not require so large a staff?—We have a very small staff, and they have to do a great deal of travelling about. We shall have to consider the question, of course, when this further reduction comes off; but I think so long as the Army conduct their audit locally we shall have to continue to conduct

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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*continued.**Sir Robert Hobart*—continued.

our audit locally, though it may be possible to slightly diminish the staff.

ON VOTE 15.

FRIENDLY SOCIETIES REGISTRY.

No Questions.

ON VOTE 16.

LOCAL GOVERNMENT BOARD.

Mr. HORACE CECIL MONRO, C.B., called in; and Examined.

*Chairman.*

924. There are only two small excesses on this Vote. I observe there was an under-expenditure on Sub-head G, "Salaries of District Auditors," which I understand was due to various unforeseen changes?—Yes.

925. And also to illness?—Yes.

*Sir Daniel Goddard.*

926. On Sub-head S, "Travelling Expenses," under the heading "Inspection under the Sale of Food and Drugs Act," the Vote was £500, and the expenditure was £57?—That was so.

927. Last year the Vote was £500 and the expenditure was £18?—Yes.

928. What is the explanation of that?—That is rather a new Sub-head. I think last year, the year before this, was the first year in which it was started.

929. Is this due to the Inspectors still being engaged on preliminary work and, therefore, there not being much travelling?—Yes; it is chiefly due to that. They are mainly occupied in special investigations. It was rather assumed that they might be engaged in going through the country and interviewing various County analysts and local officials.

930. That is exactly the same explanation that was given last year, is it not?—I have not got last year's accounts before me, but if the circumstances were the same the explanation would be the same.

931. I should like to know how long this preliminary investigation is going on. Are you reducing this Vote in this year's Estimates?—No; it has not been reduced this year.

932. Are you still engaged on this preliminary work?—I think it is contemplated that the staff for this branch will be increased.

933. That would not come under the head of "Travelling." I understand there was practically no travelling this year, and that is why the money has not been spent?—I think there might be travelling. Last Session there was an Act passed authorising the Local Government Board to make regulations dealing with various articles

*Sir Daniel Goddard*—continued.

of food, and the regulations are at the present time in preparation. When those regulations are made, I think it is very likely there will have to be a good deal of travelling.

934. You put it in on the chance?—We have to estimate.

935. I am not quite clear about another point, which perhaps you could clear up for me. I do not see any account rendered of the grant of £200,000 for the unemployed, that does not come under this head?—No, that comes under another class altogether, Class 7 I think. (Mr. Blain.) That is so.

936. It is a Local Government Board Vote, is it not?—It is for the Local Government Boards of all the three counties; so the Treasury account for the Vote.

*Mr. Leif Jones.*

937. (To Mr. Monro.) In the Appropriations-in-Aid, I see the "amount of stamps under the District Auditors' Act, 1879, the Local Government Acts, 1888 and 1894, and other Acts" is £1,000 below the Estimate; what was that due to?—Those, I think, are stamps paid on audit mainly.

938. I see there is a note on page 213 in regard to that?—These are stamps paid on audit. The stamps depend upon the amount of the expenditure, and that is paid when the audit is completed, so that the amount paid in the year depends upon the number of accounts in regard to which the audit is completed and the stamps have been bought in the year. They are yearly or half-yearly audits, but the actual amounts we receive vary in particular periods of 12 months, dependent upon the number of audits that have been completed within the 12 months. This year it happened that the audit was rather in arrear, and therefore there were a certain number of audits on the 31st of March outstanding that had not been completed. Some of those were, I gather, rather big audits which would have large stamps paid upon them.

939. Are these arrears likely to continue; would this be made up in the following year, or would

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Mr. HORACE CECIL MONRO, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 16.—Local Government Board—  
*continued.*Mr. *Leif Jones*—continued.

would it be still further in arrear?—As a matter of fact the audit is somewhat in arrear now.

940. Are these continual arrears that have been carried on from year to year as it were?—No.

941. Is the auditing permanently getting into arrear, so that every year it will be in arrear?—It has got rather into arrear at the present time. Now we have authority from the Treasury to employ some additional assistance to bring it more up to date.

942. So you expect to get level, as it were?—Yes.

943. Or at any rate nearer than this?—Yes.

Sir *Robert Hobart*.

944. May I ask how many of these District Auditors there are, say, for England and Wales?—The account relates only to England and Wales. There are about 70.

945. They will have fixed districts in which they travel about and see the various accounts I presume?—Yes.

946. Do they make a complete audit of everything, or only a percentage?—They make a complete audit. That is to say, no doubt certain books must be audited by sample; they do not go through every figure, I presume.

947. It is a complete annual audit?—A complete annual audit, and sometimes half-yearly.

Mr. *Ashton*.

948. Under the heading of "Extra Remuneration" I see "14 Second Division Clerks received payments exceeding £25 each for overtime," is that more or less than was the case last year?—It is about the same, I think. That is really all due to what we call "Morning work." A certain number of Second Division Clerks come at half-past eight in the morning instead of at 10, in order to get the letters opened and register them, and have all the morning post ready when the ordinary clerks come at 10 o'clock.

949. It is not casual overtime?—No, it is stock overtime.

Mr. *McCrae*.

950. What is the salary of a Second Division

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 16.—Local Government Board—  
*continued.*Mr. *McCrae*—continued.

Clerk?—£70, rising to £250, with power to go to £350.

951. Are these men who come in early in the morning, juniors or seniors?—I do not think any of them gets a salary of more than £150.

952. I ask, because I notice some of them make as much as £44 in overtime?—Yes.

953. Is there no method by which the work could be rearranged so that your staff could work it with a little additional assistance, without these particular men working more hours than their neighbours?—I think, on the whole, it is a convenient arrangement.

Mr. *Ashton*.

954. Is the rate for overtime much the same as the rate for the regular salaries?—It depends upon the amount of the salaries. It ranges from about 10d. to 1s. 6d. an hour.

955. Does that work out about the rate of the regular salary?—The rate for overtime is prescribed by the Treasury; it depends upon the actual salary that the man gets.

956. Is it in excess of the rate of the actual salary, do you know, or about the same?—I do not know.

957. (To Mr. *Blain*.) Could you tell us that?—We divide the Second Class salaries, which rise from £70 up to £350, into three grades, and then for each of those grades we give a fixed rate of overtime pay, corresponding roughly to the average rate.

958. At any rate, it is not recognised to be in excess of the regular rate of salary?—No.

Mr. *McCrae*.

959. What is the largest number of hours worked in any one day by these clerks, who come in early in the morning? If they come in at half-past eight, when do they get away at night?—Five o'clock.

(Mr. *H. C. Monro* withdrew.)

ON VOTE 17.

No Questions.

ON VOTE 18.

THE MINT, INCLUDING COINAGE.

Mr. WILLIAM GREY ELLISON-MACARTNEY called in; and Examined.

*Chairman*.960. I understand the Treasury sanctioned the special Sub-head, which was opened for the purpose of recording an expenditure of £61 11s. in connection with an Official Inquiry into two  
B*Chairman*—continued.

cases of abstraction of gold in the Perth Branch?—Yes.

961. What was the result of that Inquiry?—One workman was discharged, and a clerk was discharged  
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MR. WILLIAM GREY ELLISON-MACARTNEY.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 18.—The Mint, Including Coinage—  
*continued.**Chairman—continued.*

discharged. The State Solicitor-General and the Detective Inspector, who was in charge of the investigation, considered there was not sufficient evidence to justify a prosecution; and the Department was more or less bound by the view taken out there.

962. So that you got rid of the men, though you were not able to proceed against them?—We got rid of the men. There was a complete reorganisation and co-ordination of the Accounts of all the three branch Mints in Australia. There was a special Inquiry, I may say, held there by the Deputy-Master at Melbourne, by my direction.

963. I see in Sub-head H, the loss on gold coinage was nearly twice as much as estimated?—Yes, the coinage was very large this year—it was nearly double that of the preceding year. There is no means of ascertaining in advance what the gold coinage may be.

964. I see the extra receipts payable to the Exchequer amounted to £600,000, as against an Estimate of £150,000?—Yes; there again there was an enormous development in the Colonies. For instance, Australia took £164,000, against £67,000 in the previous year; New Zealand took £80,000, against £11,000; and West Africa took £500,000, as against £143,000. It is almost impossible to tell what the demands will be.

*Mr. Ashton.*

965. Do we entirely run the Perth Mint?—We run it in this sense: It is an Imperial Mint—that is, all the officers and all the men are appointed by the Master of the Mint; but provision for its maintenance is provided by the local Australian States, and they get the benefit of any financial profit.

966. They get any profit from the coinage, and so on?—Yes, the Annuity is now provided by them.

967. Do they coin the silver?—No, it is only gold; Australia, at present, takes the Imperial silver and bronze.

*Mr. Bowles.*

968. I see you have a tremendous increase of extra receipts over your Estimate?—Yes; there was a tremendous jump that year. 1905 was one of the lowest years which I, at any rate, have known; there was a sudden enormous expansion of trade, especially in the Colonies. It is a very difficult matter to estimate.

969. You have to buy a lot of silver?—Yes, a very large quantity.

970. Why was the profit on the bronze coinage greater than you anticipated?—271 tons of bronze coinage were issued that year, as against 127 tons in the previous year.

971. You issue to meet the demand such as it is?—Yes, we are obliged to.

972. On page 219 I see that the service per-

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 18.—The Mint, Including Coinage—  
*continued.**Mr. Bowles—continued.*

formed by the Mint for the War Office for medals was nearly £4,000?—Yes.

973. That is the silver for the medals, and I suppose you struck the medals?—Yes.

974. That is the whole amount for the medals?—Yes.

*Mr. Leif Jones.*

975. You say that this large increase in the extra receipts realised was due to unexpectedly heavy demands for silver coinage?—Yes.

976. But I think you gave the same answer last year in regard to the increase that year?—There was an increase then; I think the special reason then was that there was a general election, which took half a million, in January.

977. Is it possible that you are really under-estimating the requirements?—I do not think so. I did increase the Estimate this particular year, but I had no means of ascertaining, and there is no means that I know of at present, what the demand would be. None of the African banks could give me any idea; and, as I say, West Africa took £500,000 as against £143,000 the year before; New Zealand took £11,000 in 1905 and £80,000 in 1906, and they took nothing in 1907. I have no means of knowing the year before what one of these Colonies will take.

978. Then this £150,000 is not really an Estimate?—I admit it is a very large discrepancy. I had anticipated an increase, but nothing like the increase that did take place.

979. Last year, for instance, what did you estimate these extra receipts at for 1907?—Again there was a large discrepancy. I put up my estimate again, but the receipts for the current financial year will be largely in excess of my Estimate.

980. Taking this year's Estimate, what have you put the estimated amount of extra receipts at?—For the next year I have increased them about £300,000, I think.

981. Do you mean that is the total, or the increase?—I have added £300,000 to the extra receipts.

982. So that you do estimate that the demand for silver has definitely increased in recent years?—Yes. I think I shall realise my Estimate. The amount of silver issued in 1906 was so large that I thought these Colonies were pretty well supplied; but, as a matter of fact, they required more in 1907 than I anticipated.

983. Why is there this extraordinary demand for silver?—The markets in West Africa were very large; there was a great demand. That was one of the principal reasons, and Australasia generally had not been taking very much silver during the preceding years; then there suddenly seemed to be a considerable revival of trade, and I presume they wanted more silver.

*Mr. Bowles.*

984. I see your Appropriations-in-Aid were exactly estimated. £126,200; I suppose they are

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Mr. WILLIAM GREY ELLISON-MACARTNEY.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 18.—The Mint, Including Coinage—  
*continued.*

Mr. Bowles—continued.

are a standing amount. What are they?—The Appropriations-in-Aid are the amount that has to be taken to cover the expenses of the Department. There is £126,200 appropriated from my estimated profits in order to pay the expenses

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 18.—The Mint, Including Coinage—  
*continued.*

Mr. Bowles—continued.

of the grants on the different Sub-heads, and then there is a sum of £70 left in order to provide a subject of conversation in the House of Commons.

(Mr. Macartney withdrew.)

## ON VOTE 19.

## NATIONAL DEBT OFFICE.

Mr. W. G. TURPIN called in; and Examined.

Chairman.

985. I see there was an excess expenditure on Sub-head C, "Salaries," of £87; what is the reason for that?—That is due to the increased amount of fees for doctors, owing to a greater number of cases of commutation of pensions coming before the Board.

(Mr. Turpin withdrew.)

## ON VOTE 20.

## PUBLIC RECORD OFFICE.

Chairman.

986. (To Mr. Blain.) I suppose the excess on Sub-head B of this Vote due to the purchase of books of reference to the value of £50, received Treasury sanction?—That is so.

## ON VOTE 21.

## PUBLIC WORKS LOANS COMMISSION.

No Questions.

## ON VOTE 22.

## REGISTRAR-GENERAL'S OFFICE FOR ENGLAND.

Chairman.

987. (To Mr. Blain.) I understand the saving on Sub-head C was due to the decrease in the Birthrate?—And also in the number of Deaths and Marriages.

## ON VOTE 23.

## STATIONERY AND PRINTING.

Mr. ROWLAND BAILEY, I.S.O., M.V.O., called in; and Examined.

Chairman.

988. The excesses under Sub-heads K and N, amounting all told to £11,700, I think, are due to an Autumn Session, are they not?—Yes.

989. That, of course, was unforeseen when the Estimate was framed?—Quite.

Mr. McCrae.

990. Under Sub-head E I notice you have spent less than your Estimate on Printing for Public Departments and also for Paper under Sub-head F. What is the reason for the difference—where has the saving come in?—It is chiefly in respect of the demands by the Inland Revenue and the Patent Office, which were less than we had reason to anticipate.

Sir Robert Hobart.

991. On Sub-head I, "Books and Maps for

Sir Robert Hobart—continued.

Public Departments," I see there is a similar sort of saving. How is that accounted for?—The demands on us from the War Office for School Books were much less than in previous years.

992. Was there a smaller number of Army Schools?—I do not quite know what the reason is. I fancy they had been ordering in previous years a larger number of new text books, and that demand ceased, and hence the saving. I believe that is the explanation.

Mr. Bowles.

993. I see you spent something very like £20,000 upon the Parliamentary Debates. Do you print and publish the Parliamentary Debates now?—That is done under contract.

994. What

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Mr. ROWLAND BAILEY, I.S.O., M.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 23.—Stationery and Printing—*continued.*Mr. Bowles—*continued.*

994. What is the exact part that your Department fills in the production of Hansard's Debates?—Nothing but paying.

995. You merely pay for them?—And, of course, see that the terms of the contract are carried out.

996. But you do not do any actual work in regard to that?—No.

997. So that this £20,000 is really the payment due to the contractors under their contract, which is paid through you?—That is so.

Sir George Kekewich.

998. Do you, as a rule, estimate as closely as you possibly can, or do you leave a margin for contingencies, and, if you leave a margin, how much do you leave?—I think I may safely claim that we estimate as closely as we possibly can. There

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 23.—Stationery and Printing—*continued.*Sir George Kekewich—*continued.*

is no fixed margin. We take the whole circumstances into account, the expenditure in the last few years and the likelihood of anything occurring that is in any degree abnormal, and so on.

999. I asked the question because I see your net surplus to be surrendered exclusive of the Appropriations-in-Aid is only £1,000; but it would have been considerably more if it had not been for the Autumn Session, which was not anticipated. The Autumn Session exhausted your surplus?—Yes; and left us with a large expenditure on the wrong side.

1000. You mean on the particular Sub-head; but it left a surplus of £1,000 on the Vote, did it not?—On the whole Vote there was a surplus of £1,000.

(Mr. Bailey withdrew.)

## ON VOTE 24.

## OFFICE OF WOODS, FORESTS AND LAND REVENUES OF THE CROWN.

Mr. FREDERICK HELLARD and Mr. CHARLES E. HOWLETT called in; and Examined.

Chairman.

1001. (To Mr. Hellard.) In the year under review I think the expenditure on Sub-heads D and E was exceptionally light?—That is so.

1002. Those are Items which, of course, you cannot estimate in advance?—No.

Mr. Bowles.

1003. Is there any expenditure shown here for the purchase of lands for afforestation?—No, that would come into the Land Revenue Account; it does not appear on the Vote Account.

Sir Robert Hobart.

1004. Does this amount for salaries only cover the salaries in the London Office?—In the London office and the Dublin office.

1005. But it does not pay for the officials connected with the forests, such as New Forest, or Windsor?—No.

1006. They appear in a different paper?—They appear on the Land Revenue Account.

1007. And their salaries appear on that account?—Yes.

Mr. Ashton.

1008. Do I understand from your answer to the Honourable Member's question that this amount of £16,671 is spent on the salaries in two offices, the London office and the Dublin office?—That is so.

1009. Are those large offices? Are there a very large number of clerks?—Fairly large.

Chairman.

1010. I think you also answer for the Abstract Account?—Yes.

WOODS, FORESTS AND LAND REVENUES.—  
ABSTRACT ACCOUNTS, 1906-7.

Chairman.

1011. (To Mr. Kempe.) I think these are statements of fact to which you call attention in your report upon this Land Revenue Account?—Yes.

1012. At your request the Commissioners of Woods have embodied in the Account a list of the arrears due to the Crown?—Yes.

1013. That furnishes you with the information which you required?—Yes, it is quite satisfactory.

1014. (To Mr. Hellard.) We have only just had this Account put into our hands, and I think we must postpone the consideration of it, and ask you to attend on a future day?—Certainly.

(Mr. Hellard and Mr. Howlett withdrew.)

## ON VOTE 26.

## SECRET SERVICE.

Mr. Bowles.

1015. Has this Grant always been steady for several years at £50,000?—It was £65,000 in the previous year; it was reduced this year to £50,000.

1016. You

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

## ON VOTE 27.

## OFFICE OF THE SECRETARY FOR SCOTLAND.

Sir REGINALD MACLEOD, K.C.B., called in ; and Examined.

*Chairman.*

1016. You answer for the Office of the Secretary for Scotland and also for most of the Scotch Votes, I think ?—That is so.

## ON VOTE 28.

## FISHERY BOARD FOR SCOTLAND.

*Chairman.*

1017. I understand there is a balance of £20,774 standing to the credit of the Piers and Harbours Deposit Account ?—That appears to be so.

1018. Are these two Sub-heads, D and E, annual grants ?—There is an annual grant of £3,000 in respect of Piers and Harbours ; the "Surplus of Herring Brand Fees" is not an annual grant, but it is a matter of annual accounting as to the expense involved in branding the herrings and the profits that are gained thereby, the balance going to the Piers and Harbours Account of the Fishery Board.

1019. The sum of money arising from these two sources now shows a balance of £20,000, as I understand ?—That I understand to be so. It is right to say that I do not account for this Vote.

1020. (To Mr. *Blain.*) Am I right in understanding that this Fund amounts to a sum of £20,000 ?—Yes, at the end of the year under review that was so.

1021. Of course that is done under an Act of Parliament ?—Yes, the main grant, the £3,000 a year, is statutory.

1022. (To Sir *Reginald MacLeod.*) Is that sum left to grow indefinitely until anybody can lay hands upon it ?—I think the Fishery Board would probably not be long in spending it if they thought there was any risk of that.

1023. That is what occurred to me, that it is most dangerous if there is a Fund accumulating, for there would certainly be somebody who wanted to lay hands upon it ?—I think the Fishery Board make grants to the full extent of the amount at their disposal, but the grants sometimes take a considerable time in spending, and balances accumulate in the meantime. But I am almost confident that if we asked the Fishery Board that question they would answer that the amount of money at their disposal was already mapped out.

*Mr. McCrae.*

1024. The moneys have been already appropriated for specific work, you think ?—They have been appropriated to various works.

*Sir Robert Hobart.*

1025. In regard to Item B, I see the explanation

*Sir Robert Hobart—continued.*

on page 251 says that the amount of branding work was much less than usual, and in the paragraph headed "Exchequer Extra Receipts," it says that a large number of herrings were "ineligible for the Official brand"—what does that mean ?—It means that when landed they were of inferior quality, and of course could not be passed as full branded herrings for the foreign market. The brand is only put upon herrings of a certain size and quality, and if the herrings landed are of any unusual quality and are unfit for branding, then necessarily there are fewer barrels that could properly be branded as guaranteed of a definite quality.

1026. I also see that in the latter part of the explanation in regard to Item B, reference is made to a "saving on the provision for sending an officer to the Continent to report on the import of Scottish cured herring." That was an individual case, was it ?—That course has been followed for several years now, always with the consent of the Treasury. A Superintending Fishery Officer has been sent abroad to watch the landing of herrings, and compare the condition of the Scotch herrings with those obtained by other powers, so as to report if there is anything which could give rise to a decrease in the value of the reputation of our fish.

1027. Are these Departmental Reports, or do they come to Parliament ?—They are issued to the Fishery Board ; to the best of my recollection, they have not been presented to Parliament. I do not think the Secretary for Scotland would have any objection about presenting them if it was wished.

*Mr. Bowles.*

1028. (To Mr. *Blain.*) I do not understand exactly what this Piers and Harbours' Deposit Account is ; whence does the money for it arise ?—The money comes from this Vote. There is an annual grant of £3,000, and a varying grant in regard to the surplus of herring brand fees.

1029. It has been allowed to accumulate for some years, and it amounted in the year 1906-7 to £23,195, all of which I understand was really available for the service of the Piers and Harbours. Does that mean that the whole amount could be spent ?—The whole amount could be spent. It is not a capital fund. It can all be spent. Sometimes large amounts are required for work in connection with the reconstruction of harbours.

1030. I suppose it is under the control of the Commissioners ?—It is under the Fishery Board.

1031. (To Sir *Reginald MacLeod.*) You do not account for that, I understand ?—I do not account for that, but as a matter of convenience the  
Chairman

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Sir REGINALD MACLEOD, K.C.B.*Continued.*

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 27.—Office of the Secretary for  
Scotland—*continued.**Mr. Bowles—continued.*Chairman has sometimes asked me to reply in  
regard to this Vote.*Mr. McCrae.*1032 (To Mr. *Blain.*) This is a grant-in-aid,  
and therefore does not require to be surrendered?  
—That is so.

ON VOTES 29, 30 AND 31.

No Questions.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

*Chairman.*1033. (To Sir *Reginald MacLeod.*) Are those all  
the Votes you answer for?—Those are all the  
Votes in this class, but there is a Vote which you  
sometimes desire to ask questions about in Class 7,  
in regard to the Colonisation Board.1034. That is under the Temporary Commissions  
Vote—Vote 1 of Class 7?—Yes. It is a very  
small matter; it is almost infinitesimal in import-  
ance, as the properties have been sold, and it is  
only a question of receiving instalments.1035. (To Mr. *Kempe.*) You have no observa-  
tions to call our attention to upon that subject?  
—No.(Sir *Reginald MacLeod* withdrew.)

ON CLASS III.

LAW AND JUSTICE.

ON VOTE 1.

LAW CHARGES.

Mr. W. BURNET called in; and Examined.

*Chairman.*1036. You answer for the Law Charges (Eng-  
land) Vote?—Yes.1037. I understand that Treasury sanction was  
received for the excess expenditure on Sub-heads  
E, F and G?—That is so.1038. Of course, the Criminal Prosecutions are  
liable to considerable fluctuation?—They are.(Mr. *Burnet* withdrew.)

ON VOTE 2.

MISCELLANEOUS LEGAL EXPENSES.

*Chairman.*1039. (To Mr. *Kempe.*) You have no observa-  
tions to call attention to upon this Vote?—  
No.1040. Your Report merely states the facts?—  
That is all.

ON VOTE 3.

SUPREME COURT OF JUDICATURE.

Mr. W. H. ROWE called in; and Examined.

*Chairman.*1041. On this Vote there have been two new  
Sub-heads opened—K(1) and K(2)?—That is  
so.1042. (To Mr. *Blain.*) They both received  
Treasury sanction, I understand?—Yes.*Mr. Leif Jones.*1043. As regards this new Sub-head K(2)—  
“Fees for Revision of Supreme Court Rules”—  
what was the haste about that? Why was it  
necessary, seeing that it was not upon the Esti-  
mates, to open a new Sub-head, and to do the  
work this year, when nothing had been taken*Mr. Leif Jones—continued.*for it?—The reason was that the work had been  
done, and it was desired not to keep the draftsmen  
waiting for their money.1044. That is not exactly an explanation, is it;  
that is to say, the work was done without sanction?  
—Perhaps Mr. Rowe could explain it? (Mr. *Rowe.*)  
I think all the correspondence passed directly  
between the Lord Chancellor and the Treasury,  
but, from what I recollect, this was a payment  
to two barristers for the Revision of the Supreme  
Court Rules some years ago. The question has  
been in dispute for some time, I think, with the  
Treasury, and it is only just settled. I do not  
know



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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and  
Mr. W. H. ROWE.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class III.—On Vote 3.—Supreme Court of  
Judicature—*continued.*Mr. Leif Jones—*continued.*

know anything of the details, because, as I say, the correspondence was entirely between the Lord Chancellor and the Treasury.

1045. That makes it a little more mysterious. I do not understand why the Lord Chancellor and the Treasury, in regard to a matter that had been going on over a great many years, should have sanctioned a payment that had not come before Parliament. There was plenty of time for it to come before Parliament?—(Mr. Blain.) The payment had not been claimed many years before. The work had been done for a great many years, and then application was made for payment, and there certainly was a good deal of doubt about what sums should be paid; but when the Lord Chancellor and the Treasury had come to a decision on the amount to be paid, they ordered it to be paid at once.

1046. I do not in the least understand. May I put my question in this way: What are the circumstances under which this £600 was paid for the Revision of the Supreme Court Rules without Parliament knowing anything at all about it?—It is not in itself a payment of a nature that would have come before Parliament—is it a kind of payment which on most of the Votes would be paid without Parliament knowing anything about it—that is to say, it would be included in some General Sub-head, like that for "Salaries." But, in this case, it happened that it was not considered proper to charge it to the "Salaries" Sub-head, because it was not paid to any officer of the Supreme Court of Judicature, and so a special Sub-head is opened to record the payment, otherwise it is not a service which it would be thought necessary to get Parliamentary sanction to pay.

1047. That is exactly what I wanted to know. I imagined there was an explanation, but I wanted to have it?—That, I think, is the explanation.

1048. Would you let me know more exactly when the work was done?—It began, I should say, 12 or 14 years ago.

1049. Have there been payments made regularly from time to time in connection with it?—There had been one payment made before, and there has been one made since this.

1050. Then, I suppose, the scale and method of payment has been settled by somebody?—I think the matter came into Court before it could be settled.

1051. I think your answer shows that there is a good deal more than appears upon this Account. I should like to know, if I may, the circumstances under which this payment had to be unexpectedly made in the year, and a new Sub-head opened. You say that payments had been made before—were they also under a special Sub-head, created for the occasion?—I think that would be so. One payment had been made, I know, some years earlier, and another was made in the current year, and will appear in the Accounts for this year.

B

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 3.—Supreme Court of Judicature—  
*continued.*Mr. Leif Jones—*continued.*

1052. Is this likely to be recurrent?—No, that is the final payment.

1053. The work is finished, is it?—Yes.

1054. Might I have the whole story—not necessarily now, but perhaps you could give it me another time. The whole thing appears to be rather mysterious, and I do not see why there should be any mystery?—I can get the facts, I think.

1055. Would you let me know what has been the total cost of this Revision of the Supreme Court Rules, and also, if you can, what the difficulty has been in settling the amount and the method of payment. I think you said there would have had to be a lawsuit over it, or that there had been some difficulty in settling it?—I think it was settled out of Court, but it had got to that stage.

1056. Perhaps you would let me know the circumstances of this case?—Yes.

Mr. Bowles.

1057. In regard to new Sub-head I, "Commissioners of Assize," a Commissioner of Assize is not unknown or unexpected, is he?—He is always unexpected, I think—he takes the place of a Judge who cannot go Circuit. It happens, for instance, that when a Judge is ill a Commissioner has to be appointed to go the Circuit.

Sir Robert Hobart.

1058. As regards Sub-head J, "Trial of Election Petitions," I see there was an original Grant of £30 and a Supplementary Grant of £2,000, and there was an expenditure more than granted of £1,570. Is the whole of that expenditure charged against the public, or is anything recoverable from the places where the Petitions are tried?—I think nothing would be recoverable in those cases. In cases like that of Worcester, for instance, where a Special Commission was appointed as the result of the trial of the Petition to inquire into charges of corrupt practices, then the expenses would be recoverable and the place would have to pay.

1059. In the case of ordinary Election Petitions, such as the case of Great Yarmouth or Bodmin, which, I suppose, would be included under this Sub-head, would they not?—Yes.

1060. There is no charge in those cases upon the places?—No, in those cases it is an ordinary case of the administration of justice at the expense of the State.

1061. How is the case of Worcester different?—I think because the result was different. The Judges made a different finding, with the result that a Special Inquiry had to be held to go into all the facts, and the cost of that had to be borne by the place.

1062. Was the whole of the cost of the Worcester Inquiry charged upon the rates?—Not the cost of the original Petition, but the cost of the Special Commission which inquired into the charges of corrupt practices.

(Mr. Rowe withdrew.)

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1063. In

28 February, 1908.]

MR. KEMPE, C.B., and MR. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

ON VOTE 4.

LAND REGISTRY.

*Chairman.*

1063. (To Mr. *Blain*.) In regard to Sub-head A, "Salaries," I understand there have been reductions in the staff consequent upon amalgamation in New Building and Partial Reorganisation?—Yes.

1064. I understand the whole of the office has been practically reorganised?—That is so.

1065. Has that been now completed?—Yes, I think that is completed.

ON VOTE 5.

COUNTY COURTS.

*Chairman.*

1066. (To Mr. *Blain*.) In regard to Sub-head D,

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 5.—County Courts—*continued*.*Chairman*—*continued*.

I understand there was a transfer in this case to the Stationery Office Vote?—Yes, the Expenditure for Stationery, which was formerly charged to this Vote, is now charged to the Stationery Vote.

1067. This excess is due to that reorganisation?—A small sum was left in this Vote to provide for that overlap of expenditure into the year 1906-7, but it proved to be not quite enough. The bills were not presented as early as was expected.

*Sir Robert Hobart.*

1068. With regard to Item B, "County Court Officers' Salaries and Allowances," does that include the payments for the Judges?—No, the Judge's are borne on the Consolidated Fund.

1069. The whole of their salaries?—Yes.

ON VOTE 6.

POLICE—ENGLAND AND WALES.

Mr. W. P. BYRNE, C.B., recalled; and further Examined.

*Sir Robert Hobart.*

1070. (To Mr. *Kempe*.) You have audited the Metropolitan Police Fund, I understand?—Yes.

1071. And you find it correct?—Yes.

1072. You have no observations upon any points you desire to call attention to?—No. Both the separate Accounts given here are audited.

*Mr. McCrae.*

1073. (To Mr. *Byrne*.) With regard to Sub-head B of this Vote, I see you have spent £2,494 less than your Estimate for "pay and expenses of Officers specially employed"?—Yes.

1074. What do those officers do?—They are occupied mostly in guarding the Houses of Parliament and other great National Monuments and important persons, the Sovereign and others, who require protection.

1075. Why has a reduction been made this year? I should have thought it would rather have been increased?—The same amount as here was taken in the following year also. There has, in the last few years, always been a surplus of a small amount like that, but it is not considered prudent to bring the Vote down absolutely to the present Expenditure, which is at the minimum, things being quiet now.

*Mr. Ashton.*

1076. Is the deficiency on the Pension Fund decreasing?—No, it is increasing every year, and will increase for some time to come.

*Chairman.*

1077. You also answer for Vote 8, I think?—Yes.

ON VOTE 8.

REFORMATORY AND INDUSTRIAL SCHOOLS—GREAT BRITAIN.

*Chairman.*

1078. I see there is a considerable saving under Sub-head F—Industrial Schools. That is due to the increase in the number of admissions not being so great as was anticipated, is it not?—Yes, there was a reduction in the number of committals that year. It was purely temporary. In the following year the Vote had to be increased.

1079. It does not show that the necessity for these Schools has decreased?—No, it was a purely temporary matter.

1080. There is, I suppose, a very considerable variation in the number?—Yes.

*Mr. McCrae.*

1081. With regard to Sub-head J, "Reformatory Schools, Scotland," I note that you spent £316 more than what was granted under that Sub-head. Is there still a difficulty in finding accommodation for these children that have been committed to Reformatories by magistrates in Scotland?—There are enough Reformatory places, I think, in Scotland for the children who are committed. We do not often hear of cases in which it is complained that a child who ought to be committed could not be committed to a Reformatory, but as a matter of fact the committals are more now than they were at this time. In the following year a slightly larger sum was taken than was expended.

*(Mr. Byrne withdrew.)*

1082. You

28 February, 1908.]

MR. KEMPE, C.B., and MR. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

## ON VOTE 7.

## PRISONERS—ENGLAND AND THE COLONIES.

Sir EVELYN J. RUGGLES-BRISE, K.C.B., called in; and Examined.

*Chairman.*

1082. You answer for the Prisons Vote?—Yes.  
 1083. (To Mr. *Blain*.) There have been two new Sub-heads opened—one for loss by fraud, and the other for a payment of interest; both those received Treasury sanction, I understand?—Yes.

1084. (To Sir *E. Ruggles-Brise*.) As regards the loss by fraud, I see the man who committed this offence was dismissed?—Yes.

1085. Were you able to do anything further in the way of prosecution?—No; we thought it well not to prosecute in that case.

1086. I see in your Farm Account you made a profit of £1,735?—Yes.

1087. You do not charge any rent to the Prisons, do you?—Only a small rent at Dartmoor.

1088. But you do not put down any charge as rent in respect of any of the land which you occupy?—We pay a small nominal rent to the Duchy of Cornwall.

1089. I am only looking at it from the point of view of arriving at a more accurate statement of the cost of these farming transactions; it would make a good deal of difference if you were to debit yourself with rent?—Yes, exactly. You cannot compare this very well with ordinary farming operations.

*Mr. Leif Jones.*

1090. You have two farms, I think, have you not?—We have three farms.

1091. There were only two farms last year, were there not?—Yes; we have lately added one at Borstal.

1092. I hope you are going on increasing the farms if you are making this profit on them?—We have not got very many opportunities. Where we have land, we convert it into a farm, where we can.

1093. In this account you do not charge any interest upon the capital invested, do you?—No.

1094. So that some of this £1,735 is represented by rent and interest on capital?—And labour, of course, too—that is to say, manual labour. We pay for superintendence. However, it is a very substantial profit. We do make a good deal of money from the sale of stock, so that it is a real profit.

1095. If you paid rent and interest on capital and labour, I am afraid the £1,735 would not go very far to meet those items?—Quite so.

*Mr. Bowles.*

1096. I see there was a reduction, or, as you say, "a fall in prison population," this year?—Yes, a considerable reduction.

1097. How is it, that in those circumstances,  
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*Mr. Bowles—continued.*

under Sub-head H, you paid £1,500 more in Gratuities to Prisoners and Charities?—That is irrespective of the number of prisoners for any particular year, to a very large extent. The excess on that Sub-head is due principally to the fact that there has been a vastly increased activity among the Local Discharged Prisoners' Aid Societies; there have been larger local subscriptions, and the Government Grant corresponding to the money raised locally by subscriptions, there has been more money paid out of the Treasury, to meet the increase of local subscriptions.

1098. That seems to raise rather a serious prospect. Do I understand that if private charities go on increasing their subscriptions towards the help of discharged prisoners, the Government contribution paid under this Sub-head will increase in proportion?—It is limited in amount—it is limited to 6d. per head of the discharges.

1099. What is the present rate; is it always paid at that rate?—It is always paid at that rate—that is the Treasury rule.

1100. Then is it not increased because of the increase in the private charity contributions?—It might be, and in effect was. There were societies that fell far below what they might have received from the Government Grant; say, for instance, a Society might be entitled to £100 from the Government, but their local subscriptions were so small that they sometimes did not receive more than £20.

1101. As I understand, we assist the Discharged Prisoners' Aid Societies to the extent of not more than 6d. for every discharge?—That is so.

1102. Every discharge from what?—For every discharge from prison the Government gives 6d. to the Local Discharged Prisoners' Aid Society, on the condition that there is a corresponding amount subscribed in local charity.

1103. This expenditure of £1,600 more than you expected, being a large proportion of the whole amount, rather suggests either that the amount has increased or that the number of discharges has increased?—There were other causes operating in that year. There was a contribution of £300 specially sanctioned by the Treasury, as you will see on page 328, to the Borstal Association—that is the Discharged Prisoners' Aid Society for Borstal. There was also an increase in the gratuities for convicts discharged after serving long terms. There were many contributing causes, but it was, no doubt, an under-estimate, which we have repaired in the Vote for next year and the current year.

*Mr. Parker.*

1104. Do you consider from your experience that

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28 February, 1908.]

MR. KEMPE, C.B., MR. BLAIN, C.B., and  
SIR EVELYN J. RUGGLES-BRISE, K.C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 7.—Prisoners—England and the  
Colonies—*continued.*Mr. Parker—*continued.*

that the money is well spent on the part of the Government in assisting these Discharged Prisoners' Aid Societies; do you think that they do the criminals any good or prevent them from falling back again into crime?—I think there is no doubt about it that they do a vast amount of good.

1105. You think that is so?—I am quite convinced of it.

1106. Do you think it is better than the men doing something for themselves, on their own account?—I think it would probably be only to purloin a similar amount from somebody else's pocket. I think there is no doubt whatever that the Discharged Prisoners' Aid Societies are doing a very good work throughout the country. Although the amount given is small, it all implies a certain amount of interest in the man or woman, and that, of itself, is valuable.

Sir Robert Hobart.

1107. You mentioned the Borstal new farm; that is new this year, I understand?—Yes.

1108. Are you well satisfied with the result of what is going on there?—It is a very slow business. We have not really got to work on it yet—it is very rough land.

1109. How many prisoners are there there at present?—There are 250 at present.

1110. Where is Borstal?—It is near Chatham, near Rochester—it is War Office land, lent to us, but it does not lend itself easily to agriculture—it is barren soil, situated very high up; but we shall make something of it, I think.

1111. But the result on the prisoners, you think, is satisfactory?—It will be when we have more fully developed it. We have hardly started the thing yet—we have not got the land enclosed yet—it has been a long process.

1112. Are the County authorities able to send prisoners to the Borstal farm?—No, it is a special prison. We transfer to it from all over the country.

1113. Have they not got something like the Borstal system in the County Gaols?—They have

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 7.—Prisoners—England and the  
Colonies—*continued.*Sir Robert Hobart—*continued.*

what we call the modified Borstal system, not quite the same thing as the full Borstal system.

1114. You think that ought to be very much encouraged?—Very much. I have no doubt it is a very good movement in the right direction, with the assistance of the local Magistrates.

1115. No doubt the new Children's Bill will increase the number treated under the Borstal system, will it not?—The Children's Bill does not touch the Borstal system, the Borstal system is limited to prisoners between 16 and 21; the Children's Bill only deals with a person up to 16 years of age.

Mr. McCrae.

1116. I notice that the Appropriations-in-Aid were £12,571 more than you estimated?—Yes.

1117. I suppose that was principally due to the fact that you were reducing your stock?—It was so.

1118. You were reducing your stock by £8,000?—That was one of the causes. It is extremely difficult to estimate that accurately.

1119. So that the surplus was really £4,500, instead of £12,500, if you take that into consideration?—Quite so.

(Sir Evelyn Ruggles-Brise withdrew.)

## ON VOTE 9.

## BROADMOOR CRIMINAL LUNATIC ASYLUM.

Chairman.

1120. (To Mr. Kempe.) Have you any observations to call attention to in regard to this Vote?—No.

1121. I see the profit on the farm and garden in this case amounted to £13 6s. 5d.?—Yes.

1122. That took no account of rent or labour?—No

(The Witness withdrew.)

Friday, 6th March, 1908.

MEMBERS PRESENT :

Mr. Ashton.	Sir Robert Hobart.
Mr. Bowles.	Mr. Leif Jones.
Mr. Cavendish.	Sir George Kekewich.
Mr. Cameron Corbett.	Mr. Kettle.
Sir Daniel Goddard.	Mr. Parker.
Mr. Hazleton.	Colonel Williams.

THE RIGHT HONOURABLE VICTOR C. W. CAVENDISH, IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Mr. J. A. KEMPE, C.B., and Mr. WILLIAM BLAIN, C.B., called in; and Examined.

CLASS IV.

EDUCATION, SCIENCE AND ART.

ON VOTE I.

BOARD OF EDUCATION.

Mr. JOHN BROMLEY, C.B., called in; and Examined.

*Chairman.*

1123. You answer for the Board of Education Vote, I believe?—I do.

1124. I understand that a new Sub-head was opened, Sub-head C6, for the purpose of bringing in a special Grant, which was voted by Supplementary Estimate?—That is so.

1125. In the following year, also, there is a Supplementary Estimate for this sum, I understand?—That is so.

1126. Will it always be necessary to make this Grant in the form of a Supplementary Estimate?—It was thought desirable to take the Grant as a Supplementary Estimate, because it is of a temporary nature. The Grant was to meet the wants of certain necessitous authorities, and it was hoped by the Board that it would only continue for one year; but the circumstances were such that it was necessarily continued in 1907-8; and, again, it will appear in 1908-9, but in 1908-9 it has been embodied in the main Estimate.

1127. (To Mr. Kempe.) With regard to paragraph 3 of your Report, I understand that is merely a statement of the facts?—Yes, that is all.

1128. There is no irregularity or anything of that sort to which you wish to call attention?—

*Chairman—continued.*

Nothing at all. It is a new Service, and as it was a change I thought it necessary to note it.

1129. In regard to paragraph 4, which deals with the new Sub-head, "Committee of Inquiry," that again is a mere statement of fact?—Yes.

*Sir Daniel Goddard.*

1130. (To Mr. Bromley.) With regard to the statement of Extra Remuneration, on page 400, is there anything unusual in those payments of Extra Remuneration?—Nothing; they follow the usual lines; they are all according to Regulation, and they are only granted in cases where it is in accordance with the Rules of the Civil Service.

1131. With regard to the fourth case, where a Junior Examiner acted as Private Secretary to the Lord President of the Council, I see there is Extra Remuneration to the amount of £265 16s. 8d.?—Yes.

1132. Is that a usual amount?—Where an officer of the Board is lent to the Lord President of the Council as Private Secretary, it is usual that he should draw a Private Secretary's allowance.

1133. In

6 March, 1908.]

Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. BROMLEY, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class IV.—On Vote 1—Board of Education—  
*continued.*

Sir *Daniel Goddard*—continued.

1133. In addition to his own salary?—In addition to his own salary.

1134. Does that mean that he is withdrawn from the work of a Junior Examiner?—Not altogether. So far as possible in the intervals (and there are many intervals) he would perform the duties of Junior Examiner.

1135. Taking a case a little higher in the list, I see there was a Senior Examiner who received £420 Extra Remuneration as Private Secretary to the Chief Secretary for Ireland. That is a very considerable sum for Extra Remuneration?—It is.

1136. How is that arrived at; why does he receive so much more than in the other case; is it because he is a Senior Examiner instead of a Junior Examiner?—I think the amount of the payment there depends upon the office he holds. Just as in the late case which you referred to, it depends upon the emoluments attaching to a Private Secretary to the Lord President of the Council, so the emolument of the Private Secretary to the Chief Secretary for Ireland represents the sum which is shown in this statement.

1137. Does this mean that there was a vacancy in the Private Secretaryship to the Chief Secretary for Ireland or is this the appointment of an extra Secretary?—No. When Mr. Bryce was made Chief Secretary for Ireland he took one of these Senior Examiners as the officer best fitted to carry out the duties of Private Secretary owing to certain qualifications that he had.

1138. Do you know what this Senior Examiner was getting as his own Salary?—It is on a scale of from £650 to £800, but he is low down among the Senior Examiners.

1139. Then this means practically doubling his salary?—It would mean a large increase in his salary.

1140. I cannot imagine, and I should like you to explain to me, how a man can possibly render services to the value of £420 as shown here without taking time which should be devoted to his other duties?—Undoubtedly he does take time that might be devoted to his other duties; but in this particular case an arrangement was made with Treasury consent by which this officer allocated a portion of his salary from the Board of Education towards the payment of a temporary Examiner, who should do his duty during such time as he held the office of Private Secretary to the Chief Secretary for Ireland.

1141. Was that a regular Junior Examiner or Extra Examiner?—A man with all the qualifications of a Junior Examiner, but necessarily the appointment was temporary.

1142. He was put in for the purpose of doing the duty which this gentleman could not perform?—That is so.

1143. Then what happens with respect to this extra remuneration is that you are practically voting the salary of an extra official in the office?—I should hardly take it in that way.

1144. It is only temporary, I admit?—There

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Board of Education—  
*continued.*

Sir *Daniel Goddard*—continued.

is deducted from the salary of the Senior Examiner displaced a sum which pays the temporary Junior Examiner for doing his duty.

1145. I beg your pardon. I did not understand that. You mean that there is no more paid on account of the office of Senior Examiner than there was before?—In respect of work that has to be done owing to the loan of the Senior Examiner.

1146. Then do I understand that the total amount paid to this temporary Junior Examiner who does the work of the Senior Examiner is deducted from the salary of the Senior Examiner?—That is so.

1147. There is no increase in the Vote in that way?—No, there is no increase in the Vote.

1148. What is the reason of doing it in this way; why should there not be another official put on?—Because the Private Secretary appointment is of a temporary nature, and it would not be right to remove this Senior Examiner from the establishment of the office because he happens to have the special qualifications that fit him for a post of some responsibility outside.

1149. I suppose it means that if there was a change in the Chief Secretary this man might not be the one whom the next Chief Secretary would choose as his Secretary?—That is so.

1150. If therefore he was not re-appointed as Private Secretary, he might lose a berth altogether if he did not retain his old one; that is the point, I take it?—That is so.

Sir *Robert Hobart*.

1151. I believe it is the ordinary custom in the Civil Service for Cabinet Ministers to choose their Private Secretaries from distinguished people and obtain their services for the time being, with the arrangement you have indicated of appointing a junior man temporarily to fill the place, who does not actually take the place of the Senior Examiner, but goes on at the end of the list, and there is a little promotion all the way up?—As a matter of fact, in my experience a substitute's appointment is always temporary in such circumstances; he is open to be dismissed, or, at any rate, open to retirement at such time as the officer whose place he takes comes back, so that practically he has no place on the Establishment List of the office.

1152. It is not a question in this case of a Junior Examiner being temporarily employed as a Senior Examiner?—That would follow; the work of the displaced Senior Examiner would have to be divided to some extent among the Senior Examiners.

1153. The only cost that is extra to the public is the cost of the salary of the substantive man, so to speak?—That is so.

1154. And that is quite the usual custom throughout the Civil Service?—In my experience it is.

1155. And it has been so for many years?—That is so.

1156. It

6 March, 1908.] Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. BROMLEY, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Board of Education—*continued.*

Sir George Kekewich.

1156. It is a very unusual thing, is it not, for a Senior Examiner to be a Private Secretary?—Very unusual.

1157. But that rule was broken through in the time of the late Government, was it not?—I think it was.

1158. And it is broken through now. Can you tell me how much is deducted from the salary of the Senior Examiner?—I think £250, which is the minimum salary of a Junior Examiner.

1159. The £250, of course, is paid to the Junior Examiner, or to the temporary man, who comes in at the bottom of the list, and who is not on the Establishment at all?—That is so.

1160. In place of the Senior Examiner the staff must be filled up by somebody, I imagine?—I think the administrative arrangement would be that his work would probably be spread over the remaining Senior Examiners for the time being in such a way as not in effect to require a Junior Examiner to take the responsibility of a Senior Examiner at all times.

1161. That looks as if he was not really wanted at all, does it not?—No, I think that can hardly be said, because you can for a time arrange matters in that way by using also to some extent the services of a senior of the junior class.

1162. But this has lasted for a considerable time, has it not?—I think I was wrong in saying that he was Private Secretary to Mr. Bryce. I think this particular Senior Examiner was Private Secretary to Mr. Birrell, and I think Mr. Birrell took him with him to Ireland.

1163. He does not take the place of the Senior Examiner to the extent of receiving an acting allowance, does he; you do not pay any acting allowance to any Junior Examiner who temporarily takes the position of a Senior Examiner?—Not necessarily, but if such an allowance were paid to a Junior Examiner doing the more responsible duties, it would undoubtedly be a deduction from the salary of the man who was lent.

1164. But he has already had one deduction made from his salary?—Yes, it would be made larger. If it were necessary for the Board to incur, for example, an expenditure of £350, namely £250 for the Junior Examiner and £100 for acting allowance to the Junior Examiner, I think it would be, I may say, the practice of the Board and a requirement of the Treasury that an equivalent deduction should be made from the salary of the man who was lent.

1165. (To Mr. Bromley.) There are a good many of these cases. I see in the next case here a Junior Examiner received a gratuity as Secretary of the Committee of Inquiry in regard to the Royal College of Science of £100?—That is the gratuity referred to in the fourth paragraph of the Comptroller and Auditor-General's Report.

1166. What was that Inquiry?—It was an Inquiry as to the working of the Royal College of Science, which has ended in the institution of the Imperial College of Science and Technology.

1167. Now I wish to ask one or two questions, with regard to the second Item on page 402, "Purchase Grant, Art." The balance now is

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Board of Education—*continued.*

Sir George Kekewich—*continued.*

carried forward, it is not necessary to expend it every year; it is a Grant-in-Aid?—That is so.

1168. Who selects the articles to be purchased by the Art Museum?—I am afraid I could give you very little information of value as to that grant; it is entirely in the hands of the South Kensington authorities, subject to the Board, and I am not concerned with that part of the working of the Board. My duty begins when the things are selected and certified as of sufficient value, and are shown to have been taken on charge and delivered over; then I come in as the Paying Officer, and pay the sum agreed upon.

1169. Can you give me no information as to the method adopted of assuring the Department that this expenditure is on proper objects?—I think the Board are assisted in matters of this kind in the selection of the articles for purchase by an Advisory Council, and this Advisory Council, I think, has upon it men of the highest rank in their several professions.

1170. That is with regard to important objects, but as regards smaller matters, I remember, for example, there was a gentleman with a store of old waistcoats which he used to produce from time to time to be bought, and old iron and inkstands and various things. Does it rest with the Director only in cases of that sort?—No, in a case like that it would go to the Principal Assistant Secretary, and through him, when necessary, to the Parliamentary Secretary or President of the Board.

1171. Does the President of the Board or the Parliamentary Secretary ever go down to select these objects?—The Parliamentary Secretary sometimes goes; he takes a very keen interest in the purchases.

1172. Will he go once a week?—I could not say at all as to that.

Mr. Leif Jones.

1173. As regards Item C1, on page 390, "Pensions and Gratuities to Teachers," I think you told us last year, that the Code Pensions were still increasing in number at that time?—The Act Pensions. The Code Pensions are moribund.

1174. Are there no more Code Pensions?—There may be one or two people of great age who are coming on. But now the pensions are growing because the Act Pensions are beginning to be operative.

1175. What I wanted to know was, what is the number of what you call moribund pensions which are gradually being extinguished by the death of the pensioner?—I think the Estimates each year show it. If you will turn to page 365 of the Estimates for 1906-7 it is shown there that in 1905-6 there were 168 pensions at £30, and in 1906-7 we estimated 157. In 1905-6 there were 520 pensions at £25 which increased by three to 523 in the succeeding year. There were 596 pensions of £20 in 1905-6, which increased by two to 598 in the succeeding year.

1176. I

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. BROMLEY, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Board of Education—*continued*.

Mr. *Leij Jones*—*continued*.

1176. I understand that these pensions now will gradually diminish?—They will gradually diminish.

1177. They have reached their maximum, and will in time disappear?—That is so. I could give you perhaps the figures in 1908-9, which ought to show a quite appreciable decrease—the numbers in 1905-6 as shown in the Estimates for 1906-7 were in the total 1,284, and the numbers for 1908-9 are 1,192.

1178. And that diminution will presumably go steadily on?—Yes.

Mr. *Ashton*.

1179. At the bottom of page 400 there is a case of an Instructor in Mechanics who received £367 16s. extra remuneration for service as an Examiner—that seems to be a large amount—what was that for?—That was an Instructor of

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Board of Education—*continued*.

Mr. *Ashton*—*continued*.

Mechanics who belonged to the College of Science, and who is entitled in his own time to examine if required by the Board; those payments are made to him on a scale of fees approved by the Treasury, and in respect of work done on Examination Papers.

1180. The work is supposed to be done entirely out of his office hours, is it?—Entirely out of office hours.

1181. What would be his salary in the office, do you suppose?—He is a part time officer only, and his salary is £400.

1182. Only part of his time is employed in the office?—That is so.

1183. That, I suppose, accounts for his being able to give so much time to this other work?—That is so.

(Mr. *Bromley withdrew*.)

#### ON VOTE 2.

#### BRITISH MUSEUM.

Sir EDWARD MAUNDE THOMPSON, K.C.B., D.C.L., called in; and Examined.

*Chairman*.

1184. You answer, I believe, for the British Museum and the Natural History Museum, South Kensington?—Yes.

1185. I see on Sub-head P there has been an excess. That is due to greater progress being made than was anticipated with certain manuscripts, is it not?—To greater progress being made in regard to certain catalogues.

Sir *Daniel Goddard*.

1186. I see on Sub-head I, "Incidental Expenses," there is an excess of £103, which I notice is "attributable to the extra labour engaged for the shifting of books and cleaning in the Library consequent on the removal of the provincial newspapers to the Hendon repository"?—That is so.

1187. That has appeared several times in these accounts already, has it not? The newspapers have been in course of removal for a considerable time, have they not?—No, they were very quickly removed. We had to build a building first to receive them.

1188. But did we not have this last year? Was there not a large amount paid on that Account last year?—No, I do not think so. I do not quite understand your question.

1189. Did we not have something then for moving the newspapers?—This is not for moving the newspapers, this is for moving the books in the Library into the space vacated by the newspapers.

1190. I see. I thought that had been done before?—No; it may have been going on to some extent; it may be a continuing service, but it

Sir *Daniel Goddard*—*continued*.

is only in regard to moving the books when the space was vacated by the newspapers.

1191. Are there still newspapers to be removed?—We shall go on removing the country newspapers as they accumulate.

1192. Therefore there will always be further spaces to be occupied by books in this way?—No, we removed the large bulk of the papers, and made a good clearance; but in future we shall keep on moving out the country newspapers as they accumulate year by year. Of course, the space so available will be very moderate.

1193. There will not be a recurrence of this charge?—No.

1194. With regard to a little item under Appropriations-in-Aid. I see you received from photographic fees £111?—Yes.

1195. Are those fees paid by amateurs for photographing objects in the Museum?—They are fees paid by anyone who comes and takes photographs. We were obliged to institute fees. Formerly, we allowed anybody to come and photograph who obtained the ordinary leave; but we found the permission was very much abused; all sorts of people came with all sorts of excuses, wanting to take photographs of everything, and so we had to put a small fee upon anybody who took photographs. The fees are of very moderate amount; for a single negative we charge 2s.; that is chiefly in order to choke off idlers who want to photograph single objects. Then, on the other hand, to a man who is a real photographer, and who is taking a number of photographs, we only charge 2s. for the first hour, and 1s. for every successive hour



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MR. KEMPE, G.B., MR. BLAIN, C.B., and  
Sir E. M. THOMPSON, K.C.B., D.C.L.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—British Museum—*continued*.Sir *Daniel Goddard*—*continued*.

hour during the day ; so that the system protects the real photographer, and gets rid of the idler, so to speak.

1196. Can anybody obtain permission by paying the fee, to photograph articles in the Museum ? —He must first have leave to photograph the particular objects.

1197. He must have leave, in addition to paying this fee ?—Yes, he has to get leave first of all.

1198. And then he pays this fee ?—That is so.

1199. Is there any copyright about these things ?—No.

1200. Can anybody who has got leave, and has paid this fee, publish the result of his work ? —Yes, there is no copyright in the Museum property.

Sir *Robert Hobart*.

1201. I should like to ask about one point in regard to the Grants-in-Aid, on pages 408 and 409. Is the Grant-in-Aid for the purchases given annually ?—Yes.

1202. Is that given under some regulation ?—It is a five years' agreement with the Treasury.

1203. But you have got considerable balances I see ?—Yes, balances have accumulated by careful management.

1204. Shall you require those ?—Yes, because we never know what sudden demands may be made upon us : For example, this year we spent out of our balance, £10,000 extra.

1205. Where is that shown ?—That is not shown here. Out of the savings on the Grants, we met unexpected charges of £10,000 for special cases that arose. Formerly, we could never do that. Under the old system we had to go to the Treasury for a special Grant for any special purpose. Since we have had these Grants-in-Aid, which have been running now for 10 years, in periods of five years, we have never gone to the Treasury for a single half-penny extra. Out of these savings on the Grants, we have also managed to make excavations in Western Asia, and in Egypt.

1206. I see, for instance, the Grant-in-Aid for the Natural History Museum for 1906-7 is £5,500, and you have got unexpended from that, £5,492 ?—That is the amount expended ; the balance is only £422.

1207. Then, you will get a similar Grant in each year ?—In each year for five years.

Sir *George Kekewich*.

1208. I suppose it is a very good thing if you can economise on the Grant year by year, in case there should be some very important object requiring to be purchased, when you can purchase it out of your accumulated funds ?—Yes, that is the reason. With careful management we can accumulate from the Grants of each year. Our system is to put by so much at the beginning of

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—British Museum—*continued*.Sir *George Kekewich*—*continued*.

the year ; we mark off a certain sum to the Reserve, and that is added to what was saved in previous years, thus forming a Fund, which we can draw upon for any emergencies.

1209. As a matter of fact, it is a great advantage to you to have these accumulated funds ?—A very great advantage.

1210. Is there any limit to the accumulation ? —No, we can accumulate what we can save. Of course, at the beginning of the year so much is assigned to each Department out of the £22,000 ; but a certain sum out of the total is reserved.

Mr. *Hazleton*.

1211. Is that the only fund available for purchases ?—Not quite ; there is a small amount of money—the Bridgewater Fund, which was left to us by the Bridgewater family for purchasing manuscripts ; but that is quite a small thing.

Mr. *Leif Jones*.

1212. Most of the questions that I wanted to ask about these Grants-in-Aid have already been answered ; but may, I ask, have you in your own mind any limit as to what your reserve should be. I see you keep nearly £22,000 ; that is, you have nearly a year's grant as your reserve ?—At the present time we have about £15,000.

1213. But of which you were able to expend that £10,000 you spoke of ?—Yes. It depends upon what is going on during the year. Special purchases may come up suddenly.

1214. An appeal was made in Parliament the other day for a bigger grant to the British Museum ? —I do not remember that.

1215. It was made, perhaps, by someone interested in the Museum whom you did not know. It was put as a question to the Treasury. I cannot say that any encouragement was given to you to expect more ?—I know members of the House of Commons take a very great interest in the British Museum, and no doubt they are anxious to increase our funds.

1216. I think the Chancellor of the Exchequer did not give any encouragement to the idea. The point that strikes me is that the reserve fund seemed big as compared with the annual grant ?—You must remember that this reserve has been accumulating for some years ; it is not out of one year. We find it much better to have a good reserve.

1217. I only thought that in coming to beg from the Chancellor of the Exchequer or from Parliament, it is well to show poverty ?—We have tried that before, but it is not always successful.

Mr. *Ashton*.

1218. Of course, the real check upon your reserve is that this Grant-in-Aid is only for five years ?—Yes.

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1219. Then

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MR. KEMPE, C.B., MR. BLAIN, C.B., and  
Sir E. M. THOMPSON, K.C.B., D.C.L.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—British Museum—*continued.*Mr. Ashton—*continued.*

1219. Then the whole thing could be looked to, and they can take into account your balance if they choose?—Quite so, but I hope there will be no idea of reducing the Grant because we have saved.

1220. Of course, at any time you may be called upon to make a special purchase; you may have a Velasquez to buy any year?—Yes.

Sir Daniel Goddard.

1221. Under this heading of Grants-in-Aid would these come in the expenses of anybody you sent to foreign parts with a view to acquiring certain objects?—Yes; that all comes out of this Grant.

1222. I had the pleasure of meeting Dr. Budge in Egypt last year. He goes out there for the purpose of making purchases for the British Museum, I think, and I suppose all that would come out of this fund?—That all comes out of the Purchases and Acquisitions Fund; and also the cost of any excavations is paid for out of this fund.

(Sir Edward Maunde Thompson withdrew.)

## ON VOTE 3.

## NATIONAL GALLERY.

Chairman.

1223. (To Mr. Blain.) On Sub-head D, "Incidental Expenses," I see there is an excess, and it is explained that there was a transfer to meet sudden unforeseen expenses in connection with the Cohen Bequest; that received Treasury sanction, did it not?—Yes.

1224. That was done, of course, with Treasury approval?—Yes.

Sir Daniel Goddard.

1225. Can you tell me what was the nature of these unforeseen expenses; I do not want the

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 3—National Gallery—*continued.*Sir Daniel Goddard—*continued.*

detail of them, but were they legal expenses?—I am afraid I have not got the information here.

Sir George Kekewich.

1226. I see under the heading of "Extra Remuneration," the keeper and secretary received from the Inland Revenue Vote for 1906-7 the sum of £44 15s. for "Valuation of pictures"; what has the Inland Revenue to do with this?—That was in connection with a provision in the Finance Act of 1894, under which exemptions from Estate Duty can be allowed for objects of Art. A valuation has to be made, and the Inland Revenue employed the keeper to make these valuations for them.

1227. Is that likely to be largely increased?—No, it is a very occasional thing.

1228. As to these gratuities; I suppose these gratuities come out of the saving of the salary of the Director?—Yes, there was a considerable sum saved.

Mr. Leif Jones.

1229. In the Grant-in-Aid Account under this Vote I see there is an Item, "Interest on Deposit Account, £157" ?—Yes.

1230. I suppose, then, the National Gallery places this money on deposit?—Yes; I think all the balances of these Purchase Grants are placed on deposit.

1231. I meant to put a question to Sir Edward Thompson about that, because in the case of the British Museum Grant, which is very much larger, on page 408, I do not see any interest on deposit account. Why do the British Museum not get interest if the National Gallery get interest?—It is certainly open to them to do so. Possibly, in their case, they may leave the balance with the Paymaster-General; in which case the Exchequer gets the benefit. In the case of the National Gallery, they place it on deposit at Coutts' Bank, and get interest.

1232. It is all very well for the British Museum to do that from the point of view of the Exchequer, but the Purchase Fund loses the interest. The National Gallery appears to deal much more wisely with its smaller amount?—Yes, from their point of view.

## ON VOTE 4.

## NATIONAL PORTRAIT GALLERY.

Mr. JAMES MILNER called in; and Examined.

Chairman.

1233. I understand that Mr. Lionel Cust, who is the accounting officer for this Vote, is on his way to Rome, and you are here to answer in his stead?—Yes, he only left on Monday, and I do not know whether he has arrived yet or not.

Chairman—*continued.*

1234. (To Mr. Blain.) I understand the Treasury approved this transfer of this sum of £180 from the Grant-in-Aid which was intended for the purchase of pictures, to the defraying of certain incidental expenses?—That is so.

1235. I presume that is rather an exceptional procedure,

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MR. KEMPE, C.B., MR. BLAIN, C.B., and MR. MILNER.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 4—National Portrait Gallery—*continued.*

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 4—National Portrait Gallery—*continued.*

*Chairman*—*continued.*

procedure, is it not?—Yes; the expenses had not been provided for in the estimate, and the Treasury said they could only allow them to be incurred on condition that it was abated from the amount of the Grant-in-Aid for that year.

1236. Still, it is the general intention of the Treasury that Grants-in-Aid should be devoted to the purpose for which they are made?—Yes, and that was made good by an increase of the Grant-in-Aid in the following year.

*Sir Daniel Goddard.*

1237. Was not that method of doing it rather getting round Parliament? So far as Parliament is concerned it made a vote of a Grant-in-Aid each year, supposing it was to be devoted to a certain purpose?—Yes.

1238. But this sum which was taken out of the Grant-in-Aid, I understand, should really have been put into the Estimates, should it not?—It was not known that the expense would be incurred in the year at the time the Estimate was framed.

1239. It was not known, but in the ordinary course, if it had been known, it would have been

*Sir Daniel Goddard*—*continued.*

put in the Estimate?—Yes.

1240. So far as Parliament is concerned, it does not know this at all?—It knows it in the following year, when there is an increased Grant-in-Aid to be voted.

1241. You mean it was open then to Parliament to ask why the increase was made?—Yes.

1242. Was there any explanation given of that in the notes on the Estimates?—No, it was not specially noted on the Estimate. Of course, attention is called to it here on the Appropriation Accounts.

1243. Yes, it is clear enough here, but, unfortunately, Parliament does not see this Account very much; it only sees the Estimates. It strikes me that if such a thing occurs again, it ought to be pointed out in a note in some way, because nine times out of ten one would not notice that there had been an increase in the Grant-in-Aid?—Yes.\*

(*Mr. Milner withdrew.*)

\* *Note.*—And see page 75.

#### ON VOTE 5.

#### WALLACE COLLECTION.

MR. CLAUDE PHILLIPS called in; and Examined.

*Chairman.*

1244. I see there was a slight falling off during the year under review in the sale of catalogues for the Wallace Collection?—Yes, it has increased again. It is impossible to estimate it very closely. It depends upon the number of American visitors, and all sorts of other things.

1245. Apparently, you had a greater number of admissions, but fewer sales of catalogues?—I do not think you can draw an inference. Foreigners buy catalogues, but English people do not, as a rule.

*Sir George Kekewich.*

1246. I see there is a large surplus under Sub-head C, "Incidental Expenses"?—Yes.

1247. That is explained as being due to the postponement of some work that was provided for in the Estimates?—We were going to have the French Galleries redecorated, instead of which it was put off for a year, and then there were expenses attendant upon that—the unhooking of the pictures, and the re-hanging and cleaning of them, for which we had provided £100, instead of which the work has been done this year.

1248. When the money was provided, why was it necessary to put off the work?—It was

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*Sir George Kekewich*—*continued.*

found more convenient. If we had done the work then, we should have had to shut up the Galleries at an important time of the year, and we thought it better to let the public have the benefit.

1249. Was not that a matter to be considered before you sent in your Estimate?—Possibly; but there were various reasons. We expected some important visits, and did not want to have the Galleries dismantled, and there was no great inconvenience caused by postponing the work. The actual payments are incurred by the Office of Works. We only pay for the unhooking and the re-hanging of the pictures, and different things of that kind in connection with it. It was done by arrangement with the Office of Works.

*Mr. Leif Jones.*

1250. Is the annual number of visitors pretty well fixed by now, or does it fluctuate?—It had rather decreased, but in the last 12 months we have had more visitors again.

1251. How many do you get in the year?—Something under 200,000.

(*Mr. Phillips withdrew.*)

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1252. I

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 6—Scientific Investigation, &c.—  
*continued.*

## ON VOTE 6.

## SCIENTIFIC INVESTIGATION, &amp;c.

*Chairman.*1252. (To Mr. *Blain*.) I think you are the Accounting Officer for this Vote?—Yes.

1253. Sub-heads A to N of this Vote are all Grants-in-Aid?—Yes.

*Colonel Williams.*

1254. As regards Sub-head A, the Grant to the Royal Society, does that include the National Physical Laboratory, or whatever it is called?—Yes.

1255. And the new Electrical Society in Scotland?—Yes, the Grant includes that.

*Mr. Leif Jones.*

1256. In regard to the Meteorological Office, on page 420 I see Weather Information and Forecasts cost £4,000?—Yes.

1257. And I observe on the other side of the Account, the Office sells information with regard to Weather Forecasts to the extent of £1,000?—That is so.

1258. So that that reduces it to £3,000?—Yes, as the net cost.

1259. What use is made of this information beyond furnishing it to the public. It is just a scientific record of what goes on, to be used by men of science?—It is partly that, but I think the information is also supplied to the ports round the country, and to coal mines.

1260. That is precisely the point I was after. How is it that they do not pay for the information which you supply to them? Why should the country be at this expense for the benefit of ports round the country and mines?—The information is of utility for saving life, which is considered to be a matter of National interest, I think.

1261. I should have thought, in the case of mines, it was a very legitimate charge upon the mining industry; why should it not be paid for by those who draw a profit from the mines, rather than by the whole community?—It has been the subject of consideration by Committees several times, and the system followed now is the result of inquiries of that kind. All the Treasury do is to pay over the Grant-in-Aid, which Parliament approves. The purposes

*Mr. Leif Jones—continued.*

to which the money is applied may be said to have been settled as the result of Inquiries, which have been held in the past.

1262. I am not disputing for a moment that it is a good thing for them to have this information, but it occurred to me that it was perhaps a proper charge upon the mining and the shipping industries?—This has been the subject of inquiry.

*Colonel Williams.*

1263. Is it not the fact that in regard to harvest operations, when information is given, a charge is made—that is to say, if you want to get information a few hours earlier, with a view to harvest operations in August and September, you can pay something to the Post Office, and get a telegram from the Meteorological Office?—Yes, I believe there is an arrangement of that kind.

1264. So that the agricultural interest does pay for getting earlier information?—Yes, but the question of saving life is not directly involved there.

*Mr. Ashton.*

1265. It would be very difficult, would it not, to apportion this sum of £3,000 among the different collieries all over the Kingdom?—Yes, perhaps so.

## ON VOTE 7.

UNIVERSITIES AND COLLEGES, GREAT BRITAIN,  
AND INTERMEDIATE EDUCATION, WALES.*Chairman.*1266. (To Mr. *Blain*.) I think you also account for this Vote?—Yes.1267. (To Mr. *Kempe*.) I understand in the case of these grants you do not audit the expenditure of all these Universities?—No, we do not follow it beyond the payment to the responsible officer.

1268. In the case of the Intermediate Education, Wales, you do see that the grant is used in the way the Acts demand?—Yes.

## ON VOTE 8.

## PUBLIC EDUCATION, SCOTLAND.

Mr. G. L. APPERSON, I.S.O., called in; and Examined.

*Chairman.*

1269. I think you answer for the Public Education of Scotland Vote?—Yes.

1270. (To Mr. *Kempe*.) With regard to paragraph 2 of your Report as to Sub-head Q, that refers to the same matter which we have dealt*Chairman—continued.*

with under the English Education Vote?—That is so.

1271. (To Mr. *Apperson*.) In the present year, that is, the year for which the Estimates will be presented this year, this has been taken as a Supplementary

6 March, 1908.] Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. APPERSON, I.S.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8—Public Education, Scotland—  
*continued.*

*Chairman*—continued.

Supplementary Estimate, has it not?—For the current year a Supplementary Estimate has been taken.

1272. And it will go into the ordinary Account?—Yes.

*Sir Daniel Goddard.*

1273. What is the reason for so many extra Inspectors? I see under the head of Extra Remuneration that 13 Inspectors received £527?—That is about the usual number for the work of inspecting the higher class-schools in the summer.

1274. Those are not extra Inspectors, then?—No, they are our ordinary staff.

1275. Working over hours?—The days they spend on this work are deducted from their vacation.

1276. And this is about the usual charge?—Yes, quite so.

*Sir Robert Hobart.*

1277. May I ask is the whole of the work of the administration of Public Education in Scotland carried on in London?—The greater part.

1278. I suppose, in consequence a good deal of travelling is entailed?—Yes, to a certain extent.

1279. I see there is a large amount for travelling allowances—is that for travelling from London down to Scotland?—Part of the £370 would be.

1280. I am referring to Sub-head D, "Travelling Allowances, £9,600"?—That is travelling allowances for Inspectors—that has nothing to do with the travelling between London and Edinburgh.

1281. Where do the Inspectors live?—In Scotland.

1282. Then Sub-head B, "Travelling and Incidental Expenses, £371," would that be for travelling between London and Edinburgh?—A portion of it. Sub-head B includes all the miscellaneous expenses of the office—the carriage of parcels, newspapers, and so on.

1283. Is there no head office in Edinburgh?—We have an office in Edinburgh—we occupy a room in the Royal Scottish Museum at present, but fresh offices are being taken for the coming year. Part of the staff is to be transferred in May or June.

*Sir George Kekewich.*

1284. As regards the Extra Remuneration on page 424, I see 16 Inspectors received a considerable sum for inspecting Higher Class Schools, and for setting or revising the Examination Papers in connection with the Leaving Certificate Examination. I think you told us that the time that they spent in doing that work was deducted from their vacation?—The inspection part of it.

1285. How much of their vacation would they have to lose in that way?—I could hardly say; it would be a matter of only a few days.

1286. I thought the vacation was given to Civil Servants in order that they should recuperate

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8—Public Education, Scotland—  
*continued.*

*Sir George Kekewich*—continued.

themselves to meet their arduous duties for the rest of the year—is it desirable that these days should be deducted from their vacation?—That is a question of policy, which I am afraid I could hardly answer.

1287. I suppose that is a question for a higher officer?—I fancy so.

1288. Is not the work of revising Examination Papers in connection with the Leaving Certificate Examination part of the ordinary duties of an Inspector in the Education Department, Scotland?—There are certain Secondary Schools, but the Inspectors take but a small part in the work of revising Examination Papers. That is done mostly by specialists in the various subjects.

1289. Do you mean that in these Higher Class Schools the revising of Examination Papers has nothing to do with the ordinary work of an Inspector?—Not the ordinary work.

1290. Surely the revising of Examination Papers in connection with the Leaving Certificate Examination generally is part of the ordinary work of an Inspector?—No, it is not; it is not paid out of the Vote. This money is paid out of the Higher Inspection Fund. It is quite a separate thing.

1291. Is that the same in the case of an Examiner mentioned here who received £28 18s. for revising Examination Papers in connection with the Leaving Certificate Examination?—That is so.

1292. And is it the same in regard to the three staff clerks?—Yes, that all comes out of the Higher Inspection Fund.

1293. But it is extra remuneration?—Quite so.

1294. You say it comes out of the Higher Inspection Fund. What is the Higher Inspection Fund?—It consists of £300 voted under Sub-head C, and £4,700 voted under two of the Local Taxation Acts; £2,000 under the one and £2,700 under the other.

1295. Is there an account of that here?—No, that is not shown here.

1296. They receive it out of that fund?—An account of that is rendered every month to the Comptroller and Auditor-General.

*Mr. Hazleton.*

1297. In connection with Sub-head P, may I ask how is the Examination of Accounts of School Boards carried out?—By the Accountant in Edinburgh.

1298. The accounts are forwarded to him, are they?—Yes, by the School Boards.

*Mr. Parker.*

1299. I should just like to follow up the question of the Higher Class Schools in regard to this Extra Remuneration. I notice in the various Departments there is a tremendous amount of this Extra Remuneration. Could not it be done in some other way? For instance, in this case where there are 13 Inspectors, who receive between £500 and £600 in Extra Remuneration, could

6 March, 1908.] Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. APPERSON, I.S.O.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8—Public Education, Scotland—  
*continued.*

Mr. Parker—continued.

could it not be done by the employment of additional men?—It would be more expensive probably if you employed men specially for the purpose.

1300. This occurs, I gather, every year?—Every year.

1301. Is there no means whereby it could be met by the employment of additional Inspectors, or the employment of other professional men who could take up the work in place of this Extra Remuneration being given to men who are already employed?—There are other Inspectors employed besides our own. This simply shows the staff of the office who get Extra Remuneration. There are a large number of men employed both in revising papers, in setting papers and in inspecting.

1302. There is one other Item I would like to ask about, and that is Item D, "Travelling Allowances." It strikes me that is rather a large amount—nearly £10,000 for Inspectors travelling. I suppose a lot of them would be travelling by carriages, and so forth, on country roads in Scotland away from railways?—Yes, and it also includes the night allowance—a large amount of it is represented by the night allowance. If an Inspector goes away to the West of Scotland, or to Orkney or Shetland, he may be away for weeks at a time. That represents a very considerable proportion of it.

Mr. Leif Jones.

1303. Who is responsible for these Estimates?—The Secretary to the Department.

1304. Are you accustomed to get the Estimates as accurate as they are in this Account. It strikes me that the Estimates and the Expenditure are wonderfully near. I have worked out the percentage, and taking the whole Vote, which is nearly £2,000,000, the percentage of difference over the whole is only '07?—I am responsible in the secondary place for this Estimate, and I thought it was satisfactory.

1305. It is highly satisfactory. I only wish you could communicate the same accuracy to other Departments—it is really a little wonderful. Take, for instance, Sub-head D, "Travelling Allowances," where there is only a difference of £2 15s. 1d.—is that pure luck or is the amount of travelling allowances fixed? Can you really estimate within £2 the amount for travelling and night allowances that you have spoken of?—It is quite possible that there were some charges unpaid at that date. We simply exhausted the Vote, and there was no amount unpaid that made it necessary to come for a Supplementary Estimate. Of course the Accounts are current, and we pay them as far as we can. If there were a large amount unpaid we should apply to the Treasury for authority to overdraw, and try to save on some other Sub-head in order to meet it.

1306. You had £2 15s. in hand?—Yes, the amount unpaid was trifling.

1307. Then, taking Sub-head M, "Grants for Continuation Classes," that is a varying Grant?—Yes.

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8—Public Education, Scotland—  
*continued.*

Mr. Leif Jones—continued.

1308. There you were within £15?—Yes, I think there was very little unpaid at the time.

1309. Then as regards the "Annual Grants" for the "training of Teachers"?—That is a variable amount depending upon the number of teachers in training.

1310. There you were within £7?—Yes, but the year for training ends on the 31st of July every year, and the balances for 1906 would be paid up; and when March, 1907, came I simply paid away what was left in advances for the year then current, and those advances were more or less, according to the money I had in hand; there is no fixed date for the payment—we simply pay the instalments as the Committees want them.

1311. Even allowing for unpaid accounts, I may take it that practically your expenditure really was very near the Estimates indeed?—That was so.

Mr. Ashton.

1312. To revert again to the question of Extra Remuneration paid to these various clerks about which one or two Honourable Members have asked you, as I understand these services are services which are rendered annually?—Yes, not always the same men, but on the average the same number.

1313. The work always had to be done?—Yes.

1314. Would it not be possible and more economical to make it part of the regular work of some officials to do this work instead of making it extra work?—That is a question which I am afraid I can hardly answer.

1315. Is it a matter that has ever been considered?—I think so. The greater part of the work is done in addition to the ordinary duties. The revising and setting of papers would be quite outside the ordinary work of an Inspector.

1316. But why should it be outside—why should it not be considered part of his work as an Inspector? You might have to employ rather more men, but you would be able to get rid of this extra remuneration, which appears to me to be a bad system, and a very extravagant one?—He could not do it in his ordinary time.

1317. Surely they could if there were enough Inspectors?—It would mean a more expensive system if you had more men.

1318. Has it ever been gone into?—I think so.

1319. I am not sure that it would be more expensive. In whose province would that matter come?—The Secretary, in consultation with the Vice-President, Mr. Sinclair.

1320. It has not come under you?—No, I am not responsible in regard to that.

Sir Daniel Goddard.

1321. Can you tell me how much money you would have paid on account of advances to the training authorities in the cases you spoke of just now. You said that the year ended in July, and if there was any money over, you paid it in advance on account of the next year, as I understood?—No, on account of the current year.

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. APPERSON, I.S.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8—Public Education, Scotland—  
*continued.*Sir Daniel Goddard—*continued.*

year. The training year ends on the 31st of July, and when March, 1907, comes, the Committees of the training authorities want money for that year, which would end on the 31st of July, 1907, and it was simply a question of paying these instalments a few days later, or a few days earlier.

1322. It is not a question of its coming within the financial year?—No, it is no payment in advance of the date.

1323. It is not money that ought to have been surrendered?—No, certainly not.

Sir George Kekewich.

1324. As regards the point of the nearness of these Estimates, I will just take one Item, Item F, the annual Grants for day scholars; those came to £924,278, and your expenditure came within £10 9s. 3d. of your Grant—that is a very close Estimate, is it not?—Yes.

1325. Is it not the fact that you can always arrange the expenditure as you think desirable. Supposing you get, in the course of March, a balance in hand, you whip up the Inspectors to send in their Reports, and supposing, on the other hand, you are short of money, you can delay dealing with as many reports as you please in the office, and delay paying the Grant. I do not say that there is any harm in it—I am only asking if that is not the practice?—To a certain extent that is so, but within the four years I have been responsible for the Accounts, I have not known a single case of asking Inspectors to hurry their reports. In this case last year it worked out very nearly. We held up a few large schools that would have been paid. It only amounted to about a fortnight's delay at the outside. The estimate worked out most evenly.

1326. As a matter of fact, you would have expended a certain amount over and above the Estimate, if you had gone on in the ordinary course?—If we had paid everything that was exactly ready.

1327. You held over certain cases, and when you hold over cases, there is less work for the Office to do?—The number of cases was trifling. You may get 10 schools with £1,000 each, and there you have £10,000 at once, and the holding up of 10 schools makes no difference in the work.

1328. I agree, but it is a thing that is constantly done; it is done almost every year, is it not?—I cannot say it is done in the Scotch Education Department.

1329. As a matter of fact, the actual expenditure does not really, under these circumstances, represent the expenditure that is really called for, if I may so put it?—No, because the date is artificial—the 31st of March is quite a chance, or artificial date.

1330. But in almost all these Items, which are so closely estimated, you can arrange in that manner, can you not?—In two or three, you can to a very small extent—that is to say, you may have to hold over a few payments, but

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 8—Public Education, Scotland—  
*continued.*Sir George Kekewich—*continued.*

if there is any large amount, we always get authority from the Treasury to spend more upon the one Item, and save upon another, so as to pay fairly all that is due.

1331. As regards Sub-head G, "Additional Grants to School Boards," you can manage in that way?—To a certain extent.

1332. And the next Sub-head H, "Grants for Voluntary Schools," you can manage in that way?—That payment was pretty well exhaustive.

1333. I only wanted to bring out the fact that the closeness in the Estimate does not necessarily represent (I do not say it does not in this case) a really close Estimate?—It need not—there might be large arrears, but in this case there were not under any head.

Mr. Hazleton.

1334. Supposing there were large arrears, they would have to be brought forward in the next year, would they not?—We should either ask for a Supplementary Estimate, or we should get authority from the Treasury to meet the arrears on one Sub-head by a saving on the other. You very seldom get them all working out exactly even.

1335. You would not have an increased annual Grant for day scholars for the next year?—No, not on that account—not at all.

Mr. Leif Jones.

1336. I wish to ask you one question in regard to Sub-head L, "Pensions and Gratuities to Teachers." Is the system in Scotland the same as in this country, where we have two systems of pensions running side by side?—Yes, there are the pensions under the Code system that are dying out, and pensions under the Superannuation Act.

1337. What are the numbers receiving pensions under the Code system?—That is a gradually lessening number. The numbers for the current year were 212—there were 229 the year before. For the following year, 1908-9, it would be about 12 or 15 less again—they are dying out at the rate of about 15 a year.

1338. Are there no more teachers coming on to these pensions?—There are a few, but a fewer number than there are dying out; but we still have occasional claims under the old system.

(Mr. Apperson withdrew.)

ON VOTE 9.

NATIONAL GALLERY, SCOTLAND.

1339. (To Mr. Blain.) I see there is a further Grant under this Vote of £863 for the purchase of the Raeburn portrait—I suppose that odd sum was paid in order to make up the necessary price—it is rather a peculiar figure?—Yes, I think it was to make up the exact price.

1340. I think there were some private subscriptions towards the purchase of this picture, were there not?—Yes.

1341. As

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

## WOODS, FORESTS AND LAND REVENUES.—ABSTRACT ACCOUNTS, 1906-7.

Mr. FREDERICK HELLARD and Mr. CHARLES E. HOWLETT called in; and Examined.

*Chairman.*

1341. (To Mr. *Hellard*.) As far as I can make out, the result as to the arrears of rent practically works out about the same?—Yes.

1342. (To Mr. *Blain*.) I understand the Treasury have given their sanction where necessary in these cases?—Yes.

*Mr. Leif Jones.*

1343. (To Mr. *Hellard*.) Turning to page 3 of the Account, I see the Cash Balance on April the 1st, 1906, was nearly £22,000, and a year later it was £51,000?—That is Capital Account.

1344. Yes, I know. Why did you increase that Cash Balance so largely?—An apportionment has to be made at the 31st of March between the Mines Account and the Repayment of Advances for Permanent Improvements, and Advances for Permanent Improvements, and until the close of the year you cannot keep it quite accurate.

1345. Does that account for the difference of £30,000?—Yes. Payments are made out of income as the year goes on; and then at the end of the year we have to apportion between capital and income, according to the different works which have been executed, and it very often results in a considerable transfer from income to capital.

1346. A transfer is made under Act of Parliament?—Yes.

1347. In the case of the Mines?—In the case of the Mines, half the net result from the working of the Mines is carried to income and half to capital.

1348. You say half the net result?—Yes.

1349. Is it not half the gross?—Yes, it is half the gross now. The payments are carried into the account as well now; it used to be half the net.

1350. But by the last Act, it is half the gross amount, is it not?—That is so.

1351. In regard to the Mines Account which is shown on page 7, this year you paid over to Capital Account £34,652?—Yes.

1352. Does that represent in practical working the depreciation of the capital value of your estates during the year through the coal, and so on, taken out?—I suppose that was the idea when the Act was passed originally.

1353. I want to know from you as a practical man, whether that is so?—I am afraid I could hardly offer an opinion upon that; it was settled by Parliament in 1866.

1354. It is under the Act of 1894, is it not?—1866 was the first Act which apportioned the Mines. Up to that time all mines went to income.

1355. In 1866 did they have the same proportion?—Yes; until quite lately it was only the net result that was divided.

1356. But now I see the total income from the mines was £69,000?—Yes.

*Mr. Leif Jones—continued.*

1357. Was not that practically all capital?—I believe Parliament settled that it should be divisible between capital and income, and that I believe is the same way in which Mines worked under Settled Estates are divided.

1358. But at any rate the £69,000 represents a diminution of the capital value—practically the whole of it, does not it?—It depends.

1359. If the Estates were your own property and you had got £69,000 in coal or in Royalties, that is paid once for all, is it not?—Yes, no doubt.

1360. And the value of the estate is diminished really by that amount?—Theoretically, no doubt that is so.

1361. So that practically in paying £34,000 over to income, and only investing £34,000, the nation by this arrangement has depreciated the capital value of this property to the extent of £34,000?—But on the other hand, at the same time that they made that division of the mines, they gave us power to charge permanent improvements to capital temporarily, to be repaid in 25 years; therefore the capital has had to advance a very considerable sum for permanent improvements.

1362. Yes; and are the amounts advanced such as to balance this depreciation?—They used to be a good deal more, but I think they have come down of late years. It was £20,000 in this year that you have before you. You have it on page 3. That was the arrangement that Parliament made in 1866.

1363. What I wanted to know was whether it was a satisfactory arrangement from the point of view of the value of the estates which are under your management?—I should think it has been a very satisfactory arrangement altogether.

1364. Are the estates worth more to-day or less than when the Act was passed?—I should think they are worth more undoubtedly taken as a whole, though there may be individual estates which are not.

1365. Taking the Mining Account, what would you say?—I could not offer an opinion upon that.

1366. You see that it is a very important question from the point of view of the future?—No doubt it is.

1367. The real point in the management of these estates is to see whether or not we are preserving the capital of the nation, or whether we are spending it?—That, of course, is a question for Parliament.

1368. But that is a question as to which only you can tell us?—We do not get any less from mines now; in fact, we get a great deal more.

1369. That is not an answer to my question?—How long it is going to last, I am afraid I cannot say.

1370. That is precisely the point. It does seem



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Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. HELLARD and  
Mr. HOWLETT.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Woods, Forests and Land Revenues.—Abstract  
Accounts, 1906-7—continued.CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Woods, Forests and Land Revenues.—Abstract  
Accounts, 1906-7—continued.

Mr. Leif Jones—continued.

seem to me that in order to preserve the capital value of these estates you have got to invest so much of the year's income as will cover the working out of your mines. If you do not do that, a time will come when there must be a sudden drop in your account; is not that so?—I suppose Parliament has considered that we do invest enough, by investing this half of the receipts.

1371. Then, I suppose, your real answer to me is that I am worrying you with questions which I ought to address to Ministers in Parliament?—I am afraid I can hardly answer.

1372. There is one small point upon which I ought to ask you, upon page 3—"Sales of Encroachments in Wales, £17 7s. 6d."—what are those Encroachments in Wales that you have been selling?—(Mr. Howlett.) There are large areas of waste in Wales, mountain tracts, on which encroachments have been made, and from time to time some lands are sold.

1373. Who makes the encroachments?—Local people—squatters.

1374. Then, you let them buy it?—Yes, they are first put on a rent, and if there is no objection to selling the lands, they are very often sold. If they are in a quarry area, where there is likely to be slate, or valuable stone, we do not sell; but in other cases, where there is no objection, we do sell.

1375. They are merely surface rights that you sell?—Yes, the minerals are always reserved.

1376. (To Mr. Hellard.) Turning to page 5, I see that the surplus income paid over to the Exchequer was £520,000 in this year?—Yes.

1377. How is that amount determined?—It is the surplus income.

1378. You keep a balance in hand? Who decides how much you hand over?—The Commissioners decide, in conjunction with the Treasury, I believe, as to how much they think they can properly pay over.

1379. The Commissioners decide, in consultation with the Treasury?—Yes.

1380. They knowing what balance they require to keep in hand?—Yes.

Colonel Williams.

1381. As regards this £34,000 a year, which you invest, do you get the interest on that, or does it go to accumulate the capital?—It comes in as part of the income.

1382. You are simply laying by the capital?—Yes.

1383. Therefore, it is not an apportionment which is reckoned so that it will accumulate a certain amount by the end of the life of the mine?—No.

1384. Do you happen to know if there is any estimated life of the mines taken in the office?—Not that I am aware of.

1385. You said that the difference between the £21,000 at the beginning of the year 1906-7, and

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Colonel Williams—continued.

the £51,000 at the end of the year, was partly due to the advances for permanent improvements, which were repaid?—Yes.

1386. I see that the difference between the advances and the repayment of those advances on the two sides of the Account, is not above £1,100?—It was against the receipts that year.

1387. The difference is only £1,100 between the two, is it not?—£1,500.

1388. So that that does not account for the extra £20,000 in any way?—The balance is made up partly of moneys received from sales and enfranchisements of copyholds. You will see on the same Account there are considerable sums received from sales and enfranchisements, and things of that sort—miscellaneous receipts.

1389. Do they vary from year to year?—Yes, they vary very greatly. Of course, that may account for a balance being in hand. If you got a sale completed a few days before the 31st of March, for instance, you have got your money, and you cannot invest it before the 31st of March.

Mr. Hazleton.

1390. Do the operations of the Commissioners extend to Ireland?—(Mr. Howlett.) Yes.

1391. There are no particulars here with regard to Ireland, that I see; can you give me any particulars?—The principal Irish Revenue is under the head of "Unimprovable Rents." You will see it comes under "Crown Rents" in the Income Account on page 4.

1392. Can you give me any particulars of that?—Do you wish to know about the sum that comes from Ireland?

1393. Yes?—It is about £30,000 a year, roughly speaking. I see the precise figure is £32,810.

1394. Can you tell me what that is derived from principally?—It is principally from quit Rents.

Sir George Kekewich.

1395. (To Mr. Hellard.) On page 4 I see there is a charge "Donations to Churches, &c." Have the Commissioners power to subscribe out of their funds to any object they think proper?—With the consent of the Treasury they can subscribe to religious or educational purposes under the Act of 1894.

1396. Then the " &c." here represents educational objects?—Yes.

1397. What are these churches; are they all churches of the Established Church, or do you subscribe the money without making any distinction also to Roman Catholic Churches and Nonconformist Churches?—We subscribe to Nonconformist Churches. I do not recollect in my period of office any case of a Roman Catholic Church.

1398. Is there no Roman Catholic Church in the forests?—All I mean is that I do not know of any application that has been made to subscribe to a Roman Catholic Church; that is all.

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1399. But

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. HELLARD and  
Mr. HOWLETT.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Woods, Forests and Land Revenues.—Abstract  
Accounts, 1906-7—*continued*.

Sir *George Kekewich*—*continued*.

1399. But you would make no denominational distinction as regards your subscriptions?—No, not now; we used of course in the old days.

1400. You used to subscribe only to the Established Church?—That was so.

1401. (To Mr. *Howlett*.) Turning to page 10, I see there is a "Fund for maintaining and repairing the fabric of the Churches of Christ Church, Holy Trinity, St. Paul and Cinderford in Dean Forest." Those, I presume, are all Established Churches?—Yes, that is all provided for under the Act of Parliament named there; the money is set apart for those churches.

1402. It all depends upon the Act of Parliament?—Yes.

1403. Have you power to spend anything out of this fund for any other churches?—No, it is appropriated for those particular churches.

Sir *Robert Hobart*.

1404. (To Mr. *Howlett*.) On page 4, under the head of "Land Revenue," I see an entry, "School of Forestry," where is that?—That is in Dean Forest.

1405. Is that anything new, or has it been going on some time?—It has been going on about three years now.

1406. Has it increased in cost, or size, or in any way?—It has not increased largely.

1407. Is it proposed to extend it to the other forests?—I am not aware that it is at present. The Commissioners are now re-arranging the scheme and enlarging it to a certain extent; it is only on a small scale at present.

1408. On page 5, under the Sub-head III., "Royal Forests and Woodlands," I see there is a small loss on the total; the expenditure is rather more than the receipts, but the largest item is the Forest of Dean, where the receipts were £6,680 and the expenditure £8,883; are there any particulars for that?—There are no particulars for that in that Account, but there are particulars in the Report of the Commissioners of Woods which is presented to Parliament.

1409. What, generally speaking, is that extra £2,200?—There has been rather a large expenditure for roads; I think that is the principal reason why the expenditure is rather higher this year. In Dean Forest we are in the stage of planting rather than cutting. That is another reason why the receipts are less than the expenditure.

1410. Are there any more particulars for these Woods and Forests in any other papers? Perhaps they are in the Report of the Commissioners which you mentioned just now?—There is considerable detail given in the Annual Report to Parliament.

1411. For instance, take the New Forest, where is there any detail in regard to this £11,000?—That is all in the Annual Reports to Parliament.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Woods, Forests and Land Revenues.—Abstract  
Accounts, 1906-7—*continued*.

Sir *Robert Hobart*—*continued*.

1412. Would that show details as to salaries and roads, and so on?—Yes.

1413. And the cutting of timber, the sale of timber, and so on?—Yes, there are a great number of headings.

Mr. *Bowles*.

1414. (To Mr. *Hellard*.) I see on page 3 you spent £33,000 in buying new estates. That is the first item on the expenditure side?—Yes.

1415. Upon what general principle do you go in the selection of the estates to be purchased—do you buy estates which are contiguous to the existing estates, or do you go far afield?—If they are small estates we should only buy them if they are useful in connection with some of the other property. At times we buy larger estates, and they may be independent.

1416. But by what sort of motives are you commonly influenced in buying estates; do you look upon them as mere investments, as adding to the property under your control, or merely as assets, or do you act upon any other considerations?—Of course, if it is property which is contiguous, or useful in connection with adjoining property, that would be the principal reason for buying it. As a rule, in other cases, I should think we probably look at making a good investment some day, not always immediately, but in the future, perhaps. We are bound by the Act to invest our capital in land; we only invest temporarily in Stocks.

1417. You feel bound to spend a considerable proportion, at any rate, of your balance every year in buying landed property?—Yes, we do, when we get good opportunities. We have not bought so much of late years as we have done in years gone by.

1418. I understand you are bound by Statute to spend any balance in that way?—Yes; the Act does so declare, but "temporarily" is rather an elastic term—you would not have one sell Consols when they are so low, and make a bad bargain over them, if you could help it.

1419. You do not mean to say that you are really, in fact, bound every year to spend any particular portion, or, indeed, any portion of your balance on landed property?—No, it is supposed to be its ultimate destination—that is all it is; to be invested in land.

1420. But there would, in practice, be nothing to prevent you from investing the whole of your balance in Stocks, and keeping it there on the ground that it was a temporary investment, so far as the Statute goes?—It might be stretched to that extent perhaps.

1421. Therefore, you enter upon these purchases more or less as land speculation?—I should not quite say that. We hope to make a good bargain out of it.

1422. You do not necessarily confine your purchasing operations to estates which are contiguous to your existing estates?—Not necessarily.

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MR. KEMPE, C.B., MR. BLAIN, C.B., MR. HELLARD and  
MR. HOWLETT.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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Accounts, 1906-7—continued.

Mr. Bowles—continued.

sarily. I think in this particular year they all were so.

1423. (To Mr. *Blain*.) In regard to the Account on page 5, in connection with the question raised by Mr. Leif Jones as to the amount of the balance which is paid into the Exchequer as the result of various operations every year, that amount, I understand, is arrived at in consultation between the Commissioners and the Treasury?—Yes.

1424. Could you tell us upon what sort of principle that amount is usually arrived at?—I think the Treasury would only have to approve the amount which the Commissioners thought necessary to keep as the balance in hand.

1425. Is it the practice for the Commissioners to give any account of the reasons or the considerations which make it necessary to keep so much, or do they merely send it on to you, and say, "We wish to keep so much; is that approved"?—(Mr. *Howlett*.) I think I could answer that question. Sir Edward Hamilton generally writes at a certain time of the year, when he wants to know how much we are likely to pay in, and asks what our Estimate is, and we send a reply. Sometimes, of course, he is anxious for us to send in up to the hilt, and sometimes it is not so necessary. (Mr. *Blain*.) That, of course, is purely informal. (Mr. *Hellard*.) Yes, but by Statute the Commissioners are really empowered to keep over such money each year as they think necessary for the practical working. (Mr. *Blain*.) Yes.

Sir Daniel Goddard.

1426. (To Mr. *Hellard*.) As regards the total sum of £365,692 shown on page 3 under the heading "Stock" as "Balances on the 1st of April, 1906"—is that investments?—Yes.

1427. That is all these temporary investments of which you have spoken?—Yes.

1428. Which ultimately will have to be invested in land?—Yes; you will find them set out in the Reports to Parliament. I could give you the details if you would like.

1429. No, I do not want more than that. Could you tell me how long any portion of this has been held in Stock?—Some of the Consols have been held for a good many years, I think.

1430. Is not that a considerable straining of the term "temporary"?—I suppose it is rather.

1431. Have they been held as long as 20 years?—No, not so long as that. They were bought at rather a high price.

1432. That would rather argue that if you had carried out the intentions of Parliament and invested them in land you would have been better off?—But you cannot buy land unless it is offered to you.

1433. I notice on page 4 a reference to rates—you never pay rates, do you—it is always paid in donations in lieu of rates, is it not?—Yes. (Mr. *Howlett*.) Except in Scotland—in Scotland

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Sir Daniel Goddard—continued.

we do pay rates—that is to say, we are liable in certain cases in Scotland.

1434. (To Mr. *Hellard*.) Who determines the amount—is it by arrangement with the local authorities, or who determines what the amount of donation in lieu of rates is to be?—Where we pay direct the amount on which we pay is always settled by the Treasury.

1435. (To Mr. *Blain*.) Do you take the amount of the rate in the district and pay as a donation that amount?—I think this would be settled in the same way as all the other contributions in lieu of rates on Government property. There the Treasury pays the actual rate in the pound that is levied upon everybody else—the only difference is that they have a voice in settling the valuation of their property. (Mr. *Hellard*.) That is so.

1436. (To Mr. *Blain*.) I think I have understood that there is generally a conference between the local authority and the Treasury in regard to it?—Yes, they settle the valuation in consultation, and on that we pay the rate in the pound that everybody else pays. (Mr. *Hellard*.) That is so.

1437. (To Mr. *Howlett*.) In regard to the School of Forestry about which you were asked, on page 4, in the Forest of Dean, I think you said, where there is an expenditure of £257—is that salary?—It is practically all salary—the other expenses are very small.

1438. Whose salary is it?—The salary of the Instructor—the man who gives the lectures and instructs the students. We had the details in our Report, but it has been cut down very much this last year. We used to give a lot of those details.

1439. Do those students pay any fees?—No, they pay no fees.

1440. It is a free school, is it?—Yes, in fact they are paid a small sum for their work.

1441. Can anybody enter?—It is not intended for gentlemen or men of good education, but simply for working woodmen.

1442. What are the qualifications of the Instructor?—He is an ex-India Woods and Forests man, who came back early from bad health.

1443. He can, of course, practically instruct these woodmen?—Yes, they have theoretical and practical instruction.

Mr. Leif Jones.

1444. (To Mr. *Hellard*.) I want to be quite clear about the equivalent we are getting for the diminished capital value of the mines. I understand that the income from the investments that you make is not paid to capital account, but is brought in as revenue?—That is so.

1445. So that all that we have to set against the diminished value of the mines which have been gradually worked out is the actual payments in cash of half the gross income every year?—Yes.

16\*

1446. You

6 March, 1908.]

MR. KEMPE, C.B., MR. BLAIN, C.B., MR. HELLARD and  
MR. HOWLETT.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Woods, Forests and Land Revenues.—Abstract  
Accounts, 1906-7—*continued.*

Mr. *Leif Jones*—*continued.*

1446. You have simply to add those together to know what we have got as the equivalent of the value of the worked mines?—It is really half the net income, because half the expenditure on the mines is also charged in capital account. It is really half the net, only it is carried in on two sides instead of on one side.

1447. In order to arrive at what the nation has put by to meet that diminution of capital value, we have to add up the sums that you have paid over to capital account year by year?—Yes.

1448. There is no compound interest obtained?—No, there is no compound interest.

Colonel *Williams.*

1449. In regard to what you said just now, I see on page 3, Balances on the 31st March, 1907, were £51,000 in cash and £127,000 in Stock?—Yes.

1450. Do you mean to say that that £127,000 has got to be sold and invested in lands some time or another?—Yes, that will be the case in all probability, as we have an opportunity, but we are obliged to wait for an opportunity.

1451. It ought to be invested in land at some time or other?—Yes, practically all of it. It does include one or two very small Items, held on Special Accounts.

1452. Can you tell me where we are told the capital value of the estates?—No, I am afraid you have not got that anywhere.

1453. So that, in fact, we do not know the capital value of the estates, and all these Consols ought to be invested in land—in fact, there is no sinking fund for the value of the mines at all?—There is no sinking fund for the value of the mines.

Mr. *Hazleton.*

1454. (To Mr. *Howlett.*) I see in the Mines Account, on page 7, the expenditure in connection with Ireland was £3 4s. 5d., and the income was £70 15s.?—That is so.

1455. How is the £3 4s. 5d. arrived at?—£1 8s. 1d. was for "Salaries and Percentages of Receivers and others." All the detail is given in the column on page 7.

1456. Were those actual expenses, or apportioned?—Several of them are apportioned—the others are actual. The first Item, for instance, is apportioned; it is a minute proportion of the salary of the Chief Surveyor.

(Mr. *Hellard* and Mr. *Howlett* withdrew.)

CLASS I.

PUBLIC WORKS AND BUILDINGS.

ON VOTE 10.

SURVEYS OF THE UNITED KINGDOM.

*Chairman.*

1457. (To Mr. *Blain.*) I dare say you can answer

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 10—Surveys of the United Kingdom—*continued.*

*Chairman*—*continued.*

any questions that may arise on this Vote. I understand the Treasury approved the excess expenditure on Sub-head F, "Stores"?—Yes.

Mr. *Hazleton.*

1458. This Account includes Ireland, does it not?—Yes.

1459. Can you give me the expenses and the Grants in connection with Ireland, as distinct from the rest of the United Kingdom?—It is not shown on this Account, there is an apportionment made and shown in the Annual Financial Relations Return, which is presented to Parliament every year. That will show the amount out of this Vote which is attributed to work in Ireland.

1460. You have not an idea what it is, I suppose?—I am afraid I could not say off-hand.

Sir *Daniel Goddard.*

1461. I see under Sub-head C, "Pay, &c., of Civil Assistants, Labourers, &c.," there is a surplus of £11,765, and on Sub-head G, "Incidental Expenses," there is also a saving of £548. The explanation given on the opposite page is that it is due to the employment of a smaller force than was anticipated. Can you account for the fact of there being a saving under those two Items, when there is an excess on Sub-head F of £1,800?—Sub-head F, of course, is for exceptional outlay on machinery and stores.

1462. Does it not seem a little inconsistent that at the same time that the staff is being reduced below what was anticipated, the stores should be so much more than was anticipated?—I think the substitution of new machinery might tend, in itself, to decrease the staff, I do not think there is any necessary inconsistency.

1463. I see there is a falling-off under the Appropriations-in-Aid in the receipts from the sale of maps. Do you know whether the advertisements of maps are still displayed in Post Offices?—I think they were found not to be of much use. The system of selling maps at Post Offices has been discontinued.

1464. May that, possibly, account for this lessening of the sales?—They were discontinued because it was found to be an unsatisfactory system in working.

1465. May I take it that there is a slackening in the effort to advertise the sale of the publications?—No, it is done through agents now, and through the trade generally.

1466. Is it still considered impossible, or is it considered inadvisable to make arrangements for the local Post Offices to act as agents for the sale of these maps?—I am afraid I do not know what was the exact nature of the inconvenience that was found to result from it, but it was given up as being an unsatisfactory system.

1467. I am not now speaking of the advertising, but we have always been told that it was found impossible, I think, to make arrangements for the

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 10—Surveys of the United Kingdom—  
*continued.*

Sir *Daniel Goddard*—continued.

the local Post Offices to act as agents, except in regard to people who applied to them?—Yes, purely local maps, I think.

1468. I think it arose out of some arrangement in a previous year, but I take it that you really do not know about that?—No.

Mr. *Bowles*.

1469. I suppose the Public Departments who buy maps and necessitate, as I see under Sub-head F, considerably increased work, pay for those services which the Department renders to them, and their contributions come into the Appropriations-in-Aid?—No, the Public Departments generally would not pay for this work.

1470. Then, has any Public Department a claim, for instance, to special maps and things of that sort if it chooses. That would surely make it very difficult for the Survey Department to estimate at all what it would want?—The demands, I think, are pretty constant.

1471. I suppose they make the maps, for instance, for the Irish Land Commission?—Yes, but that is a Department that repays, because they charge the public for the maps. In the Estimates for 1907-8 I see the amount included for services for other Departments which would not be repaid, was £15,805.

1472. Where is that estimated for by this Department?—It is simply an allocation of the total—how much of this they estimate as represented by the work that they do for Departments that do not pay.

1473. And a certain proportion of the pay and general expenses of the office?—Yes.

1474. But it is a fairly constant quantity for the work that is done for those Departments?—I think so. I do not think they find much difficulty in estimating it.

Colonel *Williams*.

1475. Part of the £15,000 would be the War Office for manoeuvre maps and so forth?—Yes.

1476. The War Office also issue maps to officers taking part in manoeuvres, but it requires the payment of a certain amount, does it not?—Yes, from the officers.

1477. Does the War Office get the profit, or does the profit go to sale of maps in this Department?—It would be included among the sale of maps here.

1478. Among the sales to the public?—Yes.

1479. The War Office do not keep the profit?—No, I do not think so.

ON VOTE 13.

RATES ON GOVERNMENT PROPERTY.

*Chairman*.

1480. (To Mr. *Blain*.) The small excess on Sub-head F is due to increased assessments at Gibraltar, I understand?—Yes.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 13—Rates on Government Property—  
*continued.*

Sir *Daniel Goddard*.

1481. I notice that the amount paid in lieu of rates in Scotland is only £25,000 against £54,700 paid in Ireland. That looks rather as if there was a grievance for Scotland here. Can you explain why there is this great difference?—The Headquarters of the Scotch Government are in London, and of the Irish Government in Dublin; also the Government discharges more functions in Ireland than in Scotland.

1482. I see Sub-head G, "London Fire Brigade, £10,000," is still continued. Is it not the fact that this Committee recommended its ceasing some years ago?—Yes, but the Committee afterwards accepted a proposal of the Treasury that the question should be allowed to stand over until the general question as between the Local and Imperial taxation had been settled.

1483. And this is still standing over?—It is standing over until that question is settled.

1484. It is a case, apparently, of threatened men living long. Then, in regard to Appropriations-in-Aid, I see in the Estimate the amount was reduced in this year £200. It was £27,170, and it was reduced to £26,970. Was not that £200 taken off from the Item of Repayment by Representatives of Foreign Powers for portions of the rates on their houses?—Yes, it was taken off that Item of Repayments by Representatives of Foreign Powers.

1485. Can you tell me why it was so reduced—why do those houses pay less rates?—Probably because of a change in the houses themselves. The Estimate is framed on the basis of the property actually in occupation by these Representatives of Foreign Powers, and the anticipated amounts of the rates. It only means that a smaller sum was expected to be received, not that anybody was going to be let off anything.

1486. But there was some question about this a little time ago, was there not? In any of these cases they were exempted altogether from this payment, were they not?—The Government pays on their behalf the onerous rates, and the Representatives of Foreign Powers only pay the beneficial rates. They are all of them legally exempted in the sense that you cannot take proceedings against Representatives of Foreign Powers for rates.

1487. I notice that the occupiers of apartments in the Royal Palaces by Grace and Favour, repay in all £900 as a refund of the rates paid for them. Can you tell me if this is the whole of the sum that is so repaid?—It was. The system by which the Office of Works paid the rates has now ceased altogether.

1488. They pay themselves now, do they?—They pay themselves now.

Mr. *Bowles*.

1489. I do not quite understand what these Appropriations-in-Aid, amounting to about £27,000 a year, really are upon this Vote. What do they consist of?—The main Item is the repayment by

6 March, 1908.]

Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 13—Rates on Government Property—  
*continued.*

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 13—Rates on Government Property—  
*continued.*

Mr. Bowles—continued.

ment by the War Office of rates on the Ordnance Factories.

1490. The repayment of rates which had been already paid by this Department?—Yes. That is owing to the peculiar constitution of the Ordnance Factories. They have to pay for all their services in order that they may charge for them.

1491. So that this £27,000, or, at all events, a large part of it, is already in the £552,000?—Yes.

1492. Then some part of the Appropriation-in-Aid is repayment of rates in connection with the Representatives of Foreign Powers?—Yes.

1493. It is really made up of those two Items?—Those are the chief Items, the others are very small.

1494. I see for Item 1, "Salaries," you have a Grant of nearly £3,000 a year. That would be the salaries to the Officials of this Department?—Yes.

1495. What are they doing all the time? Are they simply receiving demand notes for rates?—That takes up a very considerable amount of time for a small staff, but the chief duty of the head of that Department is a very important one, and that is to settle on what basis the Government is to pay rates for these properties. He is constantly engaged in travelling all over the country, where there have been new buildings or alterations in old buildings, checking, and if need be, resisting the claims of local authorities.

1496. What form does his resistance take—does he go into Court?—He has no need to go into Court, because the Treasury can settle it for themselves, but his business is to try and induce the local authorities to accept his valuation, and he is exceedingly successful in it, too. It is very important work.

Sir Robert Hobart.

1497. With regard to Sub-heads D, C and E, I see there is a very satisfactory decrease in expenditure. I presume that is very much due

Sir Robert Hobart—continued.

to that officer's exertions—is that so?—The decrease in that year means that we had estimated the level of the local rates to be higher than it actually proved to be—that is to say, the rate had been going up so much that for safety we anticipated a further increase which did not take place.

1498. The rates did not go up—did they go down?—They did not go up so much as we expected they would go up.

Mr. Hazleton.

1499. Has the Treasury power to interfere in fixing the valuation on their property in Ireland?—It is not the same in Ireland.

1500. Ireland is different from England and Scotland in that respect?—Yes.

1501. There they have got to accept the Commissioner's valuation, whatever he fixes?—Yes.

1502. In regard to this Item £7,500, "Rates on houses occupied by representatives of Foreign Powers," how is it that the amount is so small—does that include Government property in foreign countries?—No, it is not Government property in foreign countries—it is the foreign Embassies and Legations in London.

1503. Government property abroad would come under the Vote for the Consular Service, would it?—Yes, it would where rates are payable.

1504. How is it that these rates have got to be paid here?—Legally there is no power to make a representative of a foreign Government contribute to rates in this country, unless he likes to do so. The Act of Parliament made the rates leviable on the owners of the properties which are occupied by them, but in practice the Government pays the rates, and then recovers from the foreign representatives so much of the payment as represents the rates for which they get value, such as paving and lighting, but they are not required to contribute to such a thing as the rates for Education, for instance.

(The Witnesses withdrew.)

Friday, 13th March, 1908.

## MEMBERS PRESENT:

Mr. Ashton.	Mr. Hazleton.
Mr. Bowles.	Sir Robert Hobart.
Mr. Brigg	Mr. Leif Jones.
Mr. Cavendish	Sir George Kekewich.
Mr. Cameron Corbett.	Mr. Parker.
Sir Daniel Goddard.	Colonel Williams.

THE RIGHT HONOURABLE VICTOR C. W. CAVENDISH, IN THE CHAIR.

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Mr. JOHN A. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. H. J. GIBSON, C.B., called in; and Examined.

*Chairman.*

I have received the following letter, which I wish to communicate to the Committee. *The letter was read, and is as follows:—*

“National Portrait Gallery,  
“St. Martin’s Place, W.C.  
“11th March, 1908.

“SIR,

“In the absence of the Director and Accounting Officer, Mr. Lionel Cust, I am instructed by the Viscount Peel, Chairman of the Board of Trustees of the National Portrait Gallery, to draw your attention to the printed Minutes of Evidence taken before the Public Accounts Committee, respecting the Appropriation Account of the Department for the year 1906-7.

“With reference to the questions (Nos. 1237 to 1243) asked by Sir Daniel Goddard and the answers given by the Treasury Officer of Accounts, it was not mentioned in the explanations given by Mr. Blain, that the Trustees of this Gallery, on notifying His Majesty’s Treasury in August,

*Chairman—continued.*

1906, that the funds at their disposal under Sub-head D, ‘Incidental Expenses,’ for the year 1906-7, were completely exhausted, expressed their intention of presenting to Parliament a Supplementary Estimate for £200 in respect of this Sub-head for work remaining to be done, which they considered it was necessary, in the interests of the public service should be carried out before the end of the year 1906-7; or that His Majesty’s Treasury had refused to allow a Supplementary Estimate to be presented.

“I am directed by the Viscount Peel to make the foregoing explanation and to request on behalf of the Board of Trustees that it may be communicated to the Members of the Committee, and, if in consequence of this statement any correction in the Minutes of Evidence should appear to be necessary, that it may be made.

“I have the honour to be, Sir,

“Your obedient servant,  
“JAMES D. MILNER.”

## CLASS V.

## FOREIGN AND COLONIAL SERVICES.

## ON VOTE 1.

## DIPLOMATIC AND CONSULAR SERVICES.

Mr. W. C. CARTWRIGHT, C.M.G., called in; and Examined.

*Chairman.*

1505. You represent the Foreign Office, I believe?—Yes.

1506. (To Mr. Kempe.) Paragraph 1 of your

*Chairman—continued.*

Report on this Vote, I think, refers to excesses taken on the various Sub-heads?—Yes.

1507. We had better take those when we come to

13 March, 1908.] Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. GIBSON, C.B., and  
Mr. CARTWRIGHT, C.M.G.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Diplomatic and Consular Services—  
*continued.*

*Chairman*—continued.

to deal with the Vote. Paragraphs 2 and 3 of your Report, I think, are mere statements of fact?—Yes, they are mere statements of fact.

1508. On paragraph 3, in regard to these Special Missions and Services, there is nothing that you wish to call attention to, is there?—No, there is nothing. They are quite straightforward.

1509. (To Mr. *Cartwright*.) With regard to paragraph 4, I understand that the salary for the Ambassador at Washington was raised to £10,000?—Yes.

1510. And accordingly an increase was made in the salary of the late Ambassador in order to bring up the amount to the standard of remuneration of his successor?—That is so.

1511. You received Treasury sanction for that?—Yes.

*Sir Daniel Goddard.*

1512. Perhaps you would explain a little more why Sir Mortimer Durand received a rise of salary?—Having admitted the principle that the salary ought to be £10,000 a year, it was thought very hard upon the outgoing Ambassador that he should have received so much less, and accordingly it was made up to that sum for the last year, and he was given the balance of what it would have been. It was admitted that he had not received sufficient pay, and the salary was made up to £10,000 for the last year he was there.

1513. Might I ask what was the reason for increasing the salary; was it considered not sufficient to meet the expenses?—That is so.

1514. It had nothing to do with the special appointment of Mr. Bryce to this post?—No, I do not think so. It was considered that it was an extremely expensive place, and it was desirable that the Ambassador should be in a position to entertain properly, and so forth; and it was accordingly decided to increase his salary.

1515. I suppose in all these diplomatic appointments there are, from time to time, rises in salary?—Yes.

1516. Are they usually made retrospective in this way?—No, it is an unusual thing.

1517. This was an unusual payment, was it?—Yes.

*Chairman.*

1518. (To Mr. *Kempe*.) With regard to paragraph 5, have you received any further information from the Treasury as to whether the two rates of pay allowed to Lieutenant Behrens ought to be concurrent?—Yes, the Treasury have accepted the explanations given by the Foreign Office—that is to say, the terms arranged with Lieutenant Behrens were 26s. a day *plus* his Regimental pay.

1519. (To Mr. *Cartwright*.) That was the understanding on which he took the appointment?—Yes.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Diplomatic and Consular Services—  
*continued.*

*Chairman*—continued.

1520. (To Mr. *Blain*.) And the Treasury agreed to that?—Yes.

*Sir Robert Hobart.*

1521. (To Mr. *Cartwright*.) May I ask what was the pay of the other Boundary Commissioners?—I cannot recollect at the moment what the pay of the others was, but the Commissioner next senior to Lieutenant Behrens got a little more than he did, but it was only a very little more. Engineer officers always get more than Regimental officers.

1522. Apparently Lieutenant Behrens got about £600 a year; I gather you say the others got a little more, but not much more?—The next man senior to him got a very little more.

*Chairman.*

1523. With regard to paragraph 6, can you tell the Committee what has happened to the Instruments referred to there; have they been sold, or what has happened to them?—The Instruments were taken over by the Protectorate, and they are being used by them.

1524. But, apparently, no charge was made to the Protectorate?—No; that is to say, the Protectorate paid for the Instruments being repaired, and then they took them over. As the Protectorate received a Grant-in-Aid, it really makes no difference. If they paid for them it would only have increased the deficit on the Protectorate Account.

1525. (To Mr. *Kempe*.) Are you satisfied with that accountancy?—I had not heard that explanation before. It is a matter of administration, and I do not know that I could raise any question upon it, but it did not necessarily follow that the deficit would be increased if they had not had the Instruments. They might not have wanted the Instruments. (Mr. *Cartwright*.) I think it is quite clear that they wanted the Instruments, because they paid for their repair.

1526. As I understand, the Instruments were given to them as a free gift?—At the end of the Mission the Instruments were repaired at their expense, and they retained them. They were brought home and overhauled by the makers and put in order, and then sent out again and taken over by the Protectorate. (Mr. *Kempe*.) The Protectorate has a large balance upon its Assets and Liabilities. (Mr. *Cartwright*.) It has now, but I do not know that it had at that time. (Mr. *Kempe*.) Yes, it had then. (Mr. *Cartwright*.) I was told there was a deficit. Of course, the Foreign Office does not administer the Protectorate now, so I could not speak to that.

1527. (To Mr. *Blain*.) Has this case come before the Treasury?—The only case that came before the Treasury was the sale of the Theodolite, and in connection with that the Treasury gave general sanction to the Secretary of State for the Colonies to sell at reasonable prices any apparatus of this kind which had ceased to be useful



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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Diplomatic and Consular Services—  
*continued.*

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 1—Diplomatic and Consular Services—  
*continued.*

*Chairman*—continued.

useful for Imperial purposes, and that is what we understood was being done.

1528. It is a question of how it is to be carried out; whether it ought not to appear on both sides of the Account?—Presumably it will appear as a Receipt. Of course, the £33 for the Theodolite has appeared. What the Treasury sanctioned was for them to dispose of these things at reasonable prices when they were not wanted for Imperial purposes.

Mr. *Brigg*.

1529. (To Mr. *Cartwright*.) I see it is stated here that further inquiry has been addressed to Colonel Smith as to the disposal of the Instruments; how does that stand now?—He has replied to the inquiry; he has given a list of them; he has accounted for them. (Mr. *Kempe*.) We have sent a further inquiry to ask whether the cost is to be recovered from the Protectorate. We have not yet received an answer to that inquiry. (Mr. *Cartwright*.) We have written to the Colonial Office and asked them whether that could be done.

Mr. *Ashton*.

1530. As I understand, the Foreign Office practically gave those Instruments away, when really it was not within their power to give them away?—They remained in the hands of the same officer who had had them all the time. He went back again to the Protectorate and was employed by the Protectorate, and he retained the Instruments.

1531. But you sanctioned the gift to the Protectorate, did you not?—We did not call it in question in the first instance. We inquired what had become of the Instruments, and we received the explanation that he had retained them and that they remained in the Protectorate.

1532. Then did you make any objection?—No, we have not made any objection.

*Chairman*.

1533. With regard to paragraph 7, I understand no further sums have yet been received in respect of this amount of £4,777 referred to in that paragraph?—No.

1534. Will that eventually be received?—The present position seems rather more favourable, because we heard by telegraph quite recently that the Liberian Government have accepted certain reforms which have been suggested to them. Amongst others, an English official who had been appointed Head Customs Officer is going to be Financial Adviser; and three more Customs officers are going to be appointed. We hope by that means there will be a little more control over the Liberian finance.

1535. You hope you may be able to get back this money?—It certainly seems much more hopeful if an Englishman is appointed as Financial Adviser, and it will also enable us to keep a firmer

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*Chairman*—continued.

control over the Customs receipts, which is the chief revenue.

Mr. *Ashton*.

1536. Does the Liberian Government admit the claim?—Yes, they have paid interest for three years.

1537. How did it come about that we paid this money on account of the Liberian Government; is it a usual thing to make such a payment?—It was considered very important to get this boundary settled, and we knew that the Liberian Government could not afford to pay for it at the moment, and we undertook to pay this advance for them, otherwise the boundary would have remained unsettled, and there might have been encroachments from another Power, and so on.

Mr. *Brigg*.

1538. Do I understand that no further sums have been received since 1905?—They have paid interest for three years, to October 1st, 1906. That is the amount they have paid. I cannot say at the moment when the last payment was made.

1539. It is two years in arrear; they are liable for the whole sum, I understand?—Yes, they are liable for the whole of the capital, but it was agreed that if they could not pay the capital they should pay the interest.

1540. And they are paying it now?—They have only paid interest up to October, 1906, so that they are nearly a year and a half behind with the interest at the present moment.

1541. It does not seem to be a very business-like way of going on?—Not at all.

*Chairman*.

1542. On paragraph 8, with regard to the expenditure on the Alaska Boundary Arbitration Commission, I understand the Canadian Government and our Government share the expenses of this Commission, do they not?—Yes.

1543. Does this payment represent the final payment?—Yes, this is the final payment.

1544. And the matter will be closed now?—Yes.

Sir *Daniel Goddard*.

1545. I notice that a large sum, £2,209, has been transferred to the Vote for Stationery and Printing; is that a usual transfer?—Yes, it is always done in that way.

*Chairman*.

1546. In regard to paragraph 9, there is an excess on Sub-head H; is that due to certain charges for legal advice in connection with the Will of Mr. Stibbert?—It would hardly be due to that, because the payment of the legal charges in connection with that Will was only £6 15s. The charge is mentioned in the paragraph, I think, as being an unusual one, but in amount it was only £6 15s.

1547. The

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[Continued.]

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*continued.*

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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*continued.*

*Chairman*—continued.

1547. The bequest under Mr. Stibbert's Will was not accepted by the Government, was it?—It was not accepted in the end. It was accepted in the first instance, but the Government finally decided to reverse their original decision. I fancy the reason was that the expense of keeping up the Collection would have been too great, but the matter was dealt with by the Treasury, and I do not know exactly what the reason was. The explanation given to us was that owing to the conditions laid down in the Will for the custody and management of the Collection the Government finally decided to reverse their original decision and to allow the property to pass to the Municipality of Florence.

1548. What was the nature of the bequest?—It was a collection of armour and works of art. It was a very valuable collection.

1549. (To Mr. Kempe.) You do not mean to imply in paragraph 9 that this was an improper charge, do you?—No. It is only mentioned because it was an unusual charge.

1550. An unusual charge, but not an irregular one?—No.

*Mr. Hazleton.*

1551. (To Mr. Cartwright.) Why was the bequest refused?—Because, as I have said, the conditions in the Will for the custody and management of the Collection were too onerous.

*Sir Robert Hobart.*

1552. (To Mr. Blain.) May I ask whether there are any other expenses anywhere in the Estimates with regard to this Stibbert bequest? Were there any travelling expenses, for example; was anybody sent out with regard to it?—No, I think the Reports were got from people out there on the spot. I am not aware that anyone was sent out specially.

1553. There is no other charge against the public?—No, I think not.

*Colonel Williams.*

1554. (To Mr. Cartwright.) With regard to the matter dealt with in paragraph 10, has the matter advanced at all since the paragraph was written?—No, we had a letter a few days ago to say that the matter was still unadjusted. It is being adjusted by General Average, and it has not yet been adjusted.

1555. There will be something to be recovered, I presume?—Yes, I think so.

*Chairman.*

1556. With regard to paragraph 11, I see there has been an excess expenditure under the Sub-head for "Compassionate Allowances"?—Yes. We obtained Treasury sanction some time ago to abolish the limit of £500. We ought to have informed the Comptroller of that fact. A copy was made out, but by inadvertence it was not sent to him, but we have now told him. I suppose

*Chairman*—continued.

if he had received that information from us he would not have made any observation upon it. (Mr. Kempe.) I had not received that information at the time this paragraph was written.

*Sir Daniel Goddard.*

1557. (To Mr. Blain.) Will you explain why the limit of £500 was abandoned?—Because gratuities are given under Regulations approved by the Treasury, and it was considered useless and inconvenient to have a hard and fast limit to the total amount as well.

*Mr. Parker.*

1558. (To Mr. Cartwright.) With regard to the list of gratuities on page 451, I should like to ask what they were given for. I notice, for instance, there is the case of an apothecary at Tehran who received £128 12s., and also a munshi at Tehran who received £104. Are those in the nature of pensions?—They are not pensions, they are triennial gratuities. Instead of giving a pension, a certain sum of money is given to these men every third year. This represents three years; that is to say, this sum has to keep the man for three years in each case.

1559. Is it for services rendered?—Yes, for many years' service. It is all on a scale.

*Mr. Ashton.*

1560. Why is it only done every three years?—I have no idea what the reason is why that system was adopted; it has been in force since 1890. I imagine it was the Treasury who chose that way of dealing with it.

1561. Then are they given for three years ahead or three years back?—Three years ahead.

1562. So that if a man dies he has really received a great deal more than he ought to have got?—Yes, but they are calculated on rather a small scale. They are on a smaller scale than a pension would be.

1563. It does not strike me as an economical way, to give them these gratuities three years ahead if a man be only going to live one year?—It rather staves off appeals from widows, and so forth; but I do not know why the system was adopted.

1564. (To Mr. Blain.) Perhaps you could explain it?—They are given after the service is rendered.

1565. Is that so? I understood they were given for three years ahead?—(Mr. Cartwright.) They are given after the service is rendered, but three years in advance.

1566. They are paid at one time for the three coming years, as I understand?—The man receives a gratuity as for three years in one year. (Mr. Blain.) He has served three years before he gets his gratuity.

1567. But that is not the point; he has received his pay for that service, I take it; but this payment is in the nature of a pension, and you are giving this gratuity for three years, when he may die

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die within one year?—I do not think the grant has anything to do with the three years that are to follow. It simply means that he may get a grant once in three years.

1568. This is in addition to his wages, is it not?—Yes.

1569. I gather, apparently, from what Mr. Cartwright has told us, it is calculated to maintain the man for the next three years?—(Mr. Cartwright.) It is the best we can do towards maintaining him, but I do not say it is calculated to maintain him for three years.

1570. (To Mr. Blain.) I gather that you cannot say why it has been done in this way?—I do not know the reason exactly.

Sir Daniel Goddard.

1571. I do not quite see how the explanation with regard to the £500 limit should account for the excess of £343 on the Sub-head?—It was a limit which was exceeded nearly every year, and it was abolished for that reason—that it was found impossible to keep within it.

1572. (To Mr. Cartwright.) You took a Vote for £500 under this head?—Yes.

1573. You did not contemplate it was going to be £800, I suppose? What were the circumstances that made it so largely in excess of the Vote?—There is a list given of these gratuities on page 451. It so happened that these gratuities came in course of payment during the year, and also there were two new ones, which were rather large.

1574. Are all the recipients of these gratuities retired servants?—Yes.

1575. Taking, for instance, this Chancery porter at Constantinople who gets £222, do you still say that that is for three years ahead?—Yes.

1576. I really cannot understand the reason of it. I would like a little more explanation on that point?—The system has been going on since 1890. It is in lieu of pensions.

1577. It does not seem to have occurred to us before. But the fact of its having gone on for a long time does not make it a good system. What would be the pension of this man if he was paid yearly? Can you tell me about what his wages would be?—This man, who is described as a Chancery Porter, was not really a porter—he was an official servant in the Embassy.

1578. It does not mean a cavass, does it?—No, he is attendant to the Chancery—he had been there a great many years, and he was an extremely good man. The amount he received is a very large figure; it is about the largest we have ever given. He was in receipt of good wages; he had been there for a good number of years.

1579. This would work out a little over £70 a year?—Yes.

1580. What proportion of his wages would that be?—I could not say exactly.

1581. It seems a much simpler thing to pay him on the yearly basis?—The system has been

B

Sir Daniel Goddard—continued.

going on for several years. This gratuity is less than he would get as a pension.

1582. You cannot tell me what the salary paid to an official of this kind is?—No, I do not think I can.

1583. Would he be doing anything in the nature of clerk's work as well as porter's work?—He does a good deal of account work.

1584. Would he be paid £2 a week, do you suppose?—I should think so, certainly; more than that, I think.

1585. Could you tell me if this servant is a Turk?—He is a Montenegrin, as a matter of fact.

1586. I should have thought £70 a year was a pretty generous pension for a man of that stamp. You cannot tell me what his salary was?—No, I am afraid I cannot find it.

1587. Perhaps you will let me know later on?—Yes.

1588. It is not a very big matter, but I think the principle involved is a rather larger matter, and I should like to know the reason why this principle of paying three years ahead is in use?—I should doubt whether the Foreign Office could give that information. I fancy it was a Treasury scheme.

1589. (To Mr. Blain.) May I ask you to look into the matter a little more, and perhaps you could clear it up for us another time?—Yes; I may say they were formerly paid annually until 1889 and charged upon the Pension Vote. This new Regulation was substituted at that date, but I am afraid I cannot tell you the reason. I can find out, of course. (Mr. Cartwright.) These gratuities are more economical than the pension—they are on a smaller scale than a pension would be.

Mr. Ashton.

1590. (To Mr. Blain.) Does this same system occur in any other Service besides this?—No, I think not. It is supposed to be in accordance with Eastern custom. I believe. (Mr. Cartwright.) It does not apply only to Eastern posts; there is, for example, the last in this list—a Chancery servant at Rome. (Mr. Blain.) It is in the East especially, I understand.

Mr. Parker.

1591. (To Mr. Cartwright.) This is a gratuity in lieu of pension, I understand, and it will recur again at the end of another three years?—Yes, it is a triennial gratuity, paid every third year.

Mr. Hazleton.

1592. Is the man entitled to this under Regulations?—Yes.

Mr. Brigg.

1593. Then, I gather we may anticipate that the names of the people in this list, receiving these gratuities, will not appear again in the ordinary course, until the end of three years, but

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another lot of people may come in next year?—  
That is so.

GENERAL CONSULAR SERVICES.

*Chairman.*

1594. (To Mr. *Cartwright*.) It appears from paragraph 12 that there has been a change in the system of dealing with Seamen's Money Orders?—Yes.

1595. The result of that is that there has been an additional sum of £162 10s. spent?—That is the amount that has been spent, but it is nearly covered by the charges.

1596. (To Mr. *Kempe*.) You do not raise any objection to that payment, do you?—No, it is a new arrangement, and I mentioned it for that reason.

Sir *Robert Hobart*.

1597. May I ask for a little more explanation about the sentence in this paragraph of your Report, beginning "It has also been arranged that a reduced Commission of 1d. in the £ for Money Orders shall be charged to Seamen," and so on. What is the arrangement?—The Seamen pay 1d. in the £ for sending their Money Orders.

1598. Is that a matter of Postal Revenue, or Consular Revenue?—I presume it would go to the Consul.

1599. Who pays the Money Orders?—The Money Orders would be done through the Post Office, no doubt. I presume the seaman goes to the Consul, and the Consul gets the Money Order, and charges him 1d.

1600. Is that 1d. in addition?—No, he only charges 1d. (Mr. *Cartwright*.) He charges the seaman 1d. in the £1, in lieu of 3d. for sending his money home.

*Chairman.*

1601. In regard to paragraph 13, I see under Sub-head Q, "Special Services," there is included a gratuity of £106 to the family of a Consular Officer, who died at his post; is that the usual practice?—Yes, that is the usual practice.

GENERAL OBSERVATIONS.

*Chairman.*

1602. (To Mr. *Kempe*.) With regard to paragraph 14, is this the first year of the working of the new forms in regard to the Accounts of Diplomatic and Consular Officers?—This is the first year that it has come into full operation.

1603. On the whole, are you satisfied with it?—We are now. It began a little weakly, but it has now been put on a proper footing. The Foreign Office have agreed to supply us with all that we want in future.

1604. That deals with the last portion of your paragraph 14?—Yes.

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*Chairman.*

1605. (To Mr. *Gibson*.) In regard to paragraph 15, I think you visited the Consular posts referred to in that paragraph?—I visited them last Autumn.

1606. Has the result of your examination been satisfactory on the whole?—Yes. I may mention that the Consular Accounts are comparatively small. I examined them because I was passing through Egypt, and going to Zanzibar, in connection with the audit of Colonial and Foreign Office Accounts. The journey was not made solely for the Consular Accounts.

1607. (To Mr. *Cartwright*.) With regard to paragraph 16, is this a final adjustment of the Account between India and the Foreign Office?—No, it is a periodical adjustment. It covered some arrears. The actual expenditure for the year was only about £4,000, but some arrears had to be dealt with.

1608. Turning now to the Vote itself, on page 450 I observe under Sub-head L there is an excess of £5,913. The Explanation is said to be the same as in regard to Sub-head I, and there it is simply: "Cannot be accurately estimated." But there is a great deal of difference, is there not, between taking a Vote of £100 and spending £75 on "Relief to Distressed British Subjects," and taking a Vote of £8,000 and spending nearly £14,000 on "Outfits." Is it not possible to get the estimate for "Outfits" more accurate? Is there anything exceptional about the expenditure in that year?—It depends upon the number of appointments, that is all.

1609. Is there no sort of average that you follow?—No, there is no average.

1610. You find great variation occurring from year to year?—Yes, we have no control over it at all. It depends upon the number of appointments.

Sir *Daniel Goddard*.

1611. Under Sub-head C, "Journeys on the Public Service," that is a large increase on the previous year, is it not?—The over-expenditure was only £166.

1612. Was not the amount taken last year £7,600?—The amount in 1905-6 was the same—£8,330.

1613. Then it was the year before that it was £7,600. That was the amount taken in 1904-5, was it not?—It was £7,600 in 1904-5.

1614. What is the reason for the growth of this item?—There is no special reason.

1615. I asked the question, because notwithstanding this increase in the grant there is an excess expenditure?—Yes, to a slight extent.

1616. There is no special explanation for this increase in this year—there have been no diplomatic difficulties requiring more journeys, or anything of that sort?—Most of the journeys are in regard to changes of post from one part of the world to another.

1617. I should have thought that would have worked out on the average of years fairly the same.

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same. You do not change these posts more often than before, do you?—No, I do not think so. I ought to have pointed this out: If you take, for instance, Sub-head L, "Outfits," you will see there is a large excess there. That is an expense that you cannot control—it depends upon the number of appointments. That means journeys, too.

1618. That is not the same Item as C?—No, but if there are a greater number of appointments during the year it involves more journeys.

1619. I am not so much criticising the fact that you spent £166 more than the Vote. I am simply upon the point that it seems to be a growing Item?—Yes, I think it is.

1620. It seems to me that that sort of thing wants to be watched rather carefully. Then on Sub-head K, "Special Missions and Services," the Vote was £30,000, and you spent £8,800 less than was granted?—Yes.

1621. Was a sum of £18,700 taken under this head for "Unforeseen Missions"?—I dare say. I have not got the Estimates for 1906-07 before me. Was it as much as £18,000? We do not often take as much as £18,000 for "Unforeseen Missions."

1622. £18,000 is the figure I have for "Unforeseen Missions"?—It is very difficult to estimate for that. In the current year, this present year, we shall probably exceed our Vote.

1623. It was £1,000 more in the previous year. The point is that less than half has been spent during the year, and yet there is this increase in the amount taken?—There is an amount unspent of £8,800 on £30,000.

1624. But that mostly occurs on "Unforeseen Missions," does it not?—Yes, I suppose it does.

1625. I am taking it at about half?—Yes.

1626. Could not that sum be reduced?—No, it would not be safe to reduce it. As I said, in the present year we shall probably exceed what we shall take. It is a very uncertain item.

1627. As regards Sub-head N, "Salaries under the Head of General Consular Services," there was a Grant-in-Aid of £1,600 made to the Transvaal Government under this head, was there not?—Yes.

1628. That was towards the cost of the Consulate at Lorenzo Marques?—Yes.

1629. The Transvaal Government pays all the charges for this post?—Yes.

1630. And receives all the fees?—It receives half the fees.

1631. This is the payment that we make towards that?—Yes.

1632. What is the object of that arrangement?—The Transvaal Government were spending a great deal more than that on the post, and we limited ourselves to paying an estimated amount, estimated on what the post used to cost us before the War in South Africa. That £1,600 was about what the post cost us.

1633. Is there any reason why the Transvaal Government should not keep this up themselves?

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—They did pay very much more than we did for the post. It is the Consulate—we are bound to keep a Consul there; only they ran it on lines which we should not agree to.

1634. They ran it so when they paid it all themselves?—No, they never paid it all themselves. It was our Consulate before.

1635. Could you tell me what the total cost of it is, and what are the fees received in regard to this Consulate?—The total cost we do not know anything about, because it was paid by the Transvaal Government.

1636. But do you not get a return of that Grant?—No, we do not know how much it costs. We know it costs a great deal more money than what we pay them. I may say they have given up paying for it now, and we have taken it over again.

1637. What do the fees come to?—I could not say.

1638. We get half the fees, I understand?—Yes.

1639. What is the half that we get?—I cannot tell you at the moment. The fees are appreciable, but they are not very large.

1640. Under Sub-head P, "Student Interpreters," I notice that the Vote was increased from £3,100 in 1905-6 to £5,500 in this year, and nearly all the money is spent. Can you explain what the causes for this considerable increase were?—It arises from there being more than the normal number of Student Interpreters, because there are a good many Vice-Consular posts vacant in the Service. There were a certain number of Student Interpreters who had not yet passed their examinations to become Vice-Consuls, and we were allowed by the Treasury to have a redundant number of Student Interpreters to make up for the vacant posts of Vice-Consuls.

1641. There is a larger number of them?—Yes, but there are fewer Vice-consuls temporarily—it is temporary only.

1642. Is there any saving under the head of Vice-Consuls?—Yes.

1643. And this is set off against that; is that so?—That is so.

1644. Then I notice in Sub-head 3B, "Prison Expenditure, &c.," the Vote is increased from £225 last year to £300, and there is an excess expenditure of £261. Could you tell me why the cost of this Service is increasing so much?—As is mentioned in the Explanation, that was caused chiefly by a rise in the value of the Dollar and by charges for extra prisoners. That was mentioned last year. We took in foreign prisoners, and we got paid for them.

1645. Then if you get paid for them that should not increase the cost to us?—What we get paid comes in in the Appropriations-in-Aid; it falls under another head.

1646. Do we get paid the whole of the cost of keeping these other prisoners?—It varies. The last time I answered in regard to this matter I said

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said that we got paid more than we spent; we made a good thing out of it. But since then it has been fluctuating; sometimes it does not quite pay us.

1647. Under Sub-head OO, "Refund to India Revenue in respect of Diplomatic and Consular Services," the Vote was £2,500 and the expenditure £6,000. This was subject to an arrangement with the Government of India, was it not?—Yes.

1648. To share equally between the two Governments all additional expenditure?—That is so.

1649. Up to now have the contributions been received from India?—Not until now; but when the arrangement was first made in 1900 we received £6,000 a year from the Indian Government.

1650. Why are the liabilities becoming greater?—Because the Indian Government have incurred a larger additional expenditure than the Home Government has incurred.

1651. So that last year we only took £1,706; is that so. Has that been increased this year. I see the explanation says that, "This payment clears the Accounts between the two Governments to the 31st March, 1905"?—Yes, I was questioned about it just now. The charge for the year is about £4,000, but there are arrears which have to be adjusted. There was a good deal of correspondence about it, and there had been delay, and this was making it up to date.

1652. Is the arrangement as to sharing the extra expense being carried out now?—Yes.

1653. Can you use the extra payments merely for the purpose of providing the working balance or is the cost really increasing?—The cost is increasing.

1654. It strikes one as being an enormous increase, from £1,706 in 1905-6 to £6,000 now?—The £1,706 was only the estimate at the time.

1655. May I ask who decides what staff shall be employed?—Both Governments are consulted.

1656. It is not done only by India?—No.

1657. They do not make all the arrangements, and then come to us for half the cost?—No. They have got an arrangement now by which small expenditures need not be referred from one Government to the other—that is, special sanction is not always given to small items of expenditure.

1658. When there is an increase in the expenditure, does it come before the Treasury?—Yes, but small items incurred by the Indian Government would not be referred to the Treasury. They have a working arrangement on both sides.

1659. When you speak of small sums, would it be sums under £100, or something like that—some such limit as that?—Yes, the limit is £100.

1660. (To Mr. *Blain*.) Are you satisfied that this is not an extravagant way of working it, and that this increase of expenditure is absolutely necessary?—Yes.

1661. You are quite satisfied?—Yes.

1662. Has the Treasury gone into the matter

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with the Indian Government?—Yes, and it has been inquired into by a Royal Commission also.

1663. Can you say whether this is likely to go on increasing?—Well, it depends upon whether any additional expenditure that may be incurred is incurred by the British Government or by the Indian Government. This sum which is voted here is merely the balance between the two accounts, taking the expenditure by both Governments. In some years the balance would be on the other side, and India has had to pay us. I think the arrangement is quite satisfactory from the Treasury point of view.

1664. Do you think that it is likely to go on increasing?—That really depends on the policy in those regions as to what establishments are considered necessary.

Mr. *Bowles*.

1665. (To Mr. *Cartwright*.) Taking the first item on page 454, I see a special payment of £433 was made from this Vote to the Ambassador at Washington after the appointment of his successor. Would you explain exactly what is the meaning of that?—That was merely to give him a reasonable time. Mr. Bryce went out at once, and Sir Mortimer Durand had had no leave, I think, for two years, and he was allowed to draw salary for a certain time. He arrived in England on the 5th January, and he was paid till the end of February.

1666. That was a special thing?—Yes.

Mr. *Brigg*.

1667. Is it not the fact that in some of the Consuls' offices there have been officials connected with the Board of Trade, up to recently, at any rate. Would the payments for those officials belonging to the Board of Trade and jointly to your Consul's office, be found in your Account?—If they are Board of Trade officials they would not appear in our Account.

1668. I think some of them were called Commercial Attachés?—Those are Foreign Office officials.

1669. And their salary would be included here?—Yes.

1670. There is also an inferior class of commercial officials in connection with the Board of Trade, not Commercial Attachés?—Perhaps you mean Commercial Agents? They have been abolished now.

1671. But I take it the payments for those officials ought to be in here? They have only been abolished very recently, have they not?—Yes; that would be under the head of "Collection of Commercial Intelligence," which is the first item on page 461.

Mr. *Hazleton*.

1672. (To Mr. *Blain*.) Is there the same Treasury control over the expenditure under this Vote as

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as there is over other expenditure under other Votes; do you go into the expenditure in the same way?—Yes.

1673. For instance, under Sub-head K, "Special Missions and Services," the Grant was £30,000, and the expenditure £21,000. Have you to be satisfied on the part of the Foreign Office that that expenditure is necessary?—Yes. All the new expenditure that becomes chargeable against that Vote requires Treasury authority. There are a number of items included in it, which are standing services which have been sanctioned in the past by the Treasury.

1674. Do you deal exactly with the Foreign Office under this Vote as you do with other Departments under their Votes?—Yes.

Sir Robert Hobart.

1675. (To Mr. Cartwright.) Under Sub-head Q, "Special Services, Outfits, and Travelling," the explanation of the expenditure above the average is that heavy expenditure was incurred in the Congo State. Is that going on still?—That only refers to the particular year.

1676. Is there any special statement of that in the Accounts anywhere?—There is no special statement.

1677. (To Mr. Blain.) Perhaps I may observe that this Estimate has evidently been one of very great difficulty. There is an immense amount of virement, I suppose I may call it, shown at the bottom of page 452, less than granted nearly £33,000, and more than granted £18,000?—It is on a very large total, £649,000.

1678. At any rate, the system of virement has been rather largely used with regard to this Vote?—That was inevitable, I think, with the contingencies that the Foreign Services are subject to.

Mr. Ashton.

1679. With regard to Sub-head NN, "Telegrams," does that charge for telegrams of £32,000 include telegrams both to and from the Foreign Office?—Yes, in both directions.

1680. Can you tell me what system is employed by the Foreign Office in regard to telegrams; are they coded?—Yes, very largely.

1681. We know that the Secret Service Telegrams are coded, but are they coded for ordinary purposes?—Yes, there is a Government Code.

1682. Which is used for all purposes?—Yes.

1683. And have you special telegraph clerks, whose business it is to code the telegrams?—Not special clerks.

1684. It must require experts to put them into form, if it is to be done economically?—No, with the sort of code that we have got, it is very easy to do. A new code is now being made.

1685. Do you mean that the people who draft the telegrams also put them into code form?—No, not the people who draft them.

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1686. But there are no regular experts employed for the purpose?—No.

1687. Do not you think it would be much more economical to have experts?—That would only apply to the Foreign Office. You could not have a Code Clerk at every Legation, and every Embassy, and every post.

1688. But half of the telegrams, it is presumed, come from the Foreign Office?—No, the Foreign Office telegrams come to about £13,000 or £14,000.

1689. That would be, roughly speaking, about half the Vote?—I beg your pardon.

1690. It strikes me that to have experts would probably lead to very considerable economy in coding the telegrams?—A good deal can be done in that way, undoubtedly.

1691. But nothing is done?—Yes, attempts are made to make the telegrams as short as possible in the Code, no doubt; but we do not employ experts to do it.

1692. I cannot help thinking that if you did, it would be much more economically done?—I do not think so, because we send so many of our telegrams in cypher; the great bulk of our telegrams are sent in cypher, and the other telegrams relatively are not very important. But it is quite true that a good deal of economy could be effected.

1693. I know personally that an enormous economy can be effected?—But we have not got such an economical Code as all that.

1694. I think it is worth considering, whether you might have not experts to do it?—That has been considered, and a new Code is being prepared now for all the Offices. I do not know what state it is in now. It has been going on now for some time.

1695. Is there any special reason why telegrams to Persia in this Account are so very heavy; are they always heavy?—It is very heavy.

1696. Is it anything more than usual; is it anything special?—The work has been very heavy during the last two or three years to Persia, but there has been a very great reduction in telegrams altogether.

1697. I am glad to hear it?—A few years ago it was £55,000, and now it is brought down to £32,000.

1698. You are more economical than you were, at any rate?—Yes.

Mr. Leif Jones.

1699. Is that due to the substitution of telephones for telegraphs?—I could not say that.

Mr. Ashton.

1700. Why is it that the Services in China are so much heavier than in Japan; are there more Government Offices there?—There are a great many more posts.

1701. (To

13 March, 1908.] Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. GIBSON, C.B., and [Continued.  
Mr. CARTWRIGHT, C.M.G.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7. CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 5—Foreign Office—continued.

## CLASS II.

ON VOTE 5.

FOREIGN OFFICE.

*Chairman.*

1701. (To Mr. Cartwright.) You also answer for this Vote?—Yes.

*Chairman*—continued.

1702. The saving under Sub-head A, "Salaries, Wages, and Allowances," I understand, is due to the retirement of a senior clerk and consequent promotions at minimum rates of salary?—Yes.

(Mr. Cartwright withdrew.)

## CLASS V.

ON VOTE 2.

COLONIAL SERVICES.

Mr. G. V. FIDDES, C.B., C.M.G., called in; and Examined.

*Chairman.**Sir Daniel Goddard*—continued.

1703. (To Mr. Fiddes.) I think this is the first time that you have appeared to answer for this Vote?—Yes, I have just taken over this work, and I am afraid I shall probably have to ask the indulgence of the Committee.

1704. You have succeeded Mr. Englebach?—Yes; may I say, as regards paragraphs 4 and 5 of the Comptroller and Auditor-General's Report, that if the Committee want any information I hope they will kindly ask Mr. Lambert, who is in attendance, as he deals with that and also with the Emigrants Information Office Account. If any question arises on either of those points, perhaps the Committee would not mind asking him.

1705. According to the Comptroller and Auditor-General's report there is a special Sub-head dealing owing to the postponement of the return of the ex-Premier and Treasurer to Tonga still?—Yes, the Committee will recollect that Mr. Engelbach explained last year that by the time he appeared before the Committee the thing was at an end and the prisoners had been returned. The matter came over into 1906-7, but in May it came to an end, and I think he was being examined in June and explained to the Committee that it was at an end by then.

1706. So that it will disappear from these Accounts?—It has disappeared entirely.

1707. (To Mr. Kempe.) In paragraph 3 of your Report you give a list of new Sub-heads which have been opened?—Yes.

1708. They have all received Treasury sanction, I presume?—Yes.

*Sir Daniel Goddard.*

1709. (To Mr. Fiddes.) I want to ask you about paragraph 3 (a), "Grant to Pitcairn Islanders," £131; no Vote was taken for that, was it?—A Vote was taken originally.

1710. Was there a Supplementary Estimate?—I think not. If you would kindly look at the note on page 467, the explanation is given there that it was expected that the expenditure would be met from savings on other Sub-heads.

1711. But this is quite a new expenditure without an Estimate or a Supplementary Estimate; it has never been before Parliament in any way, has it?—Yes, it was re-granted, I think. I think the matter has appeared before.

1712. No, I do not think so. This sum was expended for the purchase of a boat, was it not?—Yes. This question really began in 1902. It was a question of getting a vessel to enable the Pitcairn Islanders to maintain communication with Tahiti. The vessel foundered in June, 1904, and in 1906 we gave about £130 as a supplementary sum to enable another boat to be purchased and navigated.

1713. But this is not a yearly sum, so that you cannot call it a re-grant; it was a special Vote for a special purpose?—The Comptroller and Auditor-General calls it a re-grant. I do not know whether that is the proper expression.

1714. (To Mr. Kempe.) What is your meaning of the word re-grant?—It was a re-grant by the Treasury. There was a Grant in 1902-3, and the Treasury allowed them to use the balance for some other purpose than that for which it was originally granted.

1715. (To Mr. Fiddes.) I think the vessel was wrecked?—Yes, the vessel was wrecked which was originally purchased. (Mr. Kempe.) Then the money was re-granted. The money was not all spent, and the Treasury allowed the rest to be re-granted for the purpose of purchasing a vessel.

1716. Surely that ought to have been in an Estimate or Supplementary Estimate?—It was a Special Grant. I think the money was allowed by the Treasury to be kept in hand, and it was applied to this purpose. I called attention to it because it was spent in 1906-7, but it was granted originally in 1902-3.

1717. What was the amount of the Grant?—I have not got the Estimates so far back as that. I do not know what the original Grant was.

1718. Then this £130 is part of the balance of that Grant?—That is so.

1719. Is there any more balance left?—No, it is all spent now. They have spent the balance, and this is the last of it.

1720. I



13 March, 1908.] Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. GIBSON, C.B., and [Continued.  
Mr. FIDDES, C.B., C.M.G.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7. CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—South African Constabulary—  
*continued.*

SOUTH AFRICAN CONSTABULARY.

*Chairman.*

1720. (To Mr. Kempe.) I understand that you have not yet been able to furnish the Committee with information regarding this Grant-in-Aid?—No, there are various questions which have not yet been cleared up.

1721. I presume that by this time next year

Mr. H. C. M. LAMBERT called in; and Examined.

*Mr. Leif Jones.*

1723. (To Mr. Lambert.) Will you explain to me what is the difficulty in getting this matter settled?—The difficulty really is connected with the calculation of certain pensions. There were certain pensions granted which had to be commuted for a lump sum, and we hoped that we should have settled the question; but a further question was raised with regard to certain temporary pensions, and it is very difficult to commute a temporary pension, and it is owing to the difficulty of settling those figures that we have not arrived at a final account.

1724. Do you expect to arrive at a final account soon?—We hope so.

1725. On what is the hope based; you say it is very difficult to arrive at the figure?—The difficulty was that we proposed not to reckon temporary pensions at all, on the ground that it was so difficult to arrive at any satisfactory solution of a temporary pension; but the local people in South Africa said that those pensions had been granted within the date to which the Grant-in-Aid applied, and therefore they thought that they must be included. That is what has caused the delay.

1726. You have accepted that, and are trying to reach a figure?—We have accepted it, and are trying to reach a figure.

1727. Is there any reasonable prospect of your doing so within the next 12 months?—I hope so.

*Mr. Bowles.*

1728. You said that the difficulty was caused by the difficulty of arriving at a sum commuting temporary pensions; what are those temporary pensions?—There may be a pension for a wound, and a man is given a pension, not for his life, but for a short period until he recovers, subject to re-examination. A medical re-examination might show at the end of a certain time that he was fit to resume his duties.

1729. They are contingent pensions?—Yes, not permanent pensions.

1730. You cannot say really how long it will take to settle the question?—We wanted to omit them on the ground that we could not calculate them on a certain basis. We are anxious to get the thing settled, and have been in communication with the Treasury on the subject.

1731. It is quite clear that you cannot arrive at any actuarial valuation of such a thing as

*Chairman—continued.*

it will be possible for you to furnish the information?—I hope so.

*Mr. Leif Jones.*

1722. What is the reason of the great difficulty in getting this matter settled up?—That is a question to ask the Colonial Office. (Mr. Fiddes.) Mr. Lambert will be able to answer that better than I.

*Mr. Bowles—continued.*

that, and if either side is taking up a stiff attitude it seems to me very likely that you never will arrive at a settlement?—The sums are not very large, and we are now in correspondence with the Treasury and hope to get a speedy solution.

TRANSVAAL AND ORANGE RIVER COLONY.

GRANTS-IN-AID OF EXPENSES CONSEQUENT UPON THE TERMINATION OF THE WAR.

*Chairman.*

1732. At the end of each year is the unexpended balance supposed to be surrendered from those two grants to Burghers and other persons?—A certain sum was re-voted last year, and it was found that the figures had not been got out quite correctly, and they were not right, and Parliament is going, I believe, to be asked again to vote the balance. These grants were originally intended as free grants, and it was not intended that there should be any surplus.

1733. Is it probable that in the course of a year a final settlement of these Accounts will be made?—They will appear in the Estimates for this year, and that will be the end of it.

WESTERN PACIFIC.—CHARGES ON ACCOUNT OF BOAT'S CREW.

1734. I think this is a matter which has been before us in previous years?—Yes, last year; it has now been settled satisfactorily.

1735. And you have now received the amended Accounts?—Yes.

1736. And they are satisfactory?—Yes.

EXPENSES OF A SOUTH AFRICAN MISSION TO LISBON.

1737. You have received further information with respect to the expenditure on this South African Mission to Lisbon?—Yes.

1738. They have supplied the information that you required?—Yes.

1739. And an adjustment of the £9 has been made?—Yes, that is settled.

ANGLO-CONGOLESE BOUNDARY COMMISSION.

1740. You have now got a voucher from the British South Africa Company for the amounts charged

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. GIBSON, C.B.,  
Mr. FIDDES, C.B., C.M.G., and Mr. LAMBERT.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Anglo-Congolese Boundary  
Commission—*continued.**Chairman—continued.*

charged in the Account for 1905-6, to which you referred in your Report of last year?—I have.

1741. (To Mr. *Fiddes.*) Has the Accounting Officer yet received the ledger from this Commission?—No, the ledger is a book that is carried about by the Boundary Commission, and when the Commission has closed its proceedings, the book will be sent, but in the meanwhile they have been asked to give a certificate.

1742. Then, do I rightly understand that the Accounting Officer had to pass certain payments?—Yes, without seeing the actual original ledger, but we have written out asking for a certificate, meanwhile, that those payments are all right. Later on we shall get the ledger itself, when the Commission concludes its work.

1743. Is it usual for the Government to pay the Game Licences for the British Members?—The explanation is that when the Commission were going out, they pointed out that they had to provide meat for their staff, and they hoped to get proper supplies, but, if the necessity arose, they asked whether they could be authorised to shoot game, and we replied that if there was urgent necessity they might do so, but they must regularise themselves by taking out Game Licences, which would be charged as part of the expenses of the Commission.

1744. The charge has been allowed, I understand?—Yes.

1745. But you have not received proper vouchers yet?—The vouchers came two or three days ago, and went on to the Comptroller and Auditor-General, but probably they have not come before him yet.

*Sir Robert Hobart.*

1746. Were the Boundary Commissioners in Uganda Territory, or in the Congo Territory?—It is the boundary between the two. Are you referring to the shooting of game?

1747. Yes?—The boundary line, of course, runs between the two, and if you have in your mind the question of shooting in the Uganda game reserves, directly the Commissioner saw our despatch, he wrote back saying, of course you ought not to allow those people to shoot within the game reserves, because it ought to be an absolute rule that there is no shooting in the game reserves. To which the Secretary of State replied, that they were to be instructed not to shoot in the game reserves on any account. But, of course, they ought not to be obliged to shoot at all; they ought to be able to get meat without.

1748. It was not necessary to provide the requisite support?—No.

## ANGLO-FRENCH BOUNDARY COMMISSION.

*Chairman.*

1749. (To Mr. *Kempe.*) You are of opinion that the charge of £11 for canoe transport ought to be chargeable to the French Section of the Commission?—It appears so from the papers.

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Anglo-French Boundary  
Commission—*continued.**Chairman—continued.*

1750. (To Mr. *Fiddes.*) Has any reply been received from the French Section?—No reply has been yet received. We wrote in December.

## REPATRIATION OF CHINESE COOLIES.

1751. (To Mr. *Kempe.*) I understand that the Labour Importation Agency at Johannesburg were paid at the rate of £28 a head for 300 of these coolies to be repatriated?—They were paid £28 a head for 300.

1752. And there were only 267 actually carried back?—Yes, only 267 were repatriated.

1753. And you are of opinion that £15 10s. a head for each of those coolies is not a proper charge against the Vote?—It appeared to me that the agreement and the offer of the Agency referred to two different things, one to importation and the other to repatriation, and that the condition as regards the 300 coolies applied to repatriation only. The calculations given in the Company's offer appeared to refer to the charge to be made for repatriating the coolies, but the Colonial Office appear to have taken them as settling the charge to be made to the Government. (Mr. *Fiddes.*) The importation charge had nothing to do with the agreement to pay £28. I may say that, when we saw the Comptroller and Auditor-General's query, we asked the Government of the Transvaal what its view was, because undoubtedly the correspondence was susceptible of the interpretation which the Comptroller and Auditor-General placed upon it. I thought this Committee would not meet until about May or June, and that we should have plenty of time to get a full answer. When I understood that the Committee would meet so early to consider this Vote, we telegraphed, and got a reply this morning which shows that the Chamber of Mines, which really is the Labour Importation Agency, admit in principle the correctness of the Comptroller and Auditor-General's view. They point out, however, *per contra* that the cost to the mineowners of importing turns out upon examination to be larger than £15 10s., which was put in as the provisional figure, with the result that in equity they think they ought to be allowed to claim from us rather more than £15 10s., and they suggest that in the circumstances we might set off one against the other. That will have to be examined into, of course, and we must see what their figures are before there can be any question of admitting that the real cost of importation is £17 9s. (I think they put it), instead of £15 10s. What I would suggest to the Committee, therefore, is that until we receive the full figures and explanations, and have discussed the matter with the Treasury, it should remain in abeyance.

1754. We shall not be dealing with our Report for some time to come?—We must get the figures by post and learn exactly how the Importation Agency arrive at £17 9s., which they now say is the

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. GIBSON, C.B.,  
Mr. FIDDES, C.B., C.M.G., and Mr. LAMBERT.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Repatriation of Chinese Coolies—  
*continued.**Chairman*—continued.

the cost to the importers and under the arrangement should be refunded to them by the Imperial Government. If you work it out on £17 9s. instead of £15 10s., it would be something like £529, and I understand from the telegram that the suggestion of the Transvaal Importation Agency is that we should cry quits and they will drop the question of the extra £18 that might be due to them if we accepted their interpretation.

1755. This matter has to be considered by the Treasury and the Colonial Office and submitted to the Comptroller and Auditor-General?—Of course. I have brought the correspondence with me to show to the Committee if they want it, but in view of this later development it seems, perhaps, hardly necessary to trouble them with elaborate calculations, the foundation of which may be on an original misunderstanding.

1756. (To Mr. *Kempe*.) Then perhaps we had better postpone this question?—I presume that the charge will be disallowed until a satisfactory explanation is furnished, or carried into a Suspense Account. If the answer is satisfactory it will be all right.

1757. (To Mr. *Fiddes*.) Is it a matter of only a fortnight or three weeks?—The correspondence, of course, has still to come by post, and then it has to be considered by the Secretary of State and the Treasury. Would the Committee desire that the whole case should come up again before they conclude their investigation?

1758. It would be far better if we could deal with it in the course of the present Session?—(Mr. *Blain*.) I would suggest that it might be disallowed as a charge against this year, and then charged against the future year. (Mr. *Kempe*.) Yes, that would be the simplest way.

1759. (To Mr. *Blain*.) There is some doubt about the matter?—It ought to be disallowed as a charge against the year 1906-7, because I understand that the Colonial Office admit now that the amount was not payable on the ground on which it was actually paid, and if payable at all it is on a different ground.

1760. And if it was disallowed it would have to be re-voted?—It could be charged against the other Vote. (Mr. *Kempe*.) It cannot be charged against 1906-7 now. (Mr. *Fiddes*.) It is rather a curious question, because if you agree that they are entitled to be repaid what it actually cost them to import those 267 coolies, the amount payable will be even more than we have paid.

*Mr. Bowles.*

1761. Is not the real question, What was the real agreement?—That is the essence of the question. Parliament at the time sanctioned our repaying to the importers what it cost them to import.

*Mr. Leif Jones.*

1762. But this £15 10s., I understand, was the  
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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Repatriation of Chinese Coolies—  
*continued.**Mr. Leif Jones*—continued.

importers' own estimate of what it did cost?—Yes, the question is whether that is to be regarded as final.

1763. Was it not the estimate put forward as the basis of the contract on the faith of which we agreed to contract with those people?—I would hardly put it in that way, because not only would it have cost the High Commissioner more to repatriate those coolies if he had done it on his own account, but there would have been difficulty in finding a vessel to take these people away; Parliament was anxious that they should go away as promptly as possible, and they could only go in a vessel specially fitted.

1764. But I understand the position to be that those people had a vessel suited for the purpose, and we went to them and said, "How much will you take 300 coolies for"?—That is not quite correct historically. They came to us and said, "You seem to be in a difficulty. We have a vessel going back to Hong-Kong, though not further. If you like we will do it for you on condition of getting back what it cost us to import them, plus £12 10s.," which would represent the cost of taking them back to Hong-Kong and their homes.

1765. Did they put it in that way, "What it cost us to import," or did they say, "It cost us £15 10s. to import, and if you give us £28 in cash we will take these men back for you"?—If they had said £28 in cash the Comptroller and Auditor-General would not have raised any query, because they coupled with it a guarantee of 300 coolies as a minimum. (Mr. *Kempe*.) I think the only estimate that we have seen is the estimate of what ought to be charged to the coolies. It was not a Government Estimate. (Mr. *Fiddes*.) I have the despatch from the High Commissioner which enclosed the letter from the Chamber of Mines, which was really the evidence before us. Shall I read the Committee the whole letter; it is very lengthy?

1766. I do not want to pursue it now, because if the charge is going to be disallowed now, the question will be raised again?—I will take any course which the Committee like. Am I to understand that the Committee would like this matter brought up again before the end of the Session?

*Chairman.*

1767. No, the Committee will disallow the charge now, and then it will come up again. Does paragraph 12 of the Report deal with the same matter, or is it a separate matter as to the contribution by the coolies themselves?—There, again, I may say that in the last two days we have sent to the Audit Office the reply from the Transvaal Government on this question of half the net wages.

1768. Why was there such a variation in amounts contributed, between 7d. and 6s. 8d. and 21s. 11d.?—It depends upon what you can get from them.

18\*

1769. With

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. GIBSON, C.B.,  
Mr. FIDDES, C.B., C.M.G., and Mr. LAMBERT.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Repatriation of Chinese Coolies—  
*continued.**Chairman*—continued.

1769. With experience you were able to get more?—Possibly there had been rather more gambling among the first batch; I do not know, but as regards the recovery of half net wages, the explanation is that half the net wages meant half the wages earned during the last month of service, less any sums owing to the employer in respect of those advances that he was authorised to make under the labour importation ordinance, so that, of course, the coolie could only hand over what he received. It was the net amount, less certain advances already made to him. Therefore the net and earned practically came to the same thing.

1770. You had the power to get as much as you could out of them?—Yes.

*Sir George Kekewich.*

1771. Was great pressure exercised on the coolies?—I do not think any pressure at all was put upon them. I think it was part of the notification that they would be repatriated; that one of the conditions of repatriation at our expense was that they should contribute.

1772. Was there any specific sum that they should contribute?—Half the wages earned.

1773. Was there any specific sum that they should contribute?—Half the wages earned during the last month of service.

1774. The 7d., the 6s. 8d., and the 2s. 11d., were clearly not half wages?—I do not think any sum is specified.

1775. In fact, it was a voluntary contribution on the part of the coolies, really?—It came to that.

*Chairman.*

1776. Can you tell me what the total received would be?—No. When I knew that I was coming before the Committee, I looked for it, but I have been unable to find it in time.

1777. Do you suppose you will be able to get the information?—Undoubtedly, the Accounts must show by what the cost has been reduced; £1,074 appears to be the latest figure, according to the paper just handed to me.

1778. How far does it include?—It includes the first, second and third, but not the fourth shipments.

1779. But in the year that we are dealing with, 1906-7, how much was it?—I presume that this is the Account for 1906-7. That is the latest Audit Office Account (*handing in the same*).

*Mr. Parker.*

1780. (To Mr. Kempe.) Can you tell us how many that Account refers to. How many were repatriated?—No. I have not the figures.

1781. Do I rightly understand that your report refers to six shipments?—I refer to three shipments.

1782. Does that mean about 1,200, or thereabouts?—The fourth amount is not referred to in my report, because it was subsequently received.

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Repatriation of Chinese Coolies—  
*continued.**Mr. Cameron Corbett.*

1783. (To Mr. Fiddes.) Was there any fixed sum that you tried to get from the coolies?—No; it was agreed, I think, that it was impossible to exact a fixed sum; the intention was to take what they could give. The Committee will recollect what was said in Parliament. I think the whole idea of Parliament was that there should be a contribution as a sort of evidence of good faith, but nothing more than that.

1784. Then was it supposed that you took everything that a man had?—I am afraid I am rather vague about this, because I have not dealt with it, and I did not expect to answer for it; but my recollection is that Parliament purposely left the thing as vague as it possibly could, that it felt that the coolies ought, if they could, to contribute something to their repatriation, as they were being sent back at our expense, but on the other hand, it did not mean to impose any obstacle that would frighten them off, by telling them they would have to pay so much.

## ST. HELENA FLAX INDUSTRY.

*Chairman.*

1785. (To Mr. Kempe.) No expenditure seems to have been incurred in respect of the Grant-in-Aid to St. Helena for the flax industry?—No. (Mr. Fiddes.) Not in that year, it comes in the following year.

1786. What happens to the £1,070 that was issued to the Crown Agents?—It will all be spent in 1907-8.

1787. Has it been surrendered to the Exchequer?—No, it was issued in full; it was granted on a Supplementary Estimate for 1906-7, and the first payment did not occur until after the beginning of the next Financial Year.

1788. So that there was no issue from the Exchequer in this year?—Yes, the whole of it was issued, and the Crown Agents' first payment was made after the 31st March.

*Sir George Kekewich.*

1789. At any rate, have you any means of knowing to what extent the Crown Agents accumulate the Grants-in-Aid. This money, I imagine, is paid out to the Crown Agents, and there is no obligation on them to expend any of it during the year. Then the next year they may be in exactly the same position. Do those sums accumulate?—Oh, no. You understand that St. Helena got into a very bad state indeed, owing to the withdrawal of the garrison, and we tried to do something to help them by establishing a flax industry. The Crown Agents were put in funds when it seemed necessary to do it, but it was on a Supplementary Estimate towards the close of the Financial Year, and their first payment came out very shortly after they got the money,

13 March, 1908.] Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. GIBSON, C.B., [Continued.  
Mr. FIDDES, C.B., C.M.G., and Mr. LAMBERT.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—St. Helena Flax Industry—*continued.*

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—St. Helena Flax Industry—*continued.*

Sir *George Kekewich*—*continued.*

money, but not in the Financial Year. The money was all expended, and there was practically no delay.

1790. Do you know how far these sums were expended? Have you any account of the expenditure of these sums at St. Helena? Have you any means of knowing whether they were expended?—This is all audited by the Comptroller and Auditor-General, every farthing of it.

1791. In another Account?—When he is auditing the Crown Agent's Accounts and the St. Helena Special Account.

1792. (To Mr. *Kempe*.) You audit the expenditure out of this Grant-in-Aid?—Yes.

1793. The expenditure made in St. Helena?—Yes, in St. Helena. (Mr. *Fiddes*.) Technically, it is expended by the Crown Agents. (Mr. *Kempe*.) The receipts and payments are audited; we do not audit the expenditure out there. We have vouchers and certificates that it has been spent properly.

1794. But you surely have the details of the expenditure in St. Helena of this Grant before you, so as to know whether the Grant has been expended or not?—Yes, we know the matters on which the expenditure has taken place, and we have the vouchers, and so far we have details. We do not do it in St. Helena.

1795. What I mean is that you have a means of knowing what becomes of these Grants and how they are expended?—Yes.

1796. And what the balance is in the hands of the Crown Agents?—Yes.

Mr. *Leif Jones*.

1797. (To Mr. *Fiddes*.) Do we know how long the Crown Agents keep this money in hand? You say only a short time, because of the Financial Year ending and the first payment occurring just after the Financial Year closed, but is there anything to prevent its staying in their hands for an indefinite period?—If we took no steps to establish a flax industry, then the Crown Agents would not be called upon to make payments, but we did take steps promptly.

1798. They retain the money in hand until steps are taken to establish a flax industry?—They are simply paymasters; they pay out the amount.

1799. What do they do with the money which is handed to them; where do they keep it?—It is part of their general account at the Bank of England, I presume.

1800. Do they get any interest on it?—If they got any interest on it they would credit it to the Fund.

1801. It would be credited to the Fund, would it?—Yes, everything stands on its own bottom. It earns interest whenever it is possible, and that would be credited to the Fund.

1802. It would be credited to the Fund that the money is voted for, I understand?—It is only when there is a reasonable certainty that the money will not be wanted immediately, that they try to get interest. The Comptroller and Auditor-

Mr. *Leif Jones*—*continued.*

General tells me that in this case they did have interest. (Mr. *Kempe*.) £30 17s. 10d.

Mr. *Ashton*.

1803. (To Mr. *Fiddes*.) When money goes into the hands of the Crown Agents for the Colonies in this way, supposing that it is not spent at all, what happens to it? Does it remain there, or is it passed back to the Treasury? How do the Treasury recover it?—I am afraid I have never heard of such a case. (Mr. *Blain*.) The Comptroller and Auditor-General would report every year in his Account any Grant of that kind which was still outstanding in the hands of the Crown Agents, and if the Treasury thought that the purpose for which the money was voted was past and not likely to be realised they would call upon the Colonial Office to recover it.

Sir *Daniel Goddard*.

1804. But I thought the Comptroller and Auditor-General did not audit Grants-in-Aid?—This particular Grant-in-Aid was voted by Parliament with an instruction that the expenditure should be audited by the Comptroller and Auditor-General.

1805. This is exceptional, then?—No, there are many other cases of the same kind.

#### NEW ZEALAND EXHIBITION.

*Chairman*.

1806. (To Mr. *Fiddes*.) At the end of the year in question you retained £5,183 in hand?—That is very much the same sort of case as we have just dealt with. You might ask why is not that sum surrendered. We are only holding it over because we anticipate one comparatively small payment of money connected with it. It is contemplated to publish a Report, as usual in those cases, of the New Zealand Exhibition, which will probably involve a small payment, and when that is made we shall surrender and close the Account.

Sir *Daniel Goddard*.

1807. Can you tell me whose travelling expenses were paid out of this Grant. For what sort of people?—I am afraid I cannot.

1808. The two largest items of expenditure are Travelling Expenses, £2,249 19s. 5d., and Exhibits, £1,137 19s. 11d. Do we have to pay for people to exhibit and then pay their expenses to go there?—Frankly, I know nothing about the Account. The money was issued for the purpose of this exhibition and I have not seen the accounts.

1809. (To Mr. *Kempe*.) Did the detail of this Account come under your observation?—Yes; the honourable member will find it on page 471.

1810. Yes, I am looking at that?—This, of course, is only the expenses of the Commission. We do not subscribe to the Exhibition itself.

1811. You do not have any detail of that £2,249?—

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—New Zealand Exhibition—*continued.*Sir Daniel Goddard—*continued.*

£2,249?—Yes, that has been examined in detail. (Mr. Gibson.) It is so stated in paragraph 14: "The expenditure which has been examined in detail in my Department."

1812. (To Mr. Kempe.) Can you tell me then who were the people whose travelling expenses were paid; were they exhibitors?—They were the Commissioners. (Mr. Blain.) Sir John Gorst, I imagine, was the principal one.

1813. (To Mr. Kempe.) Is it the usual thing to pay for exhibits?—No, we do not pay for exhibits; we pay for the expenses of the Commissioners who go out to arrange the British section.

1814. But there is an item of £1,137 for exhibits?—That is for preparing cases to hold the exhibits, and so on. We do not send exhibits, but we pay for the expenses of exhibiting them, that is to say, the cases and so on.

Mr. Leif Jones.

1815. On that Account I see there is an unexpended balance of £5,183?—Yes.

1816. I understand that that is held over and not surrendered because there is some small outstanding account?—Yes.

1817. That is a very large sum to hold and I do not see any interest shown on this Account. Are we going to get back the interest on this balance of £5,000 as well as the £5,000, or is the Exhibition going to get the benefit of the interest?—The balance was not absolutely issued; it was held by the Paymaster-General. The balance is the difference only of £514 in the hands of sub-accountants.

Sir George Kekewich.

1818. (To Mr. Fiddes.) Were there any other expenses of this Exhibition, besides what are in this table?—Do you mean falling on the Vote?

1819. What I mean is this. You have a sum of £10,000 here, Grant-in-Aid?—Yes.

1820. Was that meant to cover the whole of the expenses of the Exhibition?—The whole of the expenses of the Commission; all the British representation.

1821. If it was only for the expenses of the Commissioners, why did they require installation and decoration?—I am afraid I have never conducted an Exhibition. Do you not usually have a Court in which the Commissioners have their offices and so on? I should say that it is necessary to do that. (Mr. Kempe.) May I correct a part of my answer about the exhibits? I find that there were works of art, and that the Post Office sent out some exhibits, and we paid the expense of sending them out; that is in the £10,000.

Sir Daniel Goddard.

1822. Is this included under that item of £1,100?—Yes, it includes all expenses of any kind that we had to undertake, and among them the Post Office and other Government exhibits.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

EXTRA EXCHEQUER RECEIPTS, GOLD COAST DEBT.

Chairman.

1823. (To Mr. Kempe.) This sum of £100,000, due by the Gold Coast Colony, has not yet been received, I understand?—No, it has not yet been received.

1824. (To Mr. Fiddes.) Will there be a difficulty about getting this sum back?—It is understood that it is to be repaid when the Gold Coast issues its loan. It is going to issue a loan, but fortunately, perhaps, the loan is deferred, and it is an understood thing that until the loan is issued we do not get the money, and we have dropped estimating for it, in fact, as an Exchequer Receipt. The loan will be issued, but it is not desirable to include it as an anticipated extra receipt until we know that the loan is likely to come out.

SMALL BRANCHES OF HEREDITARY REVENUE.

Chairman.

1825. (To Mr. Kempe.) Have you anything further as to this additional sum of £98 15s. 6d. which ought to be recovered in respect of Guano Rents?—Yes; the Treasury have agreed that the deductions are correct, because payments have been made on other quantities put on board in 1906.

1826. They balance one another?—It is down at both ends of the year. Also there was a certain quantity put on board a ship that was wrecked, which they paid for; so the Treasury agreed to withhold payment at the beginning of the year.

1827. And you accept that explanation?—Yes.

GRANTS-IN-AID OF LOCAL REVENUES.

1828. I think your report is really a statement of fact as to those Grants-in-Aid to the various Colonies?—That is all.

Sir Daniel Goddard.

1829. (To Mr. Fiddes.) On this paragraph 17, Sub-head A, Gold Coast (Northern Territories) was it not stated in the Estimates that arrangements had been made to reduce this Grant to £5,000 in 1907-8, and after that it was to cease?—That was stated, and the arrangement has been carried out. You will find nothing for that Colony on the Estimates for 1908-9.

EXPENDITURE OUT OF GRANTS-IN-AID.—WEST  
INDIAN ISLANDS.

Chairman.

1830. The allotment of £1,000 to Antigua was not required, I understand?—It was more than was required to meet the actual deficit for 1906-7.

1831. And the Treasury agreed to leave it over to meet an anticipated deficiency in the following year?—Exactly.

1832. Otherwise that money would have been surrendered, would it?—I do not think we sur-

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Mr. FIDDES, C.B., C.M.G., and Mr. LAMBERT.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Expenditure out of Grants-in-Aid—  
West Indian Islands—*continued.**Chairman—continued.*

render anything. We take the balance. (Mr. Blain.) If it was surrendered it would have to be re-voted.

1833. The Treasury agreed to let it remain over until the following year?—Yes, thereby reducing the sum that will be required to be voted in the following year.

*Mr. Bowles.*

1834. But what happens to this £3,542 in the meantime which is remaining over; is it invested? It is part of the General Crown Agent's Account, I suppose?—Yes, and if so the Crown Agent always allow the interest on these Accounts to be carried to the particular Account.

1835. And that, no doubt, will be done in this case?—Yes, if the money still remains in their hands. It may have been issued to the Account of the Colony.

1836. But while it remains in their hands?—While it remained in the Crown Agent's hands it would bear interest to the general Grant.

*Sir Robert Hobart.*

1837. Are the Crown Agents bankers; what is their position exactly; they seem to have very large sums of Government money in their hands?—Not the moneys of this Government; the moneys of the Colonial Governments for whom they act.

1838. But these Grants-in-Aid are paid to them?—They are paid to them as the agents of the Colonial Governments; the money having been voted by Parliament to be paid to a Colonial Government is paid to the Crown Agents as the Agents in London of that Colonial Government.

1839. Have they the use of the money until the money is paid over to the Colony?—Yes; on behalf of the Colonial Governments whom they represent.

1840. There is no charge to the public?—No charge that falls on this Government.

*Chairman.*

1841. (To Mr. Kempe.) I see you state, with regard to the West Indian Islands Steam Subsidies, that the balance has not been surrendered, but remains in the hands of the Crown Agents, and was apparently taken into consideration when the Supplementary Estimate for 1907-8 was framed. Does that imply that you were not quite sure that it was taken into consideration when the Supplementary Estimate was framed?—I can only judge by the amount taken. (Mr. Fiddes.) Perhaps I may explain that. The Comptroller and Auditor-General's inference, which was a perfectly natural one, does not represent the fact. He went on the ground, no doubt, that this sum of £10,000 did not appear to be the whole amount which should be required, but, as a matter of fact, for one month one of the services was not performed, and therefore no payment

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Expenditure out of Grants-in-Aid—  
West Indian Islands—*continued.**Chairman—continued.*

was made. If you calculate four months at the £8,750 rate, and seven months at the rate of the new subsidy of £12,500, you will find that those two come to £10,200, and the balance of £3,000 which remains with the Crown Agents for the Colonies has been taken into account in the Estimate that is being laid before Parliament this year; you will find that we have abated by £3,000 what otherwise would be wanted for a subsidy. At the moment when the first Vote was taken, it could not be told when the first payments would come in course of payment; therefore we took £5,000.

1842. (To Mr. Blain.) That is what the Treasury consider as an imprest for the following year?—Yes, in effect that is it. If that sum had been surrendered, it would have meant that a bigger Vote would have been required subsequently.

*Mr. Cameron Corbett.*

1843. (To Mr. Fiddes.) When you say that the money is received by the Crown Agents on behalf of the Colonies, by whom are those Crown Agents appointed?—By the Secretary of State.

1844. (To Mr. Blain.) What is the necessity for our having Crown Agents intervening, instead of paying the money over to the Agents of the Colonies?—They are the Agents of the Colonies.

1845. The Colonies have Agents appointed by themselves, have they not?—No, the Crown Agents represent all the Crown Colonies.

*Mr. Leif Jones.*

1846. Do the Crown Agents never act for the self-governing Colonies, unless they are specially commissioned?—I do not think they ever act for them.

1847. In this case of the Steamship Service between Canada and the West Indies; what does Canada do in this matter. Anything?—Canada made a contract. (Mr. Fiddes.) Canada contracted actually with the Steamship Company, and we pay to Lord Strathcona, as High Commissioner of Canada, the Imperial share of the subsidy.

1848. Then the Crown Agents do not intervene there; we pay to the Agent of Canada?—We pay direct to the High Commissioner of Canada.

1849. So that, when we are dealing with a self-governing Colony, we do deal with the Agent appointed by the Colony, and not with the Crown Agents?—Yes.

1850. It is only in the case of our own Crown Colonies that we make use of the Crown Agents?—It is a well-understood principle that as soon as Colonies obtain responsible government, they can no longer use the services of the Crown Agents, though they have been allowed to go on for a month or two while they are making their own arrangements.

1851. They get rid of them as soon as they can?—We get rid of them.

1852. Your

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[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

## BOTANIC STATIONS, &amp;c.

*Chairman.*

1852. (To Mr. *Kempe*.) Your Report under this head is simply a statement of facts?—That is all.

1853. Is there anything that you wish to call our attention to?—No.

## ROADS AND LAND SETTLEMENT.

1854. The same thing applies to this paragraph?—Yes, there is nothing special to notice.

GOLD COAST (NORTHERN TERRITORIES), NORTHERN NIGERIA, BECHUANALAND, WEI-HAI-WEI, BRITISH CENTRAL AFRICA, BRITISH EAST AFRICA, UGANDA AND SOMALILAND.

## EXAMINATION OF ACCOUNTS.

*Chairman.*

1855. (To Mr. *Gibson*.) I think you have visited those different Colonies?—I visited British East Africa, Uganda and Zanzibar (the last named place in connection with the Accounts of the Consular Services, and those of the Zanzibar Government), also Cyprus. That comes under another Vote.

1856. And the result, in your experience, is pretty satisfactory?—Yes.

1857. It was in conjunction with the new system that you paid those visits, I understand?—Partly. It was thought advisable in connection with the new scheme of organisation of the Department, to take an opportunity of visiting our staff in these countries, and also of looking into the question of the system of Accounts; the Comptroller and Auditor-General was taking over, perhaps, a more direct responsibility than he had had before, and he desired me to go out to inspect the work of our local audit staff, and the system of Accounts.

1858. And in British East Africa and Uganda you arranged to carry out a system of local audit on the spot?—That is so.

1859. To be tried as an experiment?—Yes, to come into effect with the Accounts from the 1st of April next.

1860. (To Mr. *Fiddes*.) And the Colonial Office have concurred in that?—Yes, decidedly.

*Sir Robert Hobart.*

1861. (To Mr. *Gibson*.) Have you made any special report to be laid before Parliament or this Committee, with regard to your visits?—I have made reports to the Comptroller and Auditor-General, which have been furnished to the Colonial Office, the War Office, the Admiralty and the Foreign Office, but they are in considerable detail and somewhat voluminous, and some of the subjects raised are of minor importance. The broad results are mentioned in the various Reports of the Comptroller and Auditor-General.

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 2—Gold Coast (Northern Territories), etc  
—Examination of Accounts—*continued*.

*Sir Robert Hobart—continued.*

1862. There is nothing of general interest for us to know, that we do not know?—I think not.

1863. Are you going to make another visit anywhere this year?—Personally, I have no such intention.

1864. You went to British East Africa and Uganda?—And to Zanzibar in connection with the Accounts of the Consular services and of the Zanzibar Government, which the Foreign Office about a year and a half ago asked the Comptroller and Auditor-General to audit. We carry out the audit of the Zanzibar Accounts on repayment.

1865. And your visit was so satisfactory that probably you will be able to extend it?—I think the idea of the Comptroller and Auditor-General is that in future, especially as we have started the system of local audit, it will be necessary from time to time to send out members of his staff, not necessarily myself, but an experienced member to conduct it. I may say, in fact, that an auditor is about to go out to Hong Kong, Bermuda, and one or two other places, to carry out a combined audit of Army, Navy and other Accounts.

*Chairman.*

1866. (To Mr. *Kempe*.) The other paragraphs under this head, I think, refer to the Accounts of the various Protectorates?—Yes.

*Sir Daniel Goddard.*

1867. (To Mr. *Fiddes*.) Referring to Sub-head F, Wei-hai-Wei, this grant which is now £4,500, formerly stood at £3,000, did it not?—That is so.

1868. The explanation is said to be due to the disbandment of the Chinese regiment and requiring more police; is that so?—The grant for Wei-hai-Wei largely depended in the past on the amount of the balance; the Treasury always take the balance into account in fixing the Grant-in-Aid for the next year. During the Russo-Japanese War naturally the local income rather swelled, but we pointed out to the Treasury that we were depleting the balances, and they would have to take into account that the balances had gone down owing to the reduced Grant. Then on the top of that came the fact that we disbanded the Chinese regiment, and thereby saved this country something like £20,000 a year, so that we had to enlist a few extra police to keep the territory safe internally, and that expense will increase the Vote; the Vote will have to be still larger in the coming year.

1869. Then there is no possibility of reducing it. It is a matter of policy whether it is worth the money expended upon it. I must not ask you about that?—No, I hope you will not.

1870. In regard to Sub-head R (1), High Commissioner, South Africa, Travelling and other Expenses,



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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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—Examination of Accounts—*continued.*

Sir Daniel Goddard—*continued.*

Expenses, on page 464, it really looks as if that Account ought to be reduced. Am I not right in saying that last year £2,500 was taken and only £1,055 spent?—£1,075.

1871. That is this Account, but in the previous Account there was only £1,055 spent. Why is it necessary to take so much more than is ever expended?—It is absolutely impossible for us, of course, to say what travelling the High Commissioner will think himself called upon to do during the year, but obviously events in South Africa are tending in the direction of reducing the expenditure of the High Commissioner *qua* High Commissioner.

1872. Can you say whether the amount has been reduced in the current Estimates, because that would be some little proof of a desire in that direction?—I am afraid I do not know what the 1908-9 figure is. My impression is, but I must not assert it positively, that there is a slight reduction. The Committee can understand that it is rather awkward to reduce, and then suddenly to find that you have to have a Supplementary Estimate because something has occurred which was unexpected; one tries to preserve a middle course.

1873. But when year after year the expenditure is £1,000 or more less than you estimate, it looks as if the time had come to make some change?—We always begin by going on averages when we are making an Estimate up.

1874. I am suggesting that you should do so?—I think we do do that.

1875. Even then you would find that very much less money was necessary here. If anything special arose to necessitate the High Commissioner making some extraordinary journey, surely that would not be a bad subject for a Supplementary Estimate?—No, not if it were a special kind of journey. Still, the experience of the past has been, in fact, as we say here in the explanation, that he was not able to travel as much as he expected. The High Commissioner begins by estimating; he tells us what he expects to do, and we can hardly say, We do not believe you will do it.

1876. Does he do that every year?—Yes, he frames the Estimates to start with, and we check it.

1877. You do not suppose he puts it down because it was put down in the previous year?—I am certain that he does not, because I once had to look after it myself, and I know that the thing is looked into.

1878. With regard to Sub-head S, Transvaal Non-Effective Charge, this sum of £300 was an annuity to a British Agent in the late South African Republic?—When there was a South African Republic, yes.

1879. Was not £900 taken last year for this Account?—I think so, and I think it was £900 the year before.

1880. Is this £300 an annuity?—May I explain? There were certain non-effective charges,

B

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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—Examination of Accounts—*continued.*

Sir Daniel Goddard—*continued.*

which meant pensions to persons in the service of the British Colony of the Transvaal before 1881. When the South African Republic first started, the British Government took over those pensions, and when the country again became a British Colony we said, naturally, that those pensions should go back on the Transvaal and relieve the British Government of them, and we have done so; the Transvaal Government takes them over with one exception. The Transvaal Government pointed out to us that one particular pension to a British Agent who was the Imperial Representative in the Republic was not a fair charge on the present Colony, and the Treasury and Colonial Office agreed in the justice of that view. Consequently, the £300 appears as a pension paid to Sir Jacobus Albertus de Wet, our British Agent in the days of the Republic.

1881. Then there is no relation really between the £900 and the £300?—The £300 is what is left of the original £900.

1882. I was wondering whether it might be one of these three-year pensions?—No, we saved the British Government a certain amount of expense.

1883. With regard to Sub-head W, Passages of Governors and other Colonial Officers, £6,000, is your answer the same as with regard to Sub-head R? I see the expenditure was £1,381, so that three-fourths of the Vote seems to be surplus?—I can explain that. One or two Governors, who would naturally have retired, had their term of office extended by the Secretary of State, which is done, of course, on grounds of policy, and those are things that it would be utterly impossible for us to foresee. We go into this Vote very carefully; we look to see whenever a Governor ought to retire in the ordinary course, and we send round to that branch of the Office to inquire whether they know of anything that is likely to cause a variation, either by the Governor's term being extended or by the Governor leaving before the expiration of his full time.

1884. May I ask you in regard to page 466. At the bottom of the page you see "Estimated amount of extra receipts payable to Exchequer, £125,215." The actual receipts paid over to the Exchequer were £25,597?—Yes.

1885. The £100,000 was part of the sum in respect of the debt of the Gold Coast Government, was it not?—That is so. I have just explained that.

1886. That is being held over?—Yes.

1887. Until this loan is set up?—Until the loan is issued.

Mr. Leif Jones.

1888. If you look at page 480, Northern Nigeria, the revenue there was very much larger than the amount anticipated from Licences, Excise, and Internal Revenue. Do you know at all how that came about?—The whole revenue is larger.

1889. Why is the whole revenue larger?—I am glad to say, because the territory is progressing.

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Mr. *Leif Jones*—*continued.*

Parliament spent a lot of money on it, and the money is doing its work.

1890. What have you taken in this year's Estimates as the Revenue to be expected under that head; perhaps I must not ask you that?—I am afraid that I could not answer, for this reason. The estimate has come in quite recently, and is being examined in the Treasury, and until the final figures are out, I should not like to say. But you will find a slight reduction, I hope, in the Grant-in-Aid.

1891. In the expenditure there, I notice that the total expenditure on the West African Frontier Force, on page 481, was £13,000 above the Estimate?—Yes.

1892. Was that due to a larger number of men, or to what was it due?—I am afraid that I cannot give you an explanation of that.

1893. Under that same item, £69,000 was the amount paid by the Crown Agents in England. How do they make payments for the Frontier Force in Northern Nigeria?—All sorts of stores and equipment ordered from this country would be paid for by the Crown Agents.

1894. But that cannot account for an increase of £13,000?—No. Mr. Gibson tells me that there actually was an increase of the Force in the course of that year.

1895. Can you tell me what the number of the Force in that year was?—I am afraid not.

1896. Was there any special reason for an increase of the Force in that year?—I have no doubt that there was, but I am not prepared to furnish it. I really do not know it. I can look it up, if you wish it. This Force, as, of course, you know, does work as a Force in more than one Colony, but all the other Colonies, except Northern Nigeria, pay for such portions of the Force as they have.

1897. I am aware of that. I wanted to know really what special circumstances in this year led to this increased amount?—I am afraid I have no answer to give you, I am sorry to say.

1898. Are you able to give a similarly cheerful account of the other Crown Colonies?—To which do you refer?

1899. Take Bechuanaland; may we hope for any reduction of the Grant-in-Aid there?—Yes, certainly. You have £44,000 in the year we are discussing; in 1907-8 it was £41,000, and you will find, I am sure, a further decrease in this year's Estimates.

1900. Now, take British Central Africa?—Yes, that is down from £37,000 to £25,000, and you may expect a reduction this year.

1901. That is very good; I will pursue it. British East Africa?—Yes, that came down from £164,000 in the year we are considering, to £153,000 in the following year, and I think it will be very much the same this year.

1902. Now Uganda; perhaps you will tell me as to that?—Yes, that came down from £112,000 in the year we are considering, to £85,000 for 1907-8.

Mr. *Leif Jones*—*continued.*

1903. Then Somaliland?—That came down from £42,000 to £37,000.

1904. You think that all these Colonies really are progressing, and that we may hope for still further reductions?—Undoubtedly, you may hope for certain further reductions. I am afraid that I cannot call Somaliland a progressive Colony. It was annexed for political reasons, and it has had its own internal troubles, as you know, but I should certainly say that British Central Africa and British East Africa are progressing, and Northern Nigeria enormously.

1905. The Somaliland Grant was down last year, you say?—Yes, it was down from £42,000 to £37,000. I am not sure whether we shall get a reduction this year. I think it is very much the same.

Mr. *Hazleton.*

1906. Is the progress in these Crown Colonies from a revenue point of view due at all to the fact that the natives are drinking more. Take Northern Nigeria, "Licences, Excise, and Internal Revenue." The amount received by the Crown Agents in the Protectorate was £113,000; would that increase be due to the sale of drink?—I think I may say off-hand, certainly not; I think I can guarantee that.

1907. I suppose the same applies to the different Colonies?—Yes. If there is one thing that we are keen on, it is keeping down the supply of liquor to the natives.

Mr. *Leif Jones.*

1908. It is practically prohibited in Northern Nigeria, is it not?—I do not like to say off-hand, because I have never had to deal with it, but I should have thought so, absolutely.

Mr. *Hazleton.*

1909. What do you think it would be due to chiefly?—A greater spending power on the part of the natives, who are probably earning more.

1910. The natives are getting more prosperous?—Exactly, and there is a certain amount of white population, of course, and they certainly are our chief revenue producers.

Sir *George Kekewich.*

1911. Are the excise duties levied on the importation of wines and spirituous liquors?—I should say certainly not, it would not be excise if it was levied on importation.

1912. You think it has nothing to do with the importation of wines and spirits?—I think so. I will make a note of the point if the Committee would like me to look it up, but I think I am right in saying so.

1913. The receipts, I see, in all cases from excise duties are increasing throughout?—The excise portion is an extremely small fraction of the whole.

1914. But,

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., Mr. GIBSON, C.B.,  
Mr. FIDDES, C.B., C.M.G., and Mr. LAMBERT.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—Gold Coast (Northern Territories), etc.  
—Examination of Accounts—*continued.*

Sir George Kekewich—*continued.*

1914. But, of course, those duties are duties on spirituous liquors?—I must not say that I know, because I do not. I have never had occasion to go into this account in detail, or rather into the revenue; but if you ask me next year I will answer the question.

Sir Robert Hobart.

1915. You consider that the Uganda Protectorate is one of the progressive Colonies now?—Yes, I think so.

1916. Are the railway receipts brought in as part of the revenue?—The railway in Uganda does not belong to Uganda; it belongs to the British East Africa Protectorate.

1917. Then as to these licences; are some of them licences to shoot game?—Undoubtedly there is a tariff, but as I understand from this dispatch of the Commissioner, to which I have referred already, he looks with extreme jealousy on any application for a licence, and will absolutely not hear of a gun being fired in the game reserves.

1918. I see that there was a Grant-in-Aid of the Medical Department; has there not been some special Grant on account of Sleeping Sickness?—Do you refer to the Grant here for the Malaria investigations?

1919. Yes?—As a matter of fact that does not apply to the service of the year that we are considering, but what you state is perfectly correct. We put before the Treasury an application to which they have acceded and which will go to Parliament, for a slightly increased Grant for the specific purpose of studying Sleeping Sickness. That will be in the Estimates which will come before you in the course of this month.

Mr. Parker.

1920. With regard to these licences, excise and internal revenue, you told us that the Grants-in-Aid are growing less year by year?—Yes.

1921. Is this money largely raised from the natives in the form of taxation; is it raised, for instance, by rents of land?—Which Colony are you referring to, because it all depends on that.

1922. Northern Nigeria is before us, but it more or less applies to the other Colonies, because you give the same reference?—It all depends upon the way in which the thing is put down. Sometimes you find a hut tax in one Colony as a specific item of revenue.

1923. Let us confine ourselves to page 480, Northern Nigeria. The amount of the Estimate was £82,135, and the return is £113,443?—Yes.

1924. And that applies to the three items, "Licences, Excise, and Internal Revenue"?—Yes.

1925. You told us that it was not due to public house licences, and you said that gun licences

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—Gold Coast (Northern Territories), etc.  
—Examination of Accounts—*continued.*

Mr. Parker—*continued.*

were discouraged. Have you any idea what kind of licences they would be?—Yes, but I should be trifling with the Committee if I attempted to say what they were, because they may be any kind of licences—they may be auctioneers' licences, and, in fact, any kind of licence. Probably, if I had the Ordinances and Regulations before me now, I should find that there were pages of trifling licences—trifling in figures, I mean, but they mount up, of course, in the aggregate. It is a very long list.

1926. Can you tell me, as regards this question of internal revenue, will a large portion of that, for instance, be made up of land taxation on the natives?—I do not know without investigating. I will look it up for you if you wish it, but I should not like to say, because I do not know.

Mr. Ashton.

1927. On page 485, under "Bechuanaland," I see there is a subsidy of £20,000 to the railway. Is that a continuing subsidy every year?—My impression is that we have nearly come to an end of that. It is an expiring charge, undoubtedly, and I think we are very near the end of it.

1928. On page 493, under the Protectorate of East Africa, there is a Special Expenditure of £31,000 odd on "Railway Department, Special Expenditure"; what would that be?—I am afraid I do not know. (Mr. Gibson.) That is for two new steamers, one passenger and one cargo, for the Lake Victoria Nyanza.

On VOTE 4.

CYPRUS.

Chairman.

1929. (To Mr. Kempe.) The first eight paragraphs in your Report on the Grant-in-Aid to Cyprus are a statement of the facts, are they not?—Yes, they are.

1930. There is nothing particular to which you wish to call the attention of the Committee?—No.

1931. The accounts are regular and in order?—Yes.

1932. (To Mr. Fiddes.) There have been defalcations in the Post Office, I understand?—Yes.

1933. And one officer was sentenced to five years' penal servitude, and another has been dismissed from the service?—I do not think he has actually been dismissed yet, but his case is under consideration by the Secretary of State. (Mr. Gibson.) Yes, he has been dismissed. (Mr. Fiddes.) I think "suspended" is the more correct expression; but I would suggest that in the interests of justice it would not be wise, perhaps, to say too much to the Committee about it, because the matter is still under consideration, and also it is under the consideration of the Comptroller and

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 4—Cyprus—*continued.**Chairman—continued.*

and Auditor-General with regard to the question of the system.

1934. I see that the Comptroller and Auditor-General states that the organisation of the Department was faulty?—(Mr. Gibson.) Cyprus is one of the places that I visited.

1935. And you found the system faulty?—Distinctly, and it was admitted to be so by the local authorities.

1936. And new arrangements are now under consideration?—Yes.

ON CLASS II.

VOTE 6.

COLONIAL OFFICE.

*Chairman.*

1937. (To Mr. Kempe.) I understand that there has been an error about Sir Montagu Ommanney's gratuity?—The regulation has not been strictly adhered to.

1938. However, by the recovery of £53 10s. 9d., the matter has been adjusted according to the rule laid down by the Treasury?—Yes, for one year.

1939. (To Mr. Blain.) The Treasury adheres to that rule?—Yes, it is in accordance with the practice.

*Sir Daniel Goddard.*

1940. Why is that rule adopted. If this had been found out earlier you would have got more money than that?—Yes.

1941. Why, because there has been a lapse of time before the matter has been discovered, do you sacrifice all this money?—It is not considered right, if there has been a mistake for which the Department is liable, to make the man, who, although he may have benefited by it, has been no party to the transaction himself, refund more than one year back.

1942. Do you suggest that Sir Montagu Ommanney did not know that he owed this money?—He certainly did not know. It was the business of the Departments concerned to enforce the regulation.

*Mr. Ashton.*

1943. (To Mr. Fiddes.) In this case of Sir Montagu Ommanney, was it the fault of the Colonial Office, or of the Treasury?—I hardly like to say whose fault it was; it must have been at least 30 years ago that he retired from the Army. I do not suppose that it occurred to anybody that he had had a gratuity under the Army Regulations, and, in consequence of that gratuity, under the Treasury rule, when he came back to the service he had to incur a small reduction.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Class II.—Vote 6—Colonial Office—*continued.**Mr. Ashton—continued.*

1944. I suppose it is the duty of some official to look into these matters and see that everything is correct?—Undoubtedly.

1945. Whose duty is it?—I should not like to say.

1946. (To Mr. Blain.) Whose duty does the Treasury think it is?—I think that it is the business of the Department that pays his salary—in this case the Colonial Office. But it is easy to see how it could be overlooked. Sir Montagu Ommanney had been in the Royal Engineers many years before, and had been for many years Crown Agent. When he was appointed Under Secretary of State for the Colonies, very likely the people who paid him his salary had no idea that he had ever received a retiring gratuity. (Mr. Fiddes.) You see we had no information that there had been this gratuity 30 years ago.

1947. But I suppose that you have to look into the back history of gentlemen who are appointed in this way?—This case has suggested to us that in future we must always inquire into the previous history of anybody who comes in. (Mr. Blain.) It is always done in the case of offices which are held by ex-military men, but it is a very unusual thing for the secretaryship of a Civil Department to be held by an officer of that kind.

*Sir Daniel Goddard.*

1948. Does it not suggest that the War Office ought to have communicated with the Colonial Office when this change was made?—I do not think there was anything that could have set the War Office in motion; they would not be following the career of Sir Montagu Ommanney so many years after he had left their service.

1949. But they knew, of course, that he was receiving a gratuity; they were the only people who did know except the Treasury?—(Mr. Gibson.) The gratuity was drawn once many years ago. (Mr. Fiddes.) It was one payment 30 years ago; it was not a continuing thing.

*Colonel Williams.*

1950. And I suppose while Sir Montagu Ommanney was one of the Crown Agents for the Colonies there was no deduction to be made?—No, he was not paid out of public moneys.

*Sir Daniel Goddard.*

1951. And it was only for six years?—(Mr. Blain.) Yes, he was six years Permanent Under Secretary.

1952. And it was during that time that this money was paid to him?—Yes.

*Chairman.*

1953. (To Mr. Fiddes.) I see that the Grant-in-Aid for the Emigrants Information Office still goes on?—Yes.

1954. You

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Vote 6—Colonial Office—*continued.**Chairman—continued.*

1954. You are aware that the Committee last year was rather doubtful of the advisability or necessity of it, but the Colonial Office still asks for it?—I think the Colonial Office believes in it so much, that they would like a little more money still. It must not be forgotten, if I may say so, that it is the only agency that is available to the poorer classes here for the whole of our Colonies. Any special agency is only concerned with the interest of its own particular Colony.

*Sir Daniel Goddard.*

1955. Have you read the evidence given before the Committee last year upon that particular point?—Yes, I have carefully.

*Mr. Leif Jones.*

1956. I think that the only point to which special attention was given by some of us, at least, was whether any publication was required which duplicated the information that was given by the Colonies themselves. It would seem desirable that there should be a guide to all the Colonies open to the poorer classes, but it did not seem to me, at any rate, quite certain last year whether it was desirable to continue also publications which are rather expensive to the Colonial Office. Has that subject-matter now been considered?—It is rather a delicate question, but perhaps in the privacy of this room one may suggest that the Emigrants Information Office occupies a position which is not absolutely identical with that of any particular Colony, and it might feel called upon to take a slightly different view as to attractions to emigrants from that taken by an official publication elsewhere.

1957. You mean that from its nature it is absolutely neutral between all the Colonies?—Yes.

UGANDA RAILWAY ACTS, 1896-1902.

*Chairman.*

1958. (To Mr. *Fiddes.*) You also answer for the Uganda Railway Acts?—Yes.

1959. (To Mr. *Kempe.*) The first three paragraphs of your Report set out the facts?—Yes.

1960. I understand that there is a balance remaining unexpended of £203,760 8s. 3d.?—Yes.

1961. And there will be no further issues out of the Consolidated Fund for the services of these railways?—No.

1962. But the remaining expenditure will be in connection with construction work extending over a series of years?—Yes.

1963. Do I rightly understand you to suggest that this balance of £203,000 should be transferred to the Protectorate of British East Africa, to be expended on railway services?—That is the proposal that I made, but it has been slightly modified by the Treasury, who propose that the money should remain where it is now, with the

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Vote 6—Uganda Railway Acts, 1896-1902—*continued.**Chairman—continued.*

Crown Agents, and that I should append a report to my Colonial Services Report every year in the same way as I have done for the Protectorates, and so on.

1964. The accounts of the expenditure will be audited by you?—Yes.

1965. (To Mr. *Fiddes.*) Do the Colonial Office concur?—Yes, entirely.

1966. (To Mr. *Blain.*) And the Treasury approve of the suggestion?—Yes, thereby dispensing with a separate Account for the Uganda Railway.

1967. Will that report be submitted to Parliament?—Yes, the Treasury will present a report to Parliament. There is power to the Treasury under a Minute of 1869 to present a report to Parliament recommending it to discontinue any Account, if they are of opinion that the information given in it is included in any other Return.

1968. (To Mr. *Fiddes.*) And the Colonial Office agree to the proposal?—The Colonial Office entirely agree, if they have the approval of the Public Accounts Committee of the course suggested.

1969. (To Mr. *Kempe.*) Have we the proposal in a sufficiently definite form before us to be able to decide?—I think it is sufficiently definite, with the modification that I have mentioned. (Mr. *Blain.*) It is really only proposing that this separate Account now presented under the Uganda Railway Acts should be discontinued, the reason being that the main purpose of this Account is at an end, as there are no more issues of money being made, and no more securities being created. It is only Part III. that remains active—that is the expenditure—and that is going on in very small amounts of additional expenditure each year for several years to come. The question is, is it worth while keeping up a separate Parliamentary publication to show that procedure? The Departments are agreed that it will be enough if the further expenditure each year is merely shown in connection with the Appropriation Account for Colonial Services, without the Comptroller and Auditor-General including his views in a separate Report upon it, and that there is no need for a separate Parliamentary Paper.

*Mr. Brigg.*

1970. In that case, it will be all in this one Account?—No, the Railway Capital Expenditure will be kept separate from the Protectorate.

*Mr. Leif Jones.*

1971. (To Mr. *Fiddes.*) On page 3 of this Uganda Account, I see that the excess of receipts over expenditure on Traffic Account to March 31st, 1906, was £33,271?—Yes.

1972. Last year, for the year ending March 31st, 1907, there was a deficiency of £3,520?—Yes. The railway is doing a good business, comparatively, now, and its receipts are largely increasing.

1973. But that was a deficit, instead of a credit balance?—I think the Comptroller and Auditor-General

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Mr. FIDDES, C.B., C.M.G., and Mr. LAMBERT.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Vote 6—Uganda Railway Acts, 1896-1902—  
*continued.*

Mr. *Leif Jones*—continued.

Auditor-General could give you the explanation. (Mr. *Kempe*.) It is an adjustment between Capital and Revenue Accounts.

1974. Then the receipts for rents and proceeds of sales and leases, £1,962. What are they selling?—(Mr. *Gibson*.) Small plots of land along the railway.

1975. Are they sold to private individuals?—Mainly leased.

1976. Leased or sold?—Mainly leased.

1977. Who determines the letting or selling of these plots. You see it raises a rather large matter of policy, whether land in the neighbourhood of these railways is to be sold to private individuals?—It is entirely in the hands of the Governor, who has, of course, an expert in the Lands Branch. These are very small amounts. (Mr. *Fiddes*.) It may interest the Committee to know that this whole question of land tenure is being most carefully considered in the office at the present time with the object of preventing anything like locking up of land for speculative purposes.

1978. That is precisely the point that I was on. I did not want the Government's decision here to be prejudged by sales having taken place, which we would not be able to set aside hereafter?—Exactly.

1979. (To Mr. *Gibson*.) One question as regards the Crown Agents. I see that a sum of £196,000 is in their hands. Is interest on that sum being credited to this Account?—Yes.

1980. Then, why does it not appear?—It is included under Miscellaneous Receipts.

*Sir Robert Hobart*.

1981. You have recently travelled on the Uganda Railway; is it a prosperous affair?—

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Vote 6—Uganda Railway Acts, 1896-1902—  
*continued.*

*Sir Robert Hobart*—continued.

Extremely. It realised a net profit of £76,000 in the year 1906-7.

1982. In what condition is it as to up-keep?—I am not an expert on this point, but I travelled myself extremely comfortably; the permanent way appeared in good condition and the rolling stock seemed up-to-date; the railway authorities had recently built some new bogies, and they were, I think, intending to buy some more engines.

ON CLASS V.

VOTE 3.

TELEGRAPH SUBSIDIES AND PACIFIC CABLE.

*Chairman*.

1983. (To Mr. *Kempe*.) I understand that the charge of £12,844 10s. 5d., under Sub-head A., to the African Direct Telegraph Company is the final payment?—Yes.

1984. And it was not necessary to issue the whole of the Grant-in-Aid to the Pacific Cable?—No.

1985. The expenditure was below, and the earnings above the estimated amounts?—Yes.

ON VOTE VI.

TREASURY CHEST FUND.

No Questions.

(*The Witnesses withdrew*.)

Friday, 20th March, 1908.

MEMBERS PRESENT:

Mr. Ashton.	Sir George Kekewich.
Mr. Cavendish.	Mr. McCrae.
Mr. Hazleton.	Mr. Parker.
Sir Robert Hobart.	Mr. Runciman.
Mr. Leif Jones.	Colonel Williams.

THE RIGHT HONOURABLE VICTOR C. W. CAVENDISH, IN THE CHAIR.

REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. WILLIAM BLAIN, C.B., called in; and Examined.

*Chairman.*

1986. (To Mr. *Blain*.) A letter was handed in last time from the National Portrait Gallery; I do not know whether you have any observations to make upon it?—No, I think not. The facts

*Chairman*—continued.

are quite as stated, but I do not see that it requires any alteration to be made in the evidence that was given here.

REVENUE DEPARTMENTS.

ON VOTE 1.

CUSTOMS.

Mr. F. F. JOHNSON, called in; and Examined.

*Chairman.*

1987. You answer for the Customs Vote?—Yes, I am sorry to say the Accountant-General is very seriously ill, and I am taking his place. I am the Assistant Accountant-General.

1988. (To Mr. *Kempe*.) In your report upon this Vote, there is no particular matter to which you call the attention of the Committee?—No, there is nothing on the Customs Vote this year calling for attention.

1989. In your test examination of the receipt side of the Revenue Account, have you found all satisfactory?—Yes, quite satisfactory.

1990. (To Mr. *Johnson*.) Referring to the Account itself, I see on Sub-head B1, there has been a saving of £14,600?—That is so.

1991. That is explained to be due to savings on provision made for the cost of the concessions to the Water Guard Staff and for the Aliens Act, 1905?—Yes, it is in respect of both of those.

1992. Does that mean that there was a diminution in the number of the watermen employed?

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*Chairman*—continued.

—No, I think it was rather an over-estimate. It was a new thing with us and we rather over-estimated the cost.

1993. I see under Sub-head B4, "Uniform Clothing," there was an over-expenditure of £1,949?—Yes, that is due to a change in the system of the uniform contract. We are now going to buy our cloth and afterwards get it made up by a tailor. We provide our own cloth and give it to a tailor to make up instead of allowing the contractor to provide the cloth and make it up.

1994. Do you think that that will be a more economical arrangement?—It may not be very much more economical but it will be more satisfactory than the old system. Under the old system we had a great many complaints about the slowness of delivery, and about misfits, and the alterations took a long time to do, and altogether we had to wait a long time very often for the delivery of the uniforms.

We

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. JOHNSON.

[Continued.]

REVENUE DEPARTMENTS ACCOUNTS, 1906-7.  
On Vote 1—Customs—*continued.*

*Chairman—continued.*

We found the system working very unsatisfactorily.

1995. Under Sub-head G "Superannuation and other non-effective charges," there is an excess of £2,230?—Yes.

1996. That I understand is because the numbers of pensions were greater than anticipated?—Yes, that is the explanation.

1997. I suppose it is impossible to foresee what number of pensions will come in in the course of the year?—Yes.

1998. You form your estimate on an average I suppose?—Yes, and of course one pensioner might have a very large pension and another might have only a pension of £20 or £30. We could not possibly foretell exactly.

*Mr. McCrae.*

1999. With regard to Sub-head B1, I gather that that saving will be a continuing one. I mean that the Estimates for the year that has gone will have been very much reduced from the Estimate of this year under review?—I would not say that altogether. For that year we have over-estimated. Of course we keep our Estimates as low as possible, but I would not like to say that the whole of that would be subtracted in the next Estimate.

2000. It was rather an error of judgment with regard to the provision for the particular year in setting the thing going?—Yes, I think it was.

2001. With regard to Sub-head B2, "Travelling and Subsistence Allowances," the expenditure is £1,672 more than granted. What is the explanation for that?—As we say in the explanation here, it was partly due to officers being sent on probation for two months before being placed in charge of creeks. They have to do two months' probation when they are put in charge of creeks, and at that time the salary of that officer would be charged to the port to which he belonged, and he would be on Subsistence at the port to which he had gone for two months. That is one reason, and then of course there is more visiting of out-stations—more travelling generally.

2002. With regard to the question of the Uniforms, were the Uniforms contracted for by local contractors under the previous system?—Under the previous system, the contract was given to a large firm of contractors; they had had it for a great many years, and, I think, they seemed to have looked on it almost as their own monopoly.

2003. In Ireland?—It is a firm in London. They supplied the Uniforms for the whole of the Customs staff in England, Scotland, and Ireland.

2004. Under the new system, what is the arrangement?—We buy our cloth for ourselves, and we employ a tailor, whom we will call the contractor, and supply him with the cloth, and he has to look after the fitting and cutting and making-up of the cloth into Uniforms.

2005. That would be local men, would it?—It is one contractor; he has to make his arrangements

REVENUE DEPARTMENTS ACCOUNTS, 1906-7.  
On Vote 1—Customs—*continued.*

*Mr. McCrae—continued.*

for fitting, &c., locally with agents or anybody he chooses to employ in the neighbourhood. If it should be a large port, no doubt it would pay him to employ a tailor to represent him there. If it is a small port, he has to get his measurements from the men in the best way he can—he sends a form for them to fill in the measurements, and then he makes up the Uniforms upon those measurements to the best of his ability.

2006. It is all done through London?—Yes.

*Mr. Ashton.*

2007. As regards this contract, you say the contractors had had the contract for a long time. Was that because they were always the lowest?—I do not know that they were always the lowest; but we knew them, and we knew that their work was probably as good as any other contractor would give us. I could not say that their contract was always the lowest, but I should think it probably was.

2008. You say you knew them, and that you knew their work was probably better than that of other contractors. How could you tell that if you had not employed other contractors?—What I mean is that they had experience of our requirements, and in any change that we make, like this, it is a very difficult thing to get the new man to fall into our requirements. He does not know exactly what our requirements are, and all kinds of mistakes may occur which it is difficult to contend with.

2009. Would not that be true of the new arrangement?—Yes, it is true of the new arrangement, only we think we have a better arrangement now, and one which will repay us for the inconvenience of the initial start.

2010. You will have to keep a large stock of cloth constantly in hand?—Yes, but having once got the stock it will only be a question of replacing it—it is only the initial outlay.

2011. How long is it since this new system was introduced?—This is the first year of it.

2012. And have you found that it is economical?—It is about the same in cost, or, if anything, it probably costs a little less than the other.

2013. You think it costs a little less than the other?—It is about the same—it is certainly not more.

2014. With regard to Sub-head B1, "Salaries and allowances," I see one of the reasons given for the saving there is the abolition of the export duty on coal. Can you tell me what proportion of the saving would be due to the abolition of the duty on coal?—No, that is a very difficult question to answer. We were never able really to fix the cost of the collection of the coal duty, and we cannot fix what is saved by the abolition of the duty.

2015. What I wanted to get at was, what was the cost involved? Did you have to put on a large number of extra men?—We had to put on extra men. But the Coal Duty came on in the same year as the Sugar Duty, and they got rather mixed.



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MR. KEMPE, C.B., MR. BLAIN, C.B., and MR. JOHNSON.

[Continued.]

REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 1—Customs—continued.

Mr. Ashton—continued.

mixed up together, and we were never able to divide them up, though we have tried to divide them several times.

2016. Have you been able to make any large saving in your staff because of the export duty on coal being taken off?—We are making a saving. It must be a gradual saving—we cannot knock off so many thousands right away.

2017. Do you turn the men away?—No; we cannot turn them away.

2018. So that the loss is very considerable, I suppose?—There is always plenty for them to do. We can find plenty of work for them, and when there are vacancies higher up the lower vacancies which result are not filled up.

2019. That is the way in which you are doing it?—Yes.

2020. You are gradually reducing the number?—We are gradually reducing the number.

Mr. Parker.

2021. I wish to ask you a question with regard to the heading on page 76, "Extra remuneration," which has been before this Committee on several occasions. I see there is an item under that heading, "A gratuity of £150 was paid to Mr. Harris, an Assistant Committee Clerk, for work in re-editing and codifying General Orders." The question I want to put is this: When this clerk was employed on this particular work, who was doing the work for which he received his ordinary salary as a clerk in the Department?—I think he was doing his own work partly and partly this additional work. A very great deal of this was done out of official hours. As a matter of fact, I know that he was working a good deal on Sundays; and practically every spare moment he had outside his official hours he was doing this work.

2022. What is the specific reason why a man already in receipt of a good salary should be appointed to work like this when there are such a number of men with qualifications endeavouring to get into the Civil Service, who, I presume, would be capable of doing work of this character?—But work of this kind could not be given to a novice—it required a man of very considerable experience. It involved going through practically all the General Orders that were extant at that time—they had to be gone through and extracted and brought together into these Codes in *précis* form. It required a man of great experience to do that; it would not have done to have given the work to a junior clerk or a man who did not thoroughly understand what he was doing. It required a man conversant with these things to be able to codify these General Orders.

2023. I can quite understand that, but assuming that this particular man was the necessary man for this class of work, what was there to prevent your Department from bringing other men up to do his work until you got a junior position for a man at £150 a year? Do you not think that there is a great deal of this kind of work for which extra remuneration is given to existing officers

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REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 1—Customs—continued.

Mr. Parker—continued.

in a department which might be arranged otherwise so as to find employment for a number of people who, to-day, are quite capable of doing certain work in the Civil Service?—I do not think that could be done, because this is not £150 a year—it is £150 for this particular work, and when he has finished it he has to go on with his own work again.

2024. But there is a great deal of this extra remuneration in these Accounts representing thousands and thousands of pounds. In this particular case it may be a small matter, but there are hundreds of them in the Accounts altogether?—Of course, we look upon the codifying of General Orders as only one piece of work, and when it is done the man would go on with his own work. It is not a thing that is going on constantly. What are you to do with this man when he had completed this work if you provide somebody else to take his place?

2025. You suggest that there is no possible way in which your Department could employ some man specially to do the work which this man had to perform?—I do. I think there is no other way in which it could be done.

2026. You think it must be done by overtime?—Mr. Harris did not get any overtime at all—that is why he got this gratuity.

2027. This amounts to the same thing, does it not?—Yes, perhaps so. I do not think there could be any other arrangement. I think it is the only way in which it could have been done. If we were to take in anybody to do this man's work we must keep him permanently, and then when this work is done, what is to become of Mr. Harris?

Colonel Williams.

2028. I wish to ask about this Note on the same page, a little higher up, "The Award of £133 Os. 6d., as a gratuity to Mr. W. O. Bowden, writer, includes the sum of £43 15s. 6d. added in order to make up the amount of a year's pay, to which public faith is pledged by the Regulations under which he entered the Service." Why is that sentence put in—has there been any difficulty about Mr. Bowden's gratuity with the Treasury, or any other authority?—Not in the least. Mr. Bowden was entitled to a year's pay when he retired, under the terms on which he was first appointed, and as his gratuity would only amount to that sum, less £43 15s. 6d., they had to add £43 15s. 6d. to bring it up to the amount to which the public faith was pledged, that is to say, a gratuity of a year's pay on his retirement.

2029. There are appointments which do include a year's pay on retirement?—They are dying out now. This man was a writer—he had been a writer for 35 years.

2030. He was one of the old writers, was he?—He was one of the old writers.

2031. I see the Treasury Minute is dated July, 1886—it is a long time ago?—Yes.

2032. Going back to Sub-head B4, "Uniform, Clothing"—what was the necessity for taking this

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. JOHNSON.

[Continued.]

REVENUE DEPARTMENTS ACCOUNTS, 1906-7.  
On Vote 1—Customs—*continued*.

Colonel *Williams*—*continued*.

this £2,000 to meet this change of system without Parliamentary sanction? Could you not have done it just as well by taking it in the Estimates another year. What was the hurry about it?—The old contract expired on the 31st December, 1906, therefore, we had three months to run to the 31st March, 1907.

2033. Was it not perfectly well known when the Estimates for 1906 were being made up, that the contract would be coming to an end and, therefore, this change might have been allowed for, and this extra £2,000 placed in the Estimate?—No, not when the Estimate was made—that would have been in December, 1905.

2034. But you knew that the contract was running out?—There was a Uniform Committee of Inquiry, and we did not know what they were going to report.

2035. There was a Committee sitting, you say, on the subject?—There was a Committee sitting on the subject.

2036. Why should you not have postponed it for three months, and so bring it into the next financial year, and get Parliamentary sanction?—Because we should have been up a tree, I think, in regard to the uniforms. The uniforms have to be supplied at fixed periods, and we might have rather fallen between two stools, between the old contractor, and the new one. We felt it was better to provide ourselves with the cloth, and have everything ready, so that when the new contract was signed and ready, we could get the new tailor to make up the new cloth.

2037. Why did you not come for a Supplementary Estimate, and get Parliamentary sanction?—We did not want a Supplementary Estimate.

2038. But you wanted this £2,000?—Yes, but we had savings to that amount on other Sub-heads of the Vote.

Mr. *Hazleton*.

2039. In connection with this Sub-head B4, "Uniform Clothing," some portion of this expenditure of £10,949 was wanted for the clothing of Customs Officers in Ireland, I presume?—Yes.

2040. Was all this cloth made up here, in London; was any portion of the £10,949 spent in Ireland?—I could not say; that would be rather a matter for the contractor.

2041. Is the contractor an Englishman?—The contractor is in London—he may be an Englishman. Where he gets his uniforms made up, I could not say.

2042. You have no supervision over that?—No, I think not. The contractor would, of course, get his goods made up where he could get it done more cheaply. I do not suppose he would let us dictate to him where he is to have them made up.

2043. Would it not be possible to have some system by which the portion of uniforms going to Ireland could be made up in Ireland?—I do not know whether it would be possible to have

REVENUE DEPARTMENTS ACCOUNTS, 1906-7.  
On Vote 1—Customs—*continued*.

Mr. *Hazleton*—*continued*.

two separate contracts, one for Ireland, and one for England.

2044. Would not that be possible?—Would it be cheaper or more economical? I should think not.

2045. Would it not be more economical? Have you ever tried?—We have not, but I should think the larger the contract you give to one man, the more economical it would be. If it is a small contract, I take it the contractor would charge more.

2046. I do not see why Ireland should not get a share of this £10,949, which is spent on these uniforms. Do you see any objection to such a course?—That is a question of policy, I have nothing to do with the policy. I have merely to pay the bills when they come in.

2047. When will this contract come up again—how long is it for?—It is for three years.

2048. Is that three years from now?—Three years from the beginning of 1907.

2049. Who has the giving out of the contract?—Our Board, I suppose. We put it up for tender, and certain contractors tender.

2050. Is it advertised?—Certainly.

2051. Is it advertised in the Irish papers, do you know?—I have not the least idea where it is advertised, or who advertises it, except, of course, that our Board advertises it; but I do not know what papers they advertise in.

Sir *Robert Hobart*.

2052. I thought I gleaned from your answer to an earlier question that was put to you, that you did send down the cloth to the local people to make up?—The contractor appoints local agents for fitting and alterations.

2053. That would apply to the Honourable Member's suggestion in regard to Ireland would it not?—I think it would apply in that way.

2054. I gather it would be sent to local agents?—Yes; if there are more than five officers at a port the contractor makes his own arrangement with any local tailor whom he appoints as his local agent, and the tailor, of course, would get some commission out of it.

2055. May I ask you a question as regards the Explanation of the saving under Sub-head B1? It says, "Vacancies, including 50—60 Preventive men." Is that a normal condition?—No, it is not; it was abnormal. There was some question under consideration at the time as to the various duties of Watchers and Preventive men, and while that question was on any vacancies in the Preventive men's staff were not filled.

2056. May I ask what is the meaning of "Officers in charge of creeks"?—A creek is a small place where there is hardly any trade, and we put one officer in charge of a creek.

2057. It is a minor post?—It is a minor post; it is under a District Collector.

2058. As regard Sub-head B5, I see in the explanation reference is made to "the cost of carriage of tobacco stalks." Does that refer to the system

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. JOHNSON.

[Continued.]

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 1—Customs—continued.

Sir Robert Hobart—continued.

system of what they call stripping tobacco?—Yes, indirectly.

2059. Is that done in bond?—The leaves are stripped.

2060. By whom?—By anybody employed by the tobacco manufacturers.

2061. The owners of the tobacco have the stripping process done in bond, have they?—No, in their own warehouses after they have paid the duty; then when the stalks are returned to us, we pay them a drawback.

2062. It is a drawback, is it?—Yes.

2063. As regards Sub-head D, the Explanation of the saving is that it is "partly caused by the postponement of order for Crown locks and keys." How did that arise; is there a new

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 1—Customs—continued.

Sir Robert Hobart—continued.

system?—I do not think it is a new system. We had the old system under consideration. We have a tremendous lot of locks and keys used in locking up goods coming from the docks in railway vans and in barges, and so on. The whole question of the locking system was under consideration, and while we were considering it no more locks and keys were bought.

2064. There was to be a new system of locks?—I cannot say there was to be a new system of locks; I do not know whether anything was done; I do not much think there was, but while it was being considered we did not buy any new locks. That is the cause for that postponement.

(Mr. Johnson withdrew.)

## ON VOTE 2.

## INLAND REVENUE.

Mr. ALFRED STAIR called in; and Examined.

Chairman.

2065. You represent the Inland Revenue Department, I believe?—I do.

2066. Under Sub-head P, I understand there is included a sum of £258 10s. 3d., representing damages and taxed costs in an action for illegal distraint by the Commissioners of Taxes?—That is so.

2067. Properly this sum ought to have been defrayed by a local assessment, ought it not?—Yes, a re-assessment of the parish.

2068. But there was some misunderstanding apparently between the local collector and the authorities at head-quarters?—That is so. There were some taxes due for 1904-5 which the collector had in hand and he was in correspondence with the Board about some taxes due in 1903-4.

2069. (To Mr. Blain.) The Treasury eventually sanctioned the payment of the sum out of the Vote, I understand?—Yes.

2070. Was it possible to recover it later by a local assessment?—No, the Treasury did not consider it would be possible to levy a special rate to raise this sum. (Mr. Stair.) They had no funds.

2071. (To Mr. Kempe.) The other paragraphs in your report upon this Vote I think are mere statements of fact?—Yes, that is all.

2072. This sum of 4s. which is referred to in paragraph 5 has already appeared in the Civil Service Accounts?—Yes.

2073. As regards paragraph 6, was the general test examination satisfactory?—Yes, quite satisfactory.

2074. In the next paragraph, as regards the remissions of duties, that was also satisfactory?—Yes, we found nothing requiring special notice there.

2075. (To Mr. Stair.) I see under Sub-head E,  
B

Chairman—continued.

"Commuted Allowances, &c., to Assessors and Collectors of Taxes" there is a considerable excess of expenditure?—Yes, it mostly arises on the poundage to agents for foreign dividends.

2076. That cannot be foreseen?—That cannot be foreseen.

Mr. McCrae.

2077. With regard to Sub-head B, "Travelling and Commuted Allowances in lieu," there is a very large saving there I see?—Of course that amount is extremely variable—you cannot quite foresee what will be the amount of travelling. There is a large saving on this year under review, but there will be an excess in the present year.

2078. Hitherto it has rather been in the way of a surplus, has it not?—Yes, a saving.

2079. Now a change has taken place?—Yes, principally because of the travelling and removal of Surveyors of Taxes over the districts.

2080. What is the reason for that—are they being more particular in their examinations?—No, it is due to the last Finance Act which required a large increase in the Staff of Surveyors and Inspectors.

2081. With regard to the large excess under Sub-head E, of £8,000, is there no possibility of arriving at a nearer approximation under that Sub-head?—I think not. The increase in foreign dividends was owing to the larger investment in foreign securities, and there is always a considerable difference in respect of increases made in the commuted allowances to collectors after the estimates are framed. That is another great cause of variation.

2082. Is the variation always on the one side?—Nearly always; in recent years it has always been in excess.

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2083. Under

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. STAIR.

[Continued.]

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 2—Inland Revenue—*continued*.

Mr. Ashton.

2083. Under the Sub-head A there is a saving of £15,000, and I see in the explanation one of the causes is stated to be "The Excise Out-Door Staff not having been maintained throughout the year at its full authorised limit"; is that likely to be permanent?—That has been the condition of things of recent years. We have some half-dozen officers and two or three Supervisors over that may be required for some sudden emergency.

2084. Do you require fewer Excise Out-Door officers than you did formerly for some reason?—No.

2085. They are always below the full strength, are they?—They are always below the full strength.

2086. Then why do you not estimate for rather less, if you find that they are always below the full strength?—As a matter of fact I do, but I never estimate quite enough.

2087. How much out were you—what is the percentage of difference?—It is 1.09 per cent.

2088. Not a very large amount?—No.

2089. Turning to page 587, I see there are a very considerable number of cases of extra remuneration paid to Established Officers. That seems to be largely owing to "Companies registration copying," "Overtime in connection with Income Tax repayments," and "Preparation of New Lists under valuation of property." I suppose the preparation of New Lists would be a temporary thing, would it not?—Yes.

2090. But the other two would recur every year?—They recur annually.

2091. Why would it not be possible to get rid of the overtime by having extra clerks?—We find that it is so much more economical to do it by overtime. As regards the Companies registration copying, we give these clerks 1½d. a folio, and we charge the public 4d., so that there is a distinct saving in that. Then as regards the next, Postal Emergency, that is the allocation of licences to the areas to which they belong, and that only takes, perhaps, two months in the year, or perhaps not so much as that—six weeks.

2092. It is only temporary work?—It is only temporary work.

2093. You think you could not find regular employment for more men, you think?—No.

2094. Is that the case with all these cases?—Yes, every one of them. The preparation of new lists under the valuation of property only occurs once in three years.

2095. It is not that you are under-staffed?—No, not at all.

Mr. Parker.

2096. With regard to this copying under the Head of extra remuneration, why could you not employ four men for this work specially, without adding this amount to the salary of a man who is already employed?—What is the reason why you could not employ four men for this work. You know pretty well in your office

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 2—Inland Revenue—*continued*.Mr. Parker—*continued*.

what is the amount of this class of work which is going to be applied for by the public, do you not?—The applications by the public are not continuous. You might have 50 applications in one week, and only two the next.

2097. Does not that apply pretty much to all of your Customs work. You have times when it is very busy, and times when it is very quiet. That would only apply in the same way, would it not, in respect to this?—I think this is the most economical way of dealing with the work.

Mr. Leif Jones.

2098. In regard to Sub-head Q, "Rewards to Officers and others for detections," are those rewards made on a scale, or are they proportionate to the services supposed to have been rendered?—Some of them are on a scale, and some are proportionate to the services rendered.

2099. Who assesses the rewards?—The Board of Inland Revenue.

2100. Do they consider each individual case?—Each case is taken by the Board.

2101. How many rewards does this represent—what sort of sums are given?—In dog cases, 5s.

2102. What is the largest sum awarded in this year?—I should hardly like to say, but it is under £50.

2103. Practically, they are all small sums, are they?—Yes. Treasury sanction is required for cases of more than £50?

2104. Are all these rewards without Treasury sanction?—Yes, all of them.

Colonel Williams.

2105. In regard to Sub-head K, the Explanation given is that, "The saving arises principally from the fact that an 'Official paid' Mark was used in lieu of the ordinary postage stamps upon the Dog Licence Renewal Notices for the current year." Will you tell me what proportion of that £7,000 saving is due to that?—£6,000.

2106. That is lost to the Postal Revenue, I understand?—It is.

2107. Are all "Official paid" things sent through the post without the Departments in question paying anything to the Post Office for its work, is it considered part of the Government work?—Yes, all the letters from Somerset House are sent out free, and all letters addressed to Somerset House are received free.

2108. Why was not that done in regard to these Dog Licence Renewal Notices originally. Why has this £6,000 been incurred for all these years?—We used to use "Official Paid" stamps for them, with "I.R." on the stamps. Those were abolished. I ought perhaps to say we were the only office using these free stamps. A Committee sat to inquire into the subject, and it was determined that we should no longer use them. Those stamps being abolished, the Estimate was made upon the supposition that we should pay for all this, but, by agreement with the Post Office, all

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Mr. KEMPE O.B., Mr. BLAIN, O.B., and Mr. STAIR.

[Continued.]

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 2—Inland Revenue—*continued.*Colonel *Williams*—*continued.*

all the Dog Licence Renewal Notices were sent out with a design on.

2109. You say these stamps with the "I.R." upon them were abolished; I do not understand what the object was?—It prevented the fraudulent use of the stamps.

2110. Postage stamps, you mean?—Yes.

2111. But you do not use postage stamps at all, do you?—Yes, we do use postage stamps now.

2112. Then, on what is this £6,000 saved?—On these Dog Licence Renewal Notices that were sent out by officers all over the country.

2113. What do you use now if these stamps are no longer marked with "I.R."?—We are using envelopes now with the official mark upon them simply, instead of postage stamps.

2114. Why was not that done before? Why did they charge £6,000 a year for this particular thing?—This is the first year in which this £6,000 is allowed in the Vote.

2115. What was done with it before?—We used to use "I.R." official stamps, for which we were not charged; now we are using a printed mark.

2116. Does that mark cost £6,000?—The mark costs nothing except the printing.

2117. As I understand, there is a saving of £6,000 on these stamps, as I understand?—Yes, the Post Office revenue has lost £6,000, and we have gained it in our surplus.

2118. So that it has gone back to the Treasury in that way?—That is so.

2119. As regards the Item B on page 587, "Postal Emergency," I think you said that was allocated to the various areas?—To counties and county boroughs.

2120. That will all cease under the new arrangements when the Local Taxation Account is done away with, will it not?—It is still going on, because the alteration is merely that instead of our paying to the Local Taxation Accounts the Treasury now does it, but we still shall have to certify the amount that belongs to each locality.

Mr. *Hazleton*.

2121. On Sub-head B there is a saving of £4,350, and the note says that "A considerable reduction has been made in the provision for the year 1907-8." What is that reduction due to?—The estimate is £90,200; the expenditure will work out at £92,400.

2122. Why is the expenditure under that head going down; is there less travelling?—Apparently there is.

2123. How is that?—More is done by correspondence, I should say. There is less travelling by Inspectors over the country.

2124. Then in previous years, or even when this Grant was taken, would this expenditure have been excessive in that respect? Could the work have been done by correspondence?—I think it would be almost impossible to say at this date; travelling is a very variable amount necessarily.

2125. It is going down steadily, is it?—It has been decreasing up to this year, and now it is

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 2—Inland Revenue—*continued.*Mr. *Hazleton*—*continued.*

increasing; we shall be £2,000 over the estimate this year—1907-8.

2126. But it states here that a considerable reduction has been made in the provision for the year 1907-8?—Yes; the estimate was £90,200, and the expenditure will be £92,400.

Sir *George Kekewich*.

2127. In regard to Sub-head Q, "Rewards to Officers and others for detection," what is the nature of those rewards; are they money payments?—They are money payments in every case.

2128. What sort of detection would it be?—It is principally in regard to unlicensed dogs.

2129. It is in regard to offences against the Excise Laws?—Principally.

2130. Are they rewards to Inspectors?—No, not to Inspectors—to the officer who makes the detection.

2131. Mainly in regard to offences against the Excise Laws?—Yes, nearly the whole of them.

2132. I suppose these officers are practically paid to act as detectives?—In a sense, yes.

2133. Do they discover whether a dog has a licence or not?—Yes, that is part of their duty.

2134. They see a dog, and they go and inquire whether he has got a licence?—Yes.

Sir *Robert Hobart*.

2135. (To Mr. *Blain*.) With regard to Item K, I understand that there is a gain to the Inland Revenue of £6,000, but a loss to the Post Office?—Yes; it makes no difference on the Account as a whole. When the Estimate was framed, it was intended that the Inland Revenue should pay the Post Office for this service. In the course of the year the arrangement was altered, and it became unnecessary for them to do so, and, therefore, the money is saved on the Inland Revenue Vote, and is lost on the Post Office Vote.

2136. Does the Post Office carry these Licence Renewal Notices free? Some account is kept of them, of course?—The Post Office keeps an account of the value of the services it renders to other Departments.

2137. Is that shown at all here?—It is shown in the Appendix to the Post Office Estimates every year. It is merely for statistical purposes.

Mr. *McCrae*.

2138. (To Mr. *Stair*.) I wish to ask one question in regard to Sub-head R, "Losses by fraud, default, and accident." I see in the Explanatory Note that nine Collectors have been in default, the largest amount being £36. Are those Collectors in the direct employment of the Inland Revenue authorities, or are they local Collectors?—They are local Collectors in every case.

Sir *Robert Hobart*.

2139. (To Mr. *Kempe*.) With regard to paragraph 6 of your Report, at the bottom of page 509,

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. STAIR.

[Continued.]

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 2—Inland Revenue—*continued*.Sir Robert Hobart—*continued*.

as regards the test examinations, may I ask is it a percentage, or what is the system?—The officers attend at the Office, and they pick out certain typical cases, and trace them through, and see if they are brought to account properly.

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 2—Inland Revenue—*continued*.Sir Robert Hobart—*continued*.

2140. There is not a fixed percentage of accounts examined?—Not a fixed percentage; they do as many as they can in a given time.

(Mr. Stair withdrew.)

## ON VOTE 3.

## POST OFFICE.

Mr. CHARLES A. KING, C.B., called in; and Examined.

Chairman.

2141. You represent the Post Office?—Yes.

2142. This is the first year in which the Votes for the Post Office, "Packet Services and Telegraphs," have been amalgamated, is it not?—That is so.

2143. (To Mr. Kempe.) Has that amalgamation from your point of view proved satisfactory?—Quite.

2144. Have you any difficulty in carrying out the work of audit and accounting?—No, no more difficulty than before.

2145. Sub-head R2, to which you allude in the second paragraph of your Report, we will take when we come to paragraph 6, where it is also dealt with?—Yes.

## THEFT OF MONEY ORDERS.

Chairman.

2146. (To Mr. King.) Under Sub-head A16, "Losses by Default," there is a charge of £1,781, which was due to a clerk not having perforated money orders as paid, which he then cashed through his own bank?—Yes, in part. The primary cause was the omission of the banker's stamp on the face of the order. These orders are presented by the bankers for payment by write-off at the Bank of England, and every order so presented, like a cheque, should bear the banker's stamp. This man, White, noticed that orders were being presented without banker's stamp. He duly allowed the credit in the Write-off to the credit of the bank at the Bank of England, but he abstracted the order, and then paid it into his own account.

2147. Is there anybody at the bank to be blamed for not having placed the stamp upon it?—It was a failure on the part of the bank, but these orders are very numerous, and even now there are some few escape the stamp every day, though not many.

2148. Have any steps been taken to point this out?—Yes, we are continually pointing it out to banks which fail to affix the stamp.

2149. If the order had been properly stamped, this theft could not have taken place, could it?—No.

Chairman—*continued*.

2150. The mere stamping of the order is sufficient to prevent the fraud being carried through?—Quite so.

2151. The total amount fraudulently obtained was £2,176?—Yes.

2152. And against that sum £19 14s. 4d. has been placed as a set-off. Where did that come from?—That was a small credit balance in White's private account with the Birkbeck Bank.

2153. Then there is also the estimated value of certain land handed over to the Postmaster-General, £375. What has that got to do with it?—That land is still in our hands; it is to be put up for public auction next month, with a certain reserve. It was White's property, and he surrendered the land to us. He had spent the money in land speculation to a certain extent.

2154. You say the land is to be sold?—It is to be sold.

2155. Does £375 represent your value of the land?—That is the estimated value.

2156. What has happened to Mr. White in the meantime?—He has served his term of imprisonment; I do not know what he is doing now.

2157. He has got out already, has he?—Yes.

2158. This sum of £375, I understand, is now in a suspense account pending the sale of the land?—Yes, the sale is to take place next month.

Sir George Kekewich.

2159. I should like to know over how long a period those abstractions were proceeding without being discovered?—I think it was about 15 months.

2160. How was it that it was not discovered before?—Because the checks at that time would only reveal an over-payment at the annual proof, and the annual proof in this particular year was delayed; for it was made for 15 months instead of 12 months, so as to make it synchronise with the ordinary financial year. It used to be for the calendar year, but at this particular time it happened to be arranged that it should be for 15 months from the 31st March.

2161. So that this man had an exceptionally long run?—An exceptionally long run.

2162. I should like to know what became of the rest of the money. All you got back is the £19 in his private account and this £375, the estimated

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. KING, C.B.

[Continued.]

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 3—Post Office—Theft of Money Orders—  
*continued.*

Sir George Kekewich—continued.

estimated value of the land, so that the loss by default is £1,781. Have you any idea what became of that?—We only know that he speculated in land.

2163. He lost his money, you imagine, in speculation?—Yes, we assume so.

2164. You could not discover that he had any other money?—No.

2165. You made all possible inquiries, I presume?—Yes.

2166. When you get these unstamped orders, as you constantly do, what do you do. You return them, I suppose?—No; the present plan is to hand-stamp them, "Presented by such and such bank, without the banker's stamp."

2167. But then the banker has no extra trouble placed upon him by his negligence in regard to stamping them, the Post Office does it for him?—Yes, there are not very many cases now, the average at the present time is 20 out of a daily total of 7,000; it is a very small percentage.

2168. But if you returned them, surely that would be a much more effectual way of calling the attention of bankers to their negligence?—Yes, but it would be more troublesome to the Post Office, as well as more troublesome to the bankers.

2169. But that is the very object, is it not: If you make it more troublesome to the bankers, they would take care that it did not occur again?—The bankers are not much interested in negotiating these money orders and postal orders for the Post Office. It is a great convenience to us and an economy to us, so that it would not be worth our while to make this money order and postal order business with the bankers troublesome to them.

2170. But it is very desirable to stop this at all costs because it is a very great temptation to clerks who have these money orders passing through their hands. What happened in White's case might happen in the case of another man to a smaller degree, might it not?—No; under the system adopted now that is impossible. We have effectually shut the door against this form of fraud.

2171. How?—We have established a check in another branch; one branch settles with the bankers, and the second branch sees that the bankers' section produces all the orders amounting to the total sum paid to the bankers on that date. The orders must be produced, or this second branch would not be satisfied.

2172. You consider that establishes an effectual check?—It is an absolute check against this form of fraud.

Colonel Williams.

2173. I do not quite understand this sentence. It says the frauds were committed "by the abstraction of money orders which had been presented by bankers for payment through the Bank of England and had not been receipted." What do you mean by not being receipted. Who ought to have receipted them?—I think that is

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 3—Post Office—Theft of Money Orders—  
*continued.*

Colonel Williams—continued.

perhaps not quite accurate. They are the Comptroller and Auditor-General's words. There is no receipt required on a money order or a postal order presented through a bank. The payment to the bank is the discharge to the Postmaster-General.

2174. The stamping of the banker's name is not really a "receipt"?—It is a good receipt.

2175. Then it goes on "The money orders had not been perforated as paid at the time when the theft took place." Who ought to have perforated them as "paid"?—They were abstracted before they went to the man to be perforated as "paid."

2176. That is a mistake of the Post Office itself?—Perhaps I might explain there are objections to perforating the orders with a stamp, "Order paid," in advance, viz., that a number of orders every day have to be returned to bankers from some irregularity; the amount claimed is wrong, or it is out of date; and it is extremely undesirable that an order should have to be returned which bears the perforation "Order paid": that would have to be cancelled.

2177. Then a number of orders are returned to bankers every day?—Yes.

2178. Then why should you not return these 20 or 30 extra ones which are unstamped?—Because it was considered undesirable to give bankers this extra trouble in regard to orders which are a branch of their business which we understood they did not attach very much importance to, and which was a very convenient arrangement for the Post Office.

2179. The extra trouble would not be very much, and I suppose this extra check which you have had to establish costs a good deal more than the returning of a few orders day by day to the bankers. I suppose from the public point of view it costs more to establish the check you have told us of?—Probably it does, but not much more. The return of an order is costly. It has to leave its record; a memorandum has to be written; you have to advise the bank, and so on.

2180. That memorandum deals of course with all the postal orders that are being returned from various causes?—That is so.

Mr. Leif Jones.

2181. I do not quite understand, even now, exactly how the fraud was worked—could you give me the probable history how this Order was cashed twice, and how it came about that this man White was able to accomplish this fraud?—An order would be presented say by the London and County Bank for £10 unstamped, "London and County Bank."

2182. You mean, presented to you?—Presented to the Money Order Office. It would go in the ordinary routine to White to check the claim of the bank. He would check the claim of the bank, and pay the £10 claimed, and then put the £10 Order in his pocket.

2183. He noted that it was not stamped?—He noted that it was not stamped.

2184. What

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*continued.*Mr. *Leij Jones*—continued.

2184. What ought he to have done?—He ought not to have put it in his pocket.

2185. What was his duty, the order being irregular, and not stamped by the bank?—I am not sure that there was any rule on the subject then, but I think he ought to have noted it, "Order presented unstamped—Shall I disallow, or not?"

2186. Was it not his duty to put upon it this stamp, which you have spoken of?—No, that is under the new rules.

2187. Had he no duty in respect of it then?—He had the duty to check the claim of the bank. He checked the claim of the bank, and passed it, and then abstracted the order.

2188. The claim of the bank was merely that the order was there, I suppose?—The claim of the bank was for the sum of £10.

2189. And then he put it into his pocket, and passed it on to his own bank?—Yes, he paid it into his own bank.

2190. Then the process might have been repeated, might it?—If the order had escaped the stamp of his own bank, it might have been done a second time if he had been the man on duty when it was presented.

2191. He fraudulently obtained £2,176—what sort of sum was passing through his hands in these 15 months?—He was dealing with no money at all.

2192. Quite so; but I mean, what sort of sum was passing through his hands in the way of orders?—The daily transfer through the Bank of England to banks in respect of money orders would be from £15,000 to £25,000 daily.

2193. Would all those go through White's hands?—Those would all go through White's hands—he was in charge of the section that dealt with these orders.

2194. There was no sort of double system by which it would take at least two men to perpetrate a fraud of this kind?—The check at that time, upon which we relied, was the proof at the end of the year, and that brought this fraud to light.

2195. But you had no daily check by which the dealing with these orders should go through two people at least, so that it would be impossible for the fraud to be committed without collusion between two people at least?—At that time we had no such check; we have now. It is absolutely impossible for this form of fraud to be repeated now.

Colonel *Williams*.

2196. Surely, it is a regulation to bankers that orders must be stamped with the name before being presented?—Yes.

2197. Bankers are already to be asked to do that?—Yes.

2198. It is really a condition precedent to the orders being paid, is it not?—It is.

Mr. *Parker*.

2199. Would all these orders have the payee's name upon them?—Yes.

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*continued.*Mr. *Parker*—continued.

2200. In every case?—Yes, they should have the payee's name.

2201. But it is possible, is it not, to pay a money order or postal order through a bank without a payee's name at all?—The regulation says that the payee's name must be filled in, but the order need not be receipted by the payee.

EXCHANGE OF PROPERTIES WITH THE GREAT  
WESTERN RAILWAY COMPANY.*Chairman*.

2202. The exchange of properties between the Post Office and the Great Western Railway Company, which is referred to in paragraph 4, has now been completed, has it not?—Yes.

2203. And the sum of £11,600 has been paid over by the Railway Company to the Post Office?—Yes.

Colonel *Williams*.

2204. When we were discussing the Office of Works Vote at an earlier sitting, we had before us a large amount spent for the Paddington Post Office without Parliamentary sanction; I think that was because of this particular piece of land, was it not?—I cannot say.

## CANADIAN PACIFIC MAIL CONTRACT.

*Chairman*.

2205. The new Contract which is referred to in paragraph 5 has now been completed, has it not?—Yes.

2206. The Admiralty's Subvention has ceased, but the Canadian one is continued?—That is so.

2207. Therefore, the excess under Sub-head N6 has got to be put against the Appropriation-in-Aid, which was an increase upon what was anticipated?—Yes.

## EXCESS UNDER R2.

*Chairman*.

2208. I have a little difficulty in understanding exactly what has occurred in regard to the excess under Sub-head R2, which is referred to in paragraph 6. Do I understand that the Post Office take credit under Sub-head W for the amount of stores which they will want during the year?—Yes, they purchase the Stores under Sub-head W.

2209. And then as the stores are required they issue them under various Sub-heads?—Under various Sub-heads, and they credit Sub-head W.

2210. In the case to which this paragraph refers, there was a transfer made from Sub-head W to Sub-head R?—In this case there was a charge made to Sub-head R and a credit to Sub-head W (it



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(it was really a transfer from Sub-head R to Sub-head W) before the stores were actually paid for.

2211. But the Treasury laid it down that as regards the sum of money that was allowed to be expended under Sub-head R, the materials were to be bought and paid for during the course of the year under review?—I think the matter is very fully explained in the Treasury letter. The objection of the Treasury, I take it, was this: They said, If you are going to use the stores in the year on a work, well and good; but if you are merely going to buy under Sub-head W and not use them, then we cannot agree.

2212. That condition was not literally fulfilled?—It was not literally fulfilled owing to the working of our regulations which require an engineer to bring stores to account the day he receives them. If he brings them to account he has to charge the works, Sub-head R, in this case, and credit W. As engineer he does not know whether these stores have been paid for or not. But the invoices in regard to these pipes were not received until April, and were not paid until April.

2213. So that the engineer does not really know how much is paid for?—He has nothing to do with payment—that rests between the Controller of Stores and the Accountant-General. But the effect on the Vote, as explained in the Treasury letter printed on page 619, was nil. The debit to Sub-head R was cancelled by a credit to Sub-head W, so that the amount to be surrendered on the Post Office Vote was altogether unaffected by the transaction.

2214. (To Mr. *Blain*.) The Treasury agreed to give their covering sanction?—Yes.

2215. (To Mr. *King*.) Then was additional expense incurred in order to secure the delivery before the 31st March?—I should rather submit that the additional expense was incurred in order that the work might be completed sooner—that the stores might be supplied earlier, with a view to the gangs being kept fully at work.

2216. Not in order to get so much payment into one year as compared with another year?—There was considerable pressure being put on the Postmaster-General to complete these underground works, and this arrangement was submitted to the Treasury, and they sanctioned it as a way of meeting the public demand for the early completion of the underground lines.

2217. That involved an increased price to be paid for night-work?—Yes. The main point in the case, I think, that the gangs could not be kept fully employed if we had not put this pressure on the manufacturers to deliver the wire quicker than they were bound to by the contract.

2218. But a contract was apparently given to a firm whose quotations were higher than their competitors?—Yes, the reasons being that one of the other competitors sending in lower tenders could not be employed because of his previous unsatisfactory work, and the other two competitors, even if their output had been combined,

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could not supply the wire required in time to meet the needs of the Post Office. We should have been bound to have disbanded some of the gangs.

2219. On the whole, the result of the pressure that was applied to the Postmaster-General resulted in an extra expenditure of £680?—Yes.

2220. (To Mr. *Kempe*.) Is that the total amount that is involved in this?—Yes, that is the total excess so far as my limited examination shows.

2221. (To Mr. *Blain*.) As a general principle, do you consider that the arrangement as between Sub-head W and Sub-head R, for instance, is a satisfactory one?—I think so.

2222. You do not think there is anything from the Treasury point of view to object to in principle?—No.

Mr. *McCrae*.

2223. (To Mr. *King*.) I notice in the third paragraph of the Treasury letter it says: "For convenience and in accordance with what is understood to be frequent practice, these stores were delivered direct by the contractor to the engineer in charge of the work, with the result that a transfer was made from Sub-head R to Sub-head W in respect of them before the actual payment was made from Sub-head W." If Sub-head W is responsible for these stores, what check has the Controller of Stores on those that go direct to the engineer?—He receives from the engineer a certified invoice showing exactly what stores have been received and under what Stores Order they were supplied.

2224. And when he gets that he himself makes the allocation as between the different sub-heads?—No, the local engineer knows the work to which the stores are appropriate, and he charges in his Expenses Account the cost of the stores to the Sub-head R, R1, R2, or whatever it may be. The Controller of the Stores allocates the cost of the stores to Sub-head W. He has nothing whatever to do with their ultimate use, "W" being the Stores Sub-head.

2225. Then it was only a question of the payment not being made within the financial year?—Yes, that is the point that the Comptroller and Auditor-General calls attention to.

2226. That is the Comptroller and Auditor-General's point; but it seemed to me that there was just a possibility of leakage?—No, I think not.

*Chairman.*

2227. (To Mr. *Kempe*.) With regard to paragraph 7, "Credit under Sub-head W," I understand the same thing is alluded to as we have already been discussing?—Yes.

2228. A Statement has been prepared. Do I understand that details of the Estimate are to be given in the future?—(Mr. *King*.) This information, perhaps I may say (as I am responsible for the Estimates), is shown in the Estimates, but it is indented, so that it is not necessarily reprinted in the Appropriation Account.

2229. (To Mr. *Kempe*.) With regard to paragraph 8: "Unrecovered Expenditure on Repayment

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*continued.**Chairman*—continued.

Repayment Services." Has the Statement which you refer to in this paragraph been furnished to you?—Yes, it has been furnished.

2230. Does it give you the information you require?—Not altogether; it deals only partially with the Expenditure, and it does not go back to past Expenditure. (Mr. King.) Perhaps I may say that is simply due to the fact that we had not time. I have since had a Statement prepared showing the old accounts to which Mr. Kempe refers here in the Report, and the information is at Mr. Kempe's disposal.

2231. You will be able to furnish the information which Mr. Kempe requires. There will be no difficulty about that?—No difficulty.

2232. (To Mr. Kempe.) With regard to paragraph 10: "Telephone Capital Account." This gives an account of the Post Office Telegraphs, I understand?—Yes.

2233. Is there anything there you wish to call the attention of the Committee to?—Not in paragraph 10; these are only statements of fact.

*Mr. Ashton.*

2234. (To Mr. King.) Is that £7,130,000, in the third paragraph, the total of the debt created for the Telephone System of England?—It is the total at that time; last Session there has been another Vote passed, and an additional £6,000,000 granted, and out of that £6,000,000 the Expenditure in the past twelve months has been made.

2235. I see the money has to be repaid in a period of 15 years now. What sort of works is it based upon—wires, and so on?—Wires, poles, excavation works and so on: it is all new construction work.

*Chairman.*

2236. (To Mr. Kempe.) With regard to paragraph 11, this refers to the purchase of the Glasgow and Brighton systems. The Corporation valued the property at Glasgow at £322,000, and when that was refused it was valued again at £311,000; that was their second offer, as it were?—That is so.

2237. Whereas the Engineer-in-Chief to the Post Office put it at £266,000?—Yes.

2238. The Postmaster-General agreed to the sum of £305,000?—That is so.

2239. You inquire why there was no arbitration, and why there was such a large difference?—Yes.

2240. The answer, I understand, is that it was by mutual agreement?—(Mr. King.) Yes. The term of the licence had not expired, so that there was no power on the part of the Postmaster-General to call for arbitration.

2241. How long had the licence to run?—To 1913.

2242. So that the Postmaster-General was absolutely in the hands of the Corporation, was he not?—Of course he could refuse to conclude the purchase.

2243. He could refuse, absolutely?—Yes.

2244. But between absolutely refusing and

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paying practically what the Corporation wanted there was no choice?—It was a matter for settlement between them as to what the price should be.

2245. (To Mr. Blain.) This received Treasury approval, I suppose?—Yes.

2246. Did it come before Parliament in any form before it was adopted?—No; being paid out of loan moneys, it would not come before Parliament.

2247. (To Mr. King.) In the case of the Brighton system, the purchase was carried out in October, 1906?—Yes.

2248. And the Postmaster-General paid £48,060 for that system?—Yes.

2249. That was practically the Engineer-in-Chief's final valuation?—Yes.

*Sir Robert Hobart.*

2250. (To Mr. Blain.) Under the loan system, has Parliament no control at all after they have once granted the money?—Not over every detail of expenditure.

2251. But from time to time, I suppose, as the money goes on, they would have control? Is no account rendered annually to Parliament on loan expenditure?—Yes. (Mr. King.) It is printed on page 619.

2252. (To Mr. Blain.) So that it is possible for Parliament to pass their judgment on the expenditure as it proceeds?—After the event.

2253. But before the whole of it is exhausted?—Yes, certainly; it is all spent for the purpose for which Parliament has provided the money.

*Sir George Kekewich.*

2254. (To Mr. King.) There was no particular reason, I suppose, why the Glasgow system should be purchased at all, was there?—Not so far as the question of the policy was concerned; there were serious difficulties in working, owing to the opposition between the Corporation system and the National Telephone Company's system in Glasgow.

2255. Did the initiative come from the Post Office?—That I cannot say.

2256. Did they make the proposal, or did the Glasgow people do so?—I cannot say.

2257. The sum of £305,000 paid is much nearer the valuation on behalf of the Corporation than the valuation on behalf of the Post Office; I mean, it looks as if the Post Office had given way very considerably to the Corporation in respect of the valuation. There was only a reduction of £5,000 in the valuation on behalf of the Corporation; whereas there is an increase of nearly £40,000 on the valuation made by the Post Office. It looks as if the Corporation had made a very good bargain out of it, does it not?—They were not very happy about it, or they did not show their happiness.

2258. But the sum is very largely in excess of the valuation of the Engineer-in-Chief of the Post Office—£40,000?—That is quite true.

2259. Why did the Post Office pay so much more

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more than their Engineer-in-Chief valued it at?—I do not think I can say more than that this was dealt with as a matter of policy, and that the Postmaster-General, with the approval of the Treasury, settled by agreement with the Corporation what the price should be.

2260. The only report that the Postmaster-General had was a Report from his Engineer-in-Chief at £266,000; did he get any other Report on the top of that?—This was a matter of negotiation, as to which I am afraid I am not in a position to express any opinion.

2261. Rather than lose the bargain, he seems to have paid £40,000 more than the property was worth, according to his own valuers?—In the letter of the 18th July, 1907, which is printed on page 621, it is explained that the Estimate furnished by the Engineer-in-Chief was used as a basis for the negotiations, and that it was hardly to be expected that the Corporation would accept, as the agreed value of the plant, the Estimate of value made by the Department's own Engineer. That is the Postmaster-General's own statement.

2262. You mean that that £266,000 valuation was accepted as the basis for the payment of the £305,000?—That was the first offer of the Postmaster-General.

2263. There is nothing to check the Postmaster-General from giving any sum, even up to the amount that the Corporation asks, but his own judgment; notwithstanding that his officers advise him that the actual value of the property is considerably less?—The Postmaster-General would, naturally, be accountable to the House of Commons for anything he does in this way.

Colonel Williams.

2264. I do not wish to question the policy, but in order to save the population of Glasgow inconvenience for eight years, the Postmaster-General saddled the population of the United Kingdom with at least £20,000 he need not have paid?—I do not know that we can say what the price would be eight years hence.

2265. He might have gone to arbitration?—Yes.

2266. I put £20,000 as being the mean between the two prices that eight years hence the property would be likely to have fetched?—It is possible.

2267. It seems to me that the tax-payers of the United Kingdom have been saddled with an extra payment to save inconvenience to the City of Glasgow?—It may be so.

Mr. Leif Jones.

2268. Do I understand that the Corporation did not wish to sell their system?—I think both parties were willing, they to sell, and we to buy.

2269. But they were not willing to refer the difference of opinion between the valuers to an arbitrator?—No.

2270. And they were willing to incur some loss on their book value. Do you think every effort was made to complete the purchase at the lowest figure?—I do not think I can express any opinion upon that point; the Postmaster-General has.

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after consultation with the Treasury, agreed upon the price, and I do not think I can say anything about it.

Mr. Parker.

2271. The Post Office would have been at some loss if they had been in competition, as it were, with the Corporation of Glasgow, so that there would be some gain on the Government side in taking over the Glasgow system at the particular time they did. Would not that be a set-off against the Engineer's estimate for instance?—The Post Office had no telephone system in Glasgow, there were only the National Telephone Company's and the Corporation's systems.

2272. The arrangements are in existence whereby the Government can take over a system at any time?—Yes.

2273. And I take it that the Government would rely on saving a certain sum of money by taking the system over now, rather than being in competition with the Glasgow system?—I am not sure that that point would have arisen, because if the Corporation licence extended to 1913, the National Telephone Company's licence would also have remained to the same date. I can see that there would be some little advantage, as you suggest, because under purchase they would both terminate in 1911.

Mr. McCrae.

2274. I understand that this acquisition of the Glasgow telephone system was made by mutual agreement?—Yes.

2275. The Post Office had no compulsory powers to acquire at that time?—No.

2276. Is it not the case that this £322,000 was the value of the plant, the cost of which had really been borne by the Corporation of Glasgow?—Yes.

2277. The engineer for the Post Office valued that plant at £266,000?—Yes.

2278. And they came to an agreement on £305,000. The Post Office acquired for that, not only the plant, but they acquired the undertaking as a profit-making undertaking for the remainder of the licence?—Yes.

2279. So that instead of being a tax on the tax-payers of England, it is quite possible that we may be making a profit out of that transaction?—We hope so.

2280. So that it is rather the other way. There is one point I would like to emphasise, and it is this: This transaction took place under the Loans Works system?—Yes.

2281. The Post Office has certain borrowing powers under the Telephone Act, and they applied those powers for the purchase of this telephone system. Was the acquisition of the Glasgow Corporation telephone system ever mentioned in any of those Loans Acts?—No; the Act says generally for the extension of the Telegraph (including the Telephone) business of the country.

2282. So that so far as Parliament was concerned, Parliament knew nothing about this, until

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*continued.*

Mr. McCrae—continued.

until the transaction had been completed?—Officially, I think not. Of course it was noticed in the Press of the day.

2283. But the Post Office had no direct Parliamentary sanction for this transaction?—No, they used the money which had been granted by Parliament for the purpose of extending the Telegraph and Telephone system of the country.

2284. That could hardly have been done had that expenditure been made by Vote instead of by Loan?—It would have needed to come probably as a Supplementary Estimate.

2285. And, therefore, would have come directly before Parliament?—Yes. Of course, the whole question did come before Parliament last Session in connection with the further grant of £6,000,000. There was rather a prolonged debate, several times renewed, on the question of the grant of this further £6,000,000 last Session.

2286. Would you say this £300,000 was paid out of that £6,000,000 Vote, or out of the previous Vote?—It was granted out of the previous Vote, but the Acts are all read together, and the amounts are all cumulative.

2287. There again it was not under that Vote which came before Parliament that the expenditure was made?—Not specifically.

Mr. Rurciman.

2288. Was not the Post Office view that the Post Office was likely to fare better by making an agreement with the Glasgow Corporation than by running the risk of putting themselves in the hands of an arbitrator?—I cannot say.

2289. That is rather an important point, is it not?—There was no question of arbitration raised by the Postmaster-General.

2290. I understand it was not raised by the Post Office, but was not the Post Office view that by making your own bargain with the Glasgow Corporation you were likely to make a better bargain than by running the risk of submitting your purchase to an arbitrator, and abiding by his decision?—I think it is quite possible, but that would scarcely fall within my province as Accountant-General.

2291. I suppose you do not quite take the view that an arbitrator always decides in favour of the Government?—No, I have no reason to think that.

Mr. Leif Jones.

2292. May I ask whether the same system was pursued at Brighton as at Glasgow?—Yes.

2293. And with very much better results apparently; was the same engineer employed?—Yes.

2294. Because I see in the Brighton case the Engineer-in-Chief's final valuation was practically the same as the amount paid?—Yes.

2295. Is there anything special in the Brighton case which caused it to be so much nearer the Engineer's valuation, or was it only that they were Brighton people to deal with in the one case

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and Glasgow people in the other?—I do not think so. I am afraid I cannot say why the Brighton figures should be so close.

Chairman.

2296. (To Mr. Kempe.) With regard to paragraph 12, which mentions the test examination which has been applied by your officers to the Postal Store Accounts in London, Edinburgh and Dublin, and to other accounts in other large centres, has there been any improvement to report?—There is no question arising upon the accounts this year.

Mr. Leif Jones.

2297. Last year at Cardiff there were very serious irregularities discovered. Is that all put right now?—There has been great improvement this time in Cardiff. Both Cardiff and Manchester were mentioned last year, and there has been great improvement in both cases.

Chairman.

2298. With regard to paragraph 13: "Charge to Works of Estimated instead of Actual Expenditure," I understand you to suggest that the expenditure which has been incurred under Telephones and Telegraphs respectively ought to have been pointed out?—I think a division should have been made based on actual facts, and not merely upon the rendered Estimates.

2299. You suggest, I understand, that the allocation of the charges should be based on results?—The allocation of the charges should have been based upon results and facts, and not merely upon the proportions of the original Estimate.

2300. (To Mr. King.) Is there any technical reason from the Post Office point of view why that could not be done?—The practical reason is that this is not a case in which the apportionment could be made according to the number of wires, as suggested in the Auditor-General's query. In ordinary cases we do that.

2301. But in the present case what do you say?—In the present case there were exceptional features. The Telegraphs were giving up in favour of the Telephones their western overhead line; that was being surrendered to the Telephones, and the Telephone Capital Account had to pay for that. The Telegraphs were removing their wires from the overhead poles to this composite underground cable, and the overhead lines were to be handed over to the Telephone Service. The value of the surrendered overhead lines had to be assessed and charged to the Telephone Capital Account without any regard to the number of wires that were included in the new composite underground cable. Then the character of the wires in this cable varied very much; there were various gauges. As that is rather a technical matter, perhaps Major O'Meara, the Engineer-in-Chief, could explain it better.

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Major W. A. J. O'MEARA, C.M.G., R.E., called in; and Examined.

*Witness.*

We have here a cable of about 130 wires (*exhibiting a section of an underground cable*). Some of them are 100 lb. wires, with copper tape on them, others are 200 lb. wires, with copper tape on them. There are other wires 70 lbs., without any copper tape on them, and of course the value of each of these conductors really depends, not only on the inside conductor, but also on the copper tape on the outside. (Mr. King.) So that every class of wire had to have its value given to it.

*Chairman.*

2302. (To Major O'Meara.) Is that a sample of what is actually laid?—It is actually a piece of the cable laid between London and Slough.

2303. How many wires are there altogether in that cable?—137 in the big section, Hanwell to Slough, and 104 in the small section, Reading to Chippenham. Even inside the copper tape you have paper separating the inside conductor.

*Sir George Kekewich.*

2304. Is this paper a part of the regular cable?—Yes, that is the insulation, and it remains there. The whole cable is sheathed with lead the whole way along from end to end.

(Major O'Meara withdrew.)

*Chairman.*

2305. (To Mr. Kempe.) I understand you suggested that in addition to the apportionment as between Vote Money and Loan Money there should be some further apportionment between the different Sub-heads, and you quote the example of Sub-heads R2 and R3?—Yes, that is a different matter, the distinction between R2 and R3. I quoted that to show that the same principle which I consider objectionable was carried out in other cases. I do not know if the same explanation would apply to this. (Mr. King.) The explanation applies also to Sub-head R3, to this extent, that it was quite impossible to allocate between R2 and R3 according to the number of wires as suggested in the query; but you must have regard to the gauge of the wire, to the covering of the wire, and to the extent of the copper sheathing round the wire; and what we did was this: we charged R3 with the estimated cost of those eight wires, based on the actual cost between London and Hanwell, and on that basis we assessed the charge to R3, leaving to R2 the balance of the expenses, and as R2 was interested to the extent of over 100 wires out of the 137, it seemed to be the predominant Sub-head, the Sub-head to which the greater part of the expenses, whether there was a saving or not, should be charged. We treated, in fact, the payments charged to Telephone Capital and to R3 as Contributions-in-Aid of the cost of the work.

*Mr. McCrae.*

2306. I understand that, apart altogether from the method of arriving at the allocation by considering the number of wires, there is the further point raised by the Comptroller and Auditor-General, namely, that if you were to make an allocation between Vote and Capital, you should do it on the expenditure on the actual result, and not on the Estimate?—It was impossible to vary the charge to Capital in respect of the value of the overhead line, which was surrendered to Telephones. That was absolutely independent and disconnected from the question of the cost of laying that cable.

2307. Does that not apply also to the Estimate, as well as to the expenditure?—The value of the surrendered overhead line does not affect the cost of laying the underground line at all, but it does affect the apportionment of the expenses as between Capital and Vote. Capital had to pay for the overhead line, which the Telegraphs were surrendering.

2308. Supposing you were making new expenditure jointly on Telegraphs and Telephones, it would be quite as easy for you to make that allocation on the actual expenditure as to do it on the Estimate?—I do not see how it is possible to vary the estimated value of the overhead line, whether we spend more or less on the work. That is a fixed value, and to that extent the charge to Telephones is fixed without regard to the cost of the underground work. It is a contribution which the Capital has to pay to the Vote because the Telegraph Vote is surrendering this overhead line for the use of Telephones. It has nothing whatever to do with the cost of that underground cable.

2309. (To Mr. Kempe.) Do you think that the allocation still can be made on the actual results instead of on the Estimate?—I should not like to say that; I am not sufficiently acquainted with the technical part of the work; but I would like to point out that it is a dangerous principle to lay down or to accept that the expenditure, as charged to Capital or the Vote, should be based simply on the proportion of Estimate. That is what I objected to in the Post Office Statement, and I should have thought that at any rate they might have got the Capital expenditure nearer to the actual fact. It is obvious that the original Estimate may be varied afterwards.

2310. (To Mr. King.) The way I press the point is this. The other day we had a case, not under Telegraphs, but under the Post Office, where the Estimate was £11,000 and the expenditure £42,000. Now it might make a great difference if you make the allocation on the £11,000, or if you make it on the £42,000?—The charge to Capital for the eight wires included in that cable was £15,540; of that £11,000 was in respect of the overhead line, which was surrendered, and only £4,500 in regard to the actual underground

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[Continued.]

REVENUE DEPARTMENTS ACCOUNTS, 1906-7.  
On Vote 3—Post Office—Excess under R2—  
*continued.*

Mr. McCrae—continued.

underground cable itself; so that the variation to which Mr. Kempe refers only affects less than one-third of the entire assessment to Capital.

2311. But that calculation is based on the actual result?—The £11,000 has nothing whatever to do with that underground cable. It is the estimated value of the overhead line, which was surrendered by Telegraphs to Telephones, and is unaffected by the fact that we saved 17 or 18 per cent. in laying the underground cable. It is a fixed amount.

Chairman.

2312. This relates rather to a period of transition, does it not?—No, excepting to this extent, that telegraphic wires are being placed underground generally over the country, in order to make way for the telephone lines, which must be overhead.

2313. All telephone lines must be overhead?—Yes, all Trunk Telephone lines.

Mr. Ashton.

2314. (To Mr. Kempe.) You would have been perfectly satisfied if they had taken these underground wires at absolute cost, and you would be satisfied in the case of the overhead wires, with their making an Estimate, because that, it seems to me, was necessary?—It would be getting nearer the truth, but I should not like to express an absolute opinion upon that.

2315. They ought, I take it, to have put down the absolute cost of this underground wire, and taken the estimated value of the overhead wires; that would have been a nearer approach?—That would appear to be fairly approximate. (Mr. King.) May I just mention that in estimating the value of the eight telephone wires, we did take the actual expense as between London and Hanwell, and we used that as a basis for estimating the rest of the line. We selected a section of the service, and worked out as accurately as we could what it cost us to lay these eight telephone wires, and we used that as a basis for the line beyond Hanwell.

Chairman.

2316. (To Mr. Kempe.) With regard to paragraph 14, "Stocktaking of 'Normal Stocks.'" I understand a considerable number of inquiries have been made into these "Normal Stocks"?—Yes.

2317. Has the result been satisfactory?—Yes. There has been an improvement.

2318. And that will form part of the test examination next year?—Yes.

Mr. McCrae.

2319. Were these discrepancies to which you refer in the second last line of the paragraph serious?—They have not come before us yet.

Mr. Leif Jones.

2320. You mean they have not come before you in detail?—No.

2321. But you have had them sufficiently before

REVENUE DEPARTMENTS ACCOUNTS, 1906-7.  
On Vote 3—Post Office—Excess under R2—  
*continued.*

Mr. Leif Jones—continued.

you to ascertain that there are discrepancies?—Yes.

Chairman.

2322. (To Mr. Kempe.) With regard to paragraph 15, there has been no "cross-check" to ensure the agreement between the records of issue and of receipt of stores, I understand?—No.

2323. (To Mr. King.) That has now been established in one district, and is to be extended to further ones?—Yes.

2324. (To Mr. Kempe.) In your opinion, will that be satisfactory?—Certainly.

Mr. McCrae.

2325. (To Mr. King.) Is it working all right?—Yes.

ON PARAGRAPHS 16 AND 17.

No Questions.

SUB-HEAD H.

PURCHASE OF SITES, &c.

Chairman.

2326. On page 604 a sum of £110,000 was taken for the "Purchase of Sites," &c. What sites do you purchase apart from the Board of Works?—We purchase all sites required for the Post Office: the Board of Works merely erect the buildings.

2327. That is the division of responsibility between the two Departments?—The Post Office buys the site, and the Office of Works bears the expense of the buildings.

2328. I suppose you have very frequent communications going on between the two sets of officers?—We are working closely together.

Mr. McCrae.

2329. I see with regard to that Item that your estimate was £110,000, and you only spent £51,400. What was the reason for that very large difference?—There were various important purchases which were deferred because of legal difficulties, and in other cases we could not buy at all, and they had to be included in the next Post Office Sites Bill.

2330. Do you remember how this Sub-head approximated in the previous year?—In the previous year I think we rather overspent.

Mr. Ashton.

2331. With regard to Sub-head A8, under the heading of "Rents and Rates, &c.," I do not quite follow the remark opposite giving the explanation: "Owing to dispute with the owner of the adjoining property building operations were much delayed"; do building operations come under the heading of "Rents and Rates"?—No, but the result of the delay of the building operations was that the fittings which were included in this Sub-head could not be installed.

2332. The

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[Continued.]

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 3—Post Office—Sub-head H—Purchase of Sites, &amp;c.—continued.

Mr. Ashton—continued.

2332. The fittings come under "Rents and Rates" ?—Yes, "Rents, Rates, Fittings, &c.," is the fuller description of the sub-head.

2333. As to Sub-head K on page 604: "Manufacture of Postage Stamps, &c.," I see there is a footnote which says that the cost of all materials of postcards, wrappers, &c., issued to Postmasters for sale in the year, was £49,000: does that mean that the difference between the £158,000 and the £49,000 was the cost of the postage stamps ?—Yes. The notice is intended to show the value of the stationery that the Post Office buys and resells, as distinct from the stamps.

2334. Under Sub-head P3 the quantity of stores condemned was larger than was anticipated: is that an Item which varies very largely—the destruction of stores ?—Yes, it does vary.

2335. What kind of stores have to be destroyed ?—Worn-out plant, telegraph wires, insulators, and everything of that kind.

2336. Under Sub-head R2, "Re-arrangements," there was a very large sum, £43,000 more than was granted, expended, and that, as I understand, had to do with the main underground telegraph system ?—Yes, that is the question we were discussing under paragraph 6 of the Report.

2337. I suppose the whole of that work really was already agreed to by Parliament; but £43,000 seems to me a very large amount to transfer from one sub-head to another ?—The expense is mainly in connection with the underground lines, and they come indirectly before Parliament, because so much pressure has been put on the Postmaster-General to extend them. There is no actual programme of works laid before Parliament.

2338. Parliament had agreed to spend £175,000 presumably upon that work ?—Yes, on new telegraph works generally.

2339. And you spent £218,000 ?—Yes.

2340. That is a very large amount to go beyond what was voted ?—Yes.

2341. You do not often do that, do you ?—No. Under this sub-head as a whole the excess expenditure was only £20,000.

2342. It was taken from other things I know, but the money was not voted for that purpose; it was rather a stretch of power ?—It is unusual, I admit.

Mr. Leif Jones.

2343. Under Sub-head E, page 598, you say that the excess on the "salaries, wages and allowances" in the Savings Bank, amounting to nearly £10,000 was due to exceptional increase in the number of transactions. Has that increase continued, or is it really exceptional ?—In the year 1907, the increase had slackened.

2344. Is that the year we are dealing with ?—No, we are dealing here with 1906-7, or the transactions of the calendar year 1906. In that year the increase in the number of transactions was over 13 per cent. in excess of the previous year.

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 3—Post Office—Sub-head H—Purchase of Sites, &amp;c.—continued.

Mr. Leif Jones—continued.

In 1907 the increase over 1906 is only 5.6 per cent. In the Savings Bank we deal with the calendar year.

2345. Is there anything to account for that difference in the percentage in the two years. —I think the increase in 1906 may be attributed to the very large number of payments on demand—the new system which was introduced about two years ago, whereby a depositor may obtain not more than a sovereign in cash from the Post Office on demand.

2346. So that the increase in the number of transactions is really due to increased facilities ?—Yes, it is really due to the increased facilities especially in connection with the payments on demand system.

2347. With regard to Sub-head P11, why do you call an excess of 16 per cent. "a slight underestimate"; it is very much larger as a percentage underestimate than several you pass over with the mere comment, "An underestimate" or "An over-estimate"; so that I do not know why the word "slight" has been put in there ?—I do not see now why it was done. I think it was in connection with the repair of one of the ships, but I think I must withdraw that word "slight."

Colonel Williams.

2348. With regard to Sub-head N3, is the correspondence falling off with America ?—No; provision was made there for certain officers on the ships themselves.

2349. That is on the mail boats ?—Yes.

2350. As to N6, "Canada and China," was it on reasonable grounds that that service was given up ?—The period of the Contract ended. We assumed, when we prepared the Estimates, that it would not be renewed; but in deference to the appeals, the Government decided to renew the Contract.

Mr. Hazleton.

2351. As to Sub-head AS, "Rents and Rates," how is that under this Vote and not under the Vote for Government Properties, which is, I think, Vote 13, Class I. ?—This is mainly a question of Rents; the premises which are leased by the Postmaster-General we bear the expense of.

2352. These premises do not belong to the Government, but are only leased ?—Only leased.

2353. They are for the chief officers ?—That includes London, Edinburgh and Dublin, and offices in London.

2354. And the sub-offices as well ?—Branch offices.

2355. Every Post Office in the London area ?—For every Post Office which is staffed by established officers, the rent would be included here. We have nothing to do with the rent of the Sub-Postmaster who has a shop, where the Post Office is installed in the shop.

2356. Who

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[Continued.]

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REVENUE DEPARTMENTS ACCOUNTS, 1906-7.  
On Vote 3—Post Office—Sub-head H—Purchase  
of Sites, &c.—*continued.*

Mr. Hazleton—*continued.*

2356. Who pays that?—The Sub-Postmaster, out of the allowance we make to him for carrying on the work; we make him an inclusive allowance.

2357. With regard to No. 13, under the same Sub-head, what is that for—a charge of £871?—Those are the medicines which are supplied by the doctors at the chief offices to the staff when ill. We have a small staff of doctors attached to the General Post Office, and they prescribe a supply of medicines free to officers below a certain point of salary.

2358. Does that apply to only the head offices?—To the chief offices in London, Edinburgh and Dublin.

2359. They get medical advice free, as well?—Yes, the medical advice extends all over the country.

2360. I suppose the charges for medical advice do not amount to very much, do they?—We pay the doctors in the country so much per head, 8s. 6d. a year, and that includes the medicines.

2361. Is that for each person they attend?—Each person who is placed under their charge, whether he is ill or not. The officers placed under their charge are the Established or Unestablished Staff getting less than £150 a year.

2362. What do you call the "Unestablished Staff"?—The unestablished postman, or any man who has not obtained the Civil Service Certificate.

2363. That has always been the practice, of course?—Yes.

2364. In connection with Sub-head B, "Circulation Office, London," what is the Circulation Office?—The main sorting office in London, at Mount Pleasant.

2365. What does the "etc." apply to?—It is intended to include another purely postal office—the Money Order Department.

2366. Is that a separate office by itself?—It is.

2367. How is it that there are no incidental expenses nor any charges for rents, lighting, heat or water?—It is explained in the Estimate, I think, that Sub-head A covers the expenses of this, of which the salaries are charged to Sub-head B. It is explained on the Estimates, but it is not copied into the Appropriation Account.

2368. What are those trip allowances?—Those are the extra allowances paid to sorters who are travelling in the sorting carriages in the trains.

2369. Subsistence allowances?—It is a subsistence allowance.

2370. While away from home?—Yes.

2371. With regard to Sub-head E3, "Uniforms," what officials of the Post Office Savings Bank get uniforms?—The messengers and porters only.

2372. That accounts for the Item being a small one?—Yes.

Sir George Kekewich.

2373. As regards the transference from one Sub-head to another, in connection with Sub-head R2, we are told that that excess of expendi-

Sir George Kekewich—*continued.*

ture is caused by the Postmaster-General having decided, with the approval of the Treasury, to expedite the work of extending the main underground telegraph system in the North and West of England, the excess expenditure being met out of savings under other Sub-heads. I suppose that before undertaking that expenditure, you ascertained that you had got money in hand under some other Sub-head; for instance, I presume that at the time that expenditure was undertaken, you knew that you were going to have a considerable surplus under Sub-head P1?—Yes, but we also knew there was in R1 and in R3, and in the "Sites" Sub-head, an appreciable saving.

2374. You can so arrange your accounts, notwithstanding these excess expenditures, as to strike a balance, and surrender a certain sum every year?—No, the surrender this year was £194,000.

2375. I admit that is very close; is that in consequence of your having expected to have a larger increase, and, therefore, undertaken certain works that you would not have undertaken, unless you had been likely to have a balance in hand?—I am afraid I do not follow; £194,000 is about the margin there is on the Post Office Estimate.

2376. By limiting your expenditure, if necessary, or increasing it, if necessary, can you arrange at the end of the year to have a certain balance in hand, within, say, £100,000, so that you have not to surrender any very large amount?—We considered that £194,000 was rather a large amount.

2377. Therefore, you might have expended more if you had liked; you rather regret at this moment that you did not expend more on these works?—I do not know that it was possible.

Sir Robert Hobart.

2378. With regard to Sub-head A12, "Marriage Gratuities," what are the regulations about these marriage gratuities?—The young ladies have in the service at least six years, but after that period, the marriage bonus is calculated at a month's wage for each year's service up to 12 years.

2379. You say it is difficult to estimate. I see both in that Item, and also on page 600, the Treasury have allowed an excess of £600 in one case, and £2,800 in another. There has been rather a run on these marriage gratuities?—Yes, the amount we pay does fluctuate.

2380. Does this marriage gratuity, or I might call it a *do'*, apply to all the offices? Take page 596—are there no lady clerks in the Circulating Office in London?—None. The Sub-head A12 applies to the whole Kingdom; the words "United Kingdom" are printed there.

2381. "Chief Offices"?—But in extension of the heading, "Chief Offices," the words, "United Kingdom," are printed against the sub-head to indicate



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[Continued.]

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 3—Post Office—Sub-head H—Purchase of Sites, &c.—*continued.*Sir Robert Hobart—*continued.*

indicate that they are the gratuities for the staff all over the Kingdom, with the single exception of the Savings Bank, which has to be provided for under a separate sub-head.

2382. Now, as to the provincial establishments?—They are charged to A12.

2383. Are all the lady clerks in the provincial establishments under this rule?—Yes.

2384. They have to leave on marriage?—Yes.

2385. But receive a gratuity?—Yes.

2386. And as to the Savings Bank, that is a separate Item?—The conditions are precisely the same in the Savings Bank.

2387. There are other offices: Take the Telephones?—They are provided for under A12, which covers the whole Postal and Telegraphic Service, with the exception of the Post Office Savings Bank.

2388. May I ask, about how many lady clerks there are in the Postal Service who would come under this advantage?—The number would be about 12,000, I think.

2389. All over the country?—Yes.

2390. In the small sub-offices in the country, this rule does not apply?—It does not apply if the women are not on the Establishment, and there are very few of the small sub-offices which are furnished with an established staff. As a rule, they are the servants or assistants of the Sub-Postmaster, who is probably a shopkeeper.

2391. Then the objection to their marrying is not the same as in the other cases?—We have nothing to do with them; they are not in our service, but in the service of the Sub-Postmaster.

2392. What is the percentage of marriage amongst the 20,000 lady clerks?—I am afraid I cannot say.

## REVENUE DEPARTMENTS ACCOUNTS, 1906-7.

On Vote 3—Post Office—Sub-head H—Purchase of Sites, &c.—*continued.*

Mr. Ashton.

2393. Reverting again to the Sub-head R2, "Re-arrangements," on the question of these underground telegraphs to the north, which were made, causing a very large increase of expenditure, might I ask whether, besides that large increase, anything was taken out of Loans for the same purpose in that year?—Yes, the eight wires that were included in that cable.

2394. Why was part of it put on the Vote? Why was it not all taken under "Loans"?—Because the Loan is intended to provide for Telephone Extension, and the Vote is for Telegraph Extension.

Mr. Hazleton.

2395. I forgot to ask one question on Sub-head G5: "Mail Bags and Baskets, £89,000." Is it the fact that a new arrangement has been made in the last year or so in connection with the manufacture and purchase of these Mail Bags and Baskets? I understand that those used in Ireland used to be got in Ireland, but that they are now got on this side?—There is no new arrangement as to Mail Bags; they are made by the prison people, and the baskets are supplied according to the tenders.

Sir Robert Hobart.

2396. May I ask you to let me have the Regulations about marrying in the Post Office, and, if possible, the percentage of marriages for one year?—Certainly.

(The Witnesses withdrew.)

Friday, 27th March, 1908.

MEMBERS PRESENT :

Mr. Ashton.  
Mr. Bowles.  
Mr. Brigg.  
Mr. Cameron Corbett.  
Mr. Hazleton.  
Sir Robert Hobart.

Mr. Leif Jones.  
Sir George Kekewich.  
Mr. McCrae.  
Mr. Parker.  
Mr. Runciman.

MR. CAMERON CORBETT IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. WILLIAM BLAIN, C.B., called in; and Examined.

CLASS I.

PUBLIC WORKS AND BUILDINGS.

ON VOTE 14.

PUBLIC WORKS AND BUILDINGS, IRELAND.

Mr. McCrae.

2397. (To Mr. Blain.) Can you explain why the sums unexpended under this Vote are so large—for instance, on Item 3, Royal Hibernian Military School Gymnasium, the Grant was £2,500, and there was unexpended £1,400; and in the case of a good many of these other Items the Estimate is very much in excess of the actual expenditure, and in some cases no expenditure has been made at all?—In the case of the Royal Hibernian Military School Gymnasium, as is explained in the "Observations," it was because the contract was not completed until late in the year, and the operations did not proceed very far; they went on in the following year.

2398. Does that apply to Item 19, "Additional Accommodation for Land Commission"?—That was a case where there has been a good deal of doubt as to what accommodation would be required for the Land Commission, owing to the operation of the Irish Land Purchase Acts. The plan which was originally intended to be followed was dropped pending consideration whether still more ample accommodation would not be required.

2399. Then I notice an over-expenditure on the Cork General Post Office; there was no grant whatever there, and there was expended £4,995—what is the explanation of that?—That, I think, is explained in the fourth paragraph of the Com-

Mr. McCrae—continued.

troller and Auditor-General's Report—that there was a claim by a contractor for damages which had to be met.

Mr. Leif Jones.

2400. But do you consider that it is fully explained there? It says, "In consequence of outside pressure to commence the new works as soon as possible"?—I say that that is an explanation why this expenditure fell in this year and had not been provided for.

2401. But what is the explanation; what is the outside pressure that is referred to there?—I believe Parliamentary pressure is what caused the work on this Post Office to be put in hand at an earlier date than the Board of Works would have done if they had been left to themselves.

2402. But surely Parliamentary pressure can hardly be claimed as an excuse for the Board of Works taking action before it was ready to act. It is an excuse for drawing up plans and considering the plans at once if Parliament so directs, but it is no excuse for going on with the work before they had properly examined the foundations or been able to test the nature of the sub-soil by making borings. Is not that a necessary precaution before the Board of Works put up any buildings?—It proved so afterwards, certainly.

I admit

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Class I.—On Vote 14—Public Works and Buildings, Ireland—*continued.*Mr. Leif Jones—*continued.*

I admit that this is all in the nature of excuse by the Board of Works for the deficiencies which afterwards came to light. They mention as one excuse for not having known better what they were doing the fact that they were under considerable pressure to begin on this work as quickly as possible. They thought they were safe; they took any precaution they could to get information from all the surrounding places as to the nature of the soil, but that information proved to be untrustworthy.

2403. What I am submitting to you is that the excuse offered is really no excuse at all. They have dragged Parliament in a way which seems to me to be unfair to Parliament. All that Parliament could have said was that there is urgent need for the work to be proceeded with at the earliest possible moment, but I do not suppose it entered into the head of Parliament that the Board of Works would set to work without having taken the necessary steps to ascertain that the foundations were all right?—When I spoke of Parliamentary pressure, I meant the pressure of certain members of Parliament, members locally interested.

2404. That seems to me to be even less of an excuse than the other. If Parliament as a whole had put pressure it might be a stronger case. Do I take it that you agree that the excuse that they were pressed to begin the work without being able to examine the sub-soil is no excuse at all?—It certainly is no justification at any rate; it is an excuse in the sense that it does explain why it was that they went to work without really taking proper precautions.

2405. It is an excuse offered, but one which no competent judge could accept for a single moment. What was the total loss to the country owing to this mistake—was it £4,550?—(Mr. Kempe.) It is stated in the paragraph to be £1,800.

2406. That is the point I was on. (To Mr. Blain.) May I take it that this £4,550 which was paid in full discharge of all claims was all due to this error?—No, that includes extra work.

2407. Was not that extra work necessitated by the mistake which had been made?—No. That only means that on the insufficient information which the Board of Works had, a certain estimate was made for the cost of this work. If they had known better, the estimate would have been higher because the work was more expensive than they expected it to be.

2408. Then the actual extra cost must be put at £1,800?—Yes, that is the figure.

2409. Dealing with the paragraph, it says that, "As some portion of the delay was stated to be attributable to the failure of the contractor for the iron-work to carry out his contract within the prescribed time," Mr. Kempe "inquired whether any penalty was recoverable from him under the terms of his contract," and he found that it is not. How is that?—Because there was no definite time stated in his contract for completing his share of the work—in fact it could not have been.

B

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 14—Public Works and Buildings, Ireland—*continued.*Mr. Leif Jones—*continued.*

2410. Pardon me, there was a prescribed time, but though there was a prescribed time, no clause providing for a penalty for failure to complete within that time seems to have been put in the contract?—It was not an absolute prescribed time, because the rate of progress at which he was required to work was dependent upon the progress made by the contractor for the main work.

Chairman.

2411. I see it is mentioned at the end of the paragraph that: "No date for completion could be fixed"?—Yes. His contract was to deliver his work by stages according to the progress of the main work. Then the main work was delayed by the causes which are referred to in the previous paragraphs.

Mr. Leif Jones.

2412. May I take it that in your judgment it was impossible in this case to have had a clause providing for a penalty; it is customary to have such clauses in these contracts, is it not?—I think the difficulty was that you could not state the time, because he was only to keep pace with the main contractor, and I think it is very doubtful whether you could ever put in a penalty clause dependent upon the progress of some outside party.

2413. I presume the main contractor was compelled to complete within a certain period, and in such a case the remedy of this other contractor for the iron-work, who would be under penalty through the fault of the main contractor, would be against the main contractor, would it not?—The main contractor's default was owing to the wrong plans of the Board of Works, so that they ultimately would be liable.

2414. It all comes back to the original error, does it?—Yes, it all comes back to the original error. I may say that legal advice was taken on the question whether the iron-work contractor could be sued, and they were advised he could not.

2415. (To Mr. Kempe.) May I take it that you are satisfied in this case that no date for the completion could be fixed?—I have nothing to say against the excuse given.

Mr. Bowles.

2416. (To Mr. Blain.) As regards the new Sub-head Ha, I see that what has been opened to record a payment to the Malkey Urban District Council for taking over certain tramways—would that be a yearly payment?—No, that is a lump sum payment.

2417. I see it is only £80—what does that really represent?—This road would become a high road in their possession, and that was a payment to them for incurring the cost of keeping it up. They get the benefit of it as a highway.

2418. I wish to ask one question about this Cork Post Office. It seems to me that almost every mistake that could possibly have been made was made by the Public Works Department in that case. In the first place, they entered into

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into a contract, I understand, for building upon a soil which they knew absolutely nothing whatever about; in the second place, the plans of the building which they proposed to erect upon that site were, apparently, perfectly useless and incorrect; and finally the contract for the iron-work was given to a local contractor, who did not carry out the contract, and it was of a form in which it was really impossible to be sure that it ever would be carried out, and it had no penalty clause in it at all. The total loss due to these mistakes, I understand, was £4,550?—Well, that is not all real loss, because they get value for their money as regards some of it. Part of it is simply a case of under-estimating in the absence of proper information.

2419. There was very great hurry for this work?—It certainly was required in the public interest, and a good deal of pressure was put on the Board of Works locally through Members of Parliament.

2420. And yet I understand there was no precise date nor any exact precision in your contract with the contractor for the iron-work as to the date at which his work was to be completed?—No, his contract was to supply iron-work from time to time at the various stages of the building, when the work under the main contract was sufficiently advanced for it.

2421. He having failed to do that, there was no provision in the contract for any remedy against him?—No. No doubt part of his excuse was that he never knew when things were going to be ready, owing to the irregular progress that was made with the main building.

2422. Do you think that that was a real answer—do you suppose that he was not kept informed as to how the main work was going on?—No, but certainly the Board of Works would have got damages from him if it had been legally possible. The Board of Works were quite satisfied that they would be justified in doing that.

2423. Looking back upon the thing, there was no inherent difficulty in arranging a penalty clause for his contract, was there?—That is what we understood—that we could only impose a penalty if he had a fixed date given to him for the completion of the work. (Mr. Kempe.) Perhaps I may read a portion of the answer which the Board of Works gave to our query: They say: “No date for completion could be fixed, as the progress of the iron-work contract depended upon that of the building contract, and *vice versa*; and it was understood that the relations of the two contractors were such that they would work harmoniously for a rapid execution of the works.” That was the only security, apparently, that was taken.

Sir Robert Hobart.

2424. May I ask whether in the course of your inquiries you learned anything more about the nature of this outside pressure. It has been surmised that it was Parliamentary pressure?—

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I have here a letter from the Board of Works to the Treasury, and in their answer they say: “The site was covered by old buildings, and in consequence of Parliamentary pressure to commence the new works as soon as possible, the Board were unable to adopt the procedure of removing the old buildings before the plans were settled.”

Mr. Hazleton.

2425. (To Mr. Blain.) Could not we have some more information with regard to this alleged Parliamentary pressure?—The thing itself is common enough—I do not think there is any mystery about it. The constituents of a Member tell him to ask why progress is not made with a building in which they are interested, and he puts a question in the House or writes to Ministers. It is a very common occurrence, and I think it is safe to assume that that is what took place in this case.

2426. Nothing more than that?—Nothing more than that.

2427. In the Comptroller and Auditor-General's Report, I notice it is said that “Through an error of the principal draughtsman, since deceased, the amended plans were found to be incorrect as regards the measurements, and had again to be altered.” In settling an important contract such as this, costing over £20,000, would you not think that the measurements ought to be carefully checked by the architect before tenders are called for?—The work of the principal draughtsman would generally be regarded as sufficiently sure, I think.

2428. (To Mr. Kempe.) Is it your view that there ought to be no disallowance in connection with this Item? I think there is no reason for disallowance. There is no reason to suppose that there is any loss, except £1,800. The building will have cost the whole that has been paid, except £1,800, and that £1,800 is lost by the delay. It has all been sanctioned by the Treasury.

2429. The £1,800 in connection with the contract, I gather, is compensation due to delay only?—Yes, that is the only real loss—that is the only sum paid for which there is no return to the public.

2430. But is there not a loss on account of this £4,450?—No, because that, as Mr. Blain has explained, is due to the Estimate having been put at too low a figure. If better plans had been drawn up, the first Estimate should have been higher. (Mr. Blain.) When they did get access to the site, what they found to be necessary, owing to the nature of the sub-soil, was to use “a floating raft of concrete for the whole site, reinforced by steel girders encased.” That appears to have been a very expensive operation.

2431. In regard to this Vote, I see in the Financial Relations Return there is an amount of £23,000 given as general expenditure, and not Irish

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Mr. Hazleton—continued.

Irish expenditure—could you give me information in regard to that £23,000?—It would be mainly expenditure on Military Buildings.

2432. But, if you turn to the particulars on page 134, there are only two Items there in connection with new works, under the head of "Army"—namely, Royal Hospital and Royal Hibernian Military School—are those the only Military establishments in Ireland, the buildings of which are under the control of the Board of Works?—Practically so, I think.

2433. Have the Board of Works nothing to do with the other barracks?—No; those are dealt with out of the Army Votes. But, of course, there is a good deal of expenditure for the Navy here, which would also be classed as "General" in the Financial Relations Return—Coastguard Stations, for instance.

2434. That would account for the whole of it practically, would it?—That is the chief item, I think.

2435. On page 136, under the heading: "New Works and Alterations," I see there is an Item, No. 30, "National Schools Grants for Building, Enlarging, &c.," where the Vote was £20,000, and the expenditure £13,457. In the explanatory observation on the opposite page, it says that: "A much larger amount was spent towards the close of 1905-6 than was anticipated when the Estimate of £20,000 was framed." Does that altogether explain why there was so little spent in this year?—It explains why the Estimate for 1906-7 was larger than it would have been, if the Board of Works had known how much would be spent at the close of 1905-6. Not knowing that this particular expenditure would be carried out before the end of the year, they provided for it in the following year.

2436. Taking the next Item: "Teachers' Residences: Grants for Building," there was a small amount voted of £100, and there was nothing spent—does that mean that there were no claims, or that none were granted?—There may have been none made in the case of that year. The Item is put in to provide for any claims that may arise in the year.

2437. Who decides upon the claims for the Teachers' Residences—what is the procedure in connection with that?—This is the case of the Residences that are vested in the Commissioners of National Education. The claims would have to be approved by them before the Board of Works would pay for the work.

2438. And would they be approved by the Treasury?—In these small cases I do not think they would come to the Treasury. There are 48 of these Residences at present—that is only the Residences that are vested in the Education Commissioners and maintained out of this Vote. This £100 is a nominal sum that is put in every year to provide for any repairs or alterations that may happen to be required.

2439. But this is not repairs; this is "Grants

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for Building"?—Yes, it is structural alterations as well as new buildings.

2440. There is no special fund or allocation outside this for the building of Teachers' Residences?—Not these Residences—there are other Residences that are put up out of Loan, but this Item here of £100 is merely put in to cover any structural alterations,—something more than mere repairs,—that may be required for any of the 48 buildings which are now maintained by this Vote.

2441. I see on the following page, Item 42, there is a Vote of £1,000 for the Post Office at Blackrock, County Dublin: can you give me any information besides that which is contained in the Observations on the opposite page as to the delay in building that Post Office. This has been on the Estimates, I think, for several years. It says in the explanation that the delay was "caused by non-receipt of approval of final plans from G.P.O."?—Yes, I cannot give any more explanation than that. It is not an infrequent occurrence when plans are drawn for a new Post Office either by the Irish Board of Works or the Office of Works in England and sent to the General Post Office for consideration, that questions arise as to alteration required for one purpose or another, and a good deal of controversy goes on among the Departments before it can be settled.

2442. Would not the Treasury have a good deal to say as to the delay?—The Treasury have no objection to the delay.

2443. But as I happen to know, because I come from there, this Post Office is very badly wanted?—That is what they said about the Cork Post Office.

2444. But I think in this case there was no Parliamentary pressure exercised?—That may be why it has not been done.

2445. But do not the plans, as a rule, have to be passed—is there not a good deal of overlap between the Post Office and the Treasury and the Board of Works with reference to the plans and the requirements and the cost—would not that explain the delay?—It would help to explain it; but I do not think over-lapping could be avoided short of making the Post Office their own builders. As a question of policy, it is considered better to have these Works Departments to carry out the building for the various Government Departments, and not to let each Department do its building for itself; still the Department that is to inhabit and use the building must be consulted about the plans. The Treasury only comes in in regard to a question whether the expense is justified in relation to the amount of work that is done. I do not think the delay can be said to lie with the Treasury in any of these cases. Sometimes, of course, the Treasury may say, "We will not pass this, because the expenditure is out of proportion to the work," and that may cause delay.

2446. Then taking Item 62 on the same page, I see there there is an excess of £463 spent in connection with the erection of certain glasshouses—was that work advertised for?—I am afraid I cannot

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cannot say whether the work was done by contract.

2447. Can you tell me whether the work there was done by a Darlington firm?—I have no information as to who carried out the work.

2448. Or whether it was advertised?—No.

2449. Could you get me that information, and as to whether the lowest tender was accepted?—Yes, the information could be obtained.

2450. On page 144, I should like to ask the same question in connection with "New Organ for the Royal Hibernian Military School," could you tell me whether that was advertised, and where it was got?—No, I am afraid I could not.

2451. Could we have that information?—Yes, it could be obtained.

Sir George Kekewich.

2452. The total amount to be surrendered here is a very large percentage of the original Grant—I mean the original Grant is not at all a close estimate, is it?—No.

2453. Do you at the Treasury call the attention of the Departments to that to see if they cannot get the Estimate a little closer, so that they may not have so much to return to the Exchequer?—The Treasury are always ready to take advantage, where there has been an over-estimate, to try and get the Estimate down next year.

2454. As a matter of fact, did the Treasury call the attention of the authorities to this particular case?—I think the fact that they had to surrender so much in the last completed year would be taken into account in discussing what the Board of Works Estimate for the year now about to commence is.

2455. May I take it, the Treasury will call the attention of the authorities to the over-estimate, if the over-estimates continue?—Certainly.

2456. The over-estimate has been caused very largely by these amounts of unexpected balances. In many cases the work does not seem to have been begun at all, or touched?—That happens in some cases.

2457. But here there are a great number of such cases. For instance, in the case of the additional accommodation for the Land Commission, there is a Grant of £7,000, and that is untouched?—Yes.

2458. Surely those who estimate for this expenditure ought to know beforehand better what they will require in the year. This £7,000 could not have been expended in a day?—That is the case of a Department which has overflowed its existing buildings, and has to have temporary accommodation hired for it outside. A scheme had been drawn up to cost £7,000, to extend the permanent accommodation of the Land Commission, and Parliament was asked to vote the money for the purpose. But after Parliament had voted the money, it was found that there was serious doubt whether a bigger scheme altogether would not be necessary, to enable the Commission

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to keep pace with their work. It was owing to that question arising, and being discussed between the Board of Works, the Land Commission, the Irish Office and the Treasury, that nothing could be done at all to carry out the scheme during this year.

2459. But still you admit in all these cases, that there is something wrong?—Something short of perfection.

2460. And you will try your best to attain perfection?—Yes.

2461. Adding them up, I think those unexpended Grants come to very nearly as much as the total amount to be surrendered, so that all the expenditure might have been taken out of the Grants; less the excess on the over-expenditure; that is so, is it not?—Yes, I think that follows.

2462. But that is not all the over-expenditure—there are a number of Items placed under the head of "Urgent and Unforeseen Works"—I want to know who sanctions the expenditure for these urgent and unforeseen works?—In nearly every case the authority of the Treasury is quoted here, as being the authority in these cases.

2463. Would it sanction such a matter as concreting the farm-yard at the Viceregal Lodge. That, I suppose, had gone without concreting for a good many years, and then it becomes an urgent and unforeseen work?—That is small work. I see Treasury authority was obtained for that particular work. Provision is made for urgent works in order that, where necessary, a work may be carried out during the year.

2464. There is a provision of £3,000 for urgent and unforeseen works, but these urgent and unforeseen works come to a good deal more; they come to £1,000 in excess?—Yes.

2465. What I want to know is this: Are none of these urgent and unforeseen works undertaken without the consent of the Treasury?—There are small cases which may be.

2466. Have you any limitation?—I think the limit is £100—that is an estimated cost of £100.

2467. I see, for instance, an Item of Guest-rooms in the Under-Secretary's Lodge, £101 15s. 4d. Would they go to the Treasury for sanction for that?—Yes, if that was the estimated cost.

2468. But there is no estimate in this case—it is unforeseen expenditure?—Yes, but there is an estimate made for all these works.

2469. There is an estimate sent to the Treasury, but there is none given here, because it is an urgent and unforeseen work, and therefore there can be no estimate?—That work was sanctioned by the Treasury—it was estimated to cost £114.

Mr. Brigg.

2470. I would like to emphasise what some Members of the Committee have said as regards the careless estimates of this particular Department. There seems to be a large number of applications for Post Offices; there is about £17,300 applied for

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for and £15,000 not used—surely there must be some mistakes there in the idea as to what is going to be required?—It does not always mean that a work is not needed because it does not get done in the year—it only means that the plans cannot be settled by agreement between the Departments as early as was expected.

2471. It seems odd that as regards 10 out of 12 items there should be practically no expenditure whatever. It seems very odd that there should be so many accidental circumstances occurring in 10 cases out of 12?—Those cases are all explained by the Accounting Officers here.

2472. I see they are explained or at any rate excused, but what I want to ask is this: In many of the explanations that are given it says, "Provision in 1907-8"—does that mean that part of this money will be re-provided for this purpose?—Yes, it has been already in 1907-8.

2473. Has it been taken out of the same Grant?—It has been re-voted by Parliament in the following year.

2474. And the work will be continued in 1907-8?—Yes.

ON VOTE 15.

RAILWAYS, IRELAND.

*Chairman.*

2475. The net surplus comes to £3,665 6s. 2d. Have you any explanation to give of that?—It chiefly arises—in fact, it all arises—under Sub-head A, "Repayments to County Councils (Tramways and Public Companies Act, 1883)." The railway companies are entitled to get a certain part of their expenditure made up under the guarantee given by the Board of Works, but payments are only made when they apply for them, and they do not always apply for as much as they could claim for in the financial year.

MARINE WORKS.

Mr. *Bowles.*

2476. I see by the Comptroller and Auditor-General's Report that a balance of £164 remains in connection with six works, in respect of which no certificate had then been granted, and that those works are still under the consideration of the Government. Is there any likelihood of some end being reached to that consideration?—I am afraid they have been under consideration for a very long time. I suppose the Lord-Lieutenant would probably not be prepared to dismiss them until he has allocated all the money that he has available.

2477. It is a small amount, but, apparently, it has been going on for a very long time, and it seems desirable that it should be concluded?—The Treasury have asked about it once or twice.

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Mr. *Bowles*—continued.

I think that is really the explanation; that the Lord-Lieutenant would not wish to rule out a work absolutely, so long as he has not allocated all the money under the Act.

Mr. *Hazleton.*

2478. Does that mean that those contributions to the railway companies that were not applied for have been lost altogether to the railway companies?—No; they sometimes apply for three half-year payments in one year, and in another year for only one. Probably the reason is that their accounts are not made up quite in time to enable them to apply.

2479. Then they might have five or six payments in one year?—Yes, certainly more than two half-yearly payments. There is one case referred to there, the case of Ballinascorthy, where they got two half-years paid in this year, but three others had been paid at the end of the previous year, which are provided for in this year.

CLASS II.

ON VOTE 32.

HOUSEHOLD OF THE LORD-LIEUTENANT OF  
IRELAND.

*Sir Robert Hobart.*

2480. (To Mr. *Blain.*) Under Sub-head A "Salaries, Household," is the salary of the Ulster King-at-Arms taken in that sum of money?—There is a small allowance to him included in addition to his salary, which is borne on the Miscellaneous Expenses Vote, in Class VII.

2481. Is he paid by fees?—No, he is paid by salary.

2482. Entirely?—Yes.

2483. What did you say about his salary?—His salary is borne on the Miscellaneous Expenses Vote in Class VII., but he gets a small allowance from the Lord-Lieutenant for duties discharged, of £50, which is being paid out of the Lord-Lieutenant's Vote this year, but was not paid in the year 1906-7.

2484. You allude to Class VII., Vote 2, "Miscellaneous Expenses," on page 551, do you not—"Extra Remuneration, Ulster King-at-Arms," &c.?—Yes.

ON VOTE 33.

CHIEF SECRETARY FOR IRELAND.

*Chairman.*

2485. What explanation have you to offer in reply to the criticisms of the Comptroller and Auditor-General, as to certain charges which should naturally have fallen upon the Post Office falling upon this Department, namely, £358 1s. 6d., for collecting and delivering mail bags between the

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## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

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*continued.**Chairman—continued.*

the General Post Office, Dublin, the Castle and the Phoenix Park Lodges?—The service was performed by the Post Office until, I think, about 10 years ago, when the arrival of the Mail in Dublin was expedited, and the Lord-Lieutenant, who was then in office, asked to have his letters delivered to him at the Phoenix Park as early as they could be, I think half-past 7, while his predecessors had their letters at 9. The Post Office said that they could not undertake to send out specially to deliver at that distance at that time of day, and so the Treasury authorised the Chief Secretary's Office to perform the service by their own messengers.

2486. And how long has this been going on?—I think about 10 years—yes, since 1899.

*Mr. Leif Jones.*

2487. It seems a very great deal of money for the purpose?—I do not know that that would be the case if the Post Office had to arrange specially to have the service carried out.

2488. £358 a year for a single mail. Is it one delivery a day?—I am not sure how much is included in this sum of £358. (Mr. Kempe.) There are three deliveries a day.

2489. (To Mr. Blain.) Do I rightly understand that we have to pay for the whole of the delivery of letters to the Castle and to the Phoenix Park Lodges, and does the Post Office not bear any part of the expense of the delivery? Your explanation, as I understood it, was, that it was in order that the letters might arrive at 7.30 in the morning, instead of at 9 o'clock?—Yes.

2490. That does not apply throughout the day; apparently it would apply to only one delivery?—That early morning delivery is the only case that came before the Treasury.

2491. (To Mr. Kempe.) Apparently, from what Mr. Blain tells me, it is one delivery in the day, early in the morning, according to the information given to the Treasury with regard to this matter?—Papers that I have show that there are three deliveries in every day; it is expediting all three; there is one in the morning, at 6.45, one at 11.30, and another at 5.40.

2492. (To Mr. Blain.) How many men are employed on this work?—The Treasury have information about two messengers of the Chief Secretary's Office in the case that was before us for taking this early morning delivery in turn.

2493. But two messengers for one delivery a day would not cost £358, would it?—This is not the cost of the messengers at all; it is the hire of public cars to carry them.

2494. It does not include the wages of the men?—No, it does not include the wages of the men; the Treasury sanctioned special allowances to these men, which are not included in this money.

2495. Will the Treasury look into this matter?—I think, perhaps, it would be as well. I did raise the question with the Accounting Officer of

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

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the Vote, and he said that he thought the time had arrived for having a motor-car.

2496. You observe that the explanation given by you does not tally with that offered to us by Mr. Kempe?—It does not cover the same ground, I admit.

2497. Then I may take it that the matter will be looked into in spite of the threat of a motor-car?—Yes.

*Mr. Bowles.*

2498. As I understand, you do not exactly know what are the services for which we paid this £358 ls. 6d. in 1906-7. It cannot be for expediting one early morning delivery—£1 a day for that?—No; this sum apparently covers collecting and delivering the mail bags at morning, mid-day, afternoon and evening; but when the Comptroller and Auditor-General questioned the arrangement and enquired whether authority had been given, the Treasury authority was only for paying additional allowances to these two messengers for doing the early morning delivery.

2499. If that is so, does it not amount to this—that, except so far as that small service which the Treasury has sanctioned is concerned, this payment is irregular?—No; the Post Office has finished its duty when it has delivered its letters for the Lord-Lieutenant or the Chief Secretary at Dublin Castle. It is quite competent for the Chief Secretary's Office to arrange to carry them to the Lodges in Phoenix Park by their own messengers. If the Post Office could conveniently do it, no doubt if they were told that letters arriving by the mid-day mail should go direct to Phoenix Park, and letters arriving by the afternoon mail should go to the Castle, they would carry out any such instruction; but if it depends upon the movements of the Lord-Lieutenant, if sometimes he wants the mail at one place and sometimes at another, it is probably more convenient that the Post Office should deliver them all at the Castle, and that the Castle authorities should send them on to wherever the Lord-Lieutenant may be.

2500. Then, as I understand, although the General Post Office at Dublin would be ready and indeed bound to deliver the mails in the ordinary way at the Castle and Lodges, for the convenience of the Lord-Lieutenant and the Government generally, a special service is instituted between the Castle and the Post Office, and that runs every day?—I feel no doubt that that is the case. Whether the Lord-Lieutenant's letters are addressed to him at the Castle or at the Lodge, he will have them delivered to him wherever he may be.

2501. By a special service?—Yes, certainly.

2502. And the cost of that service is £358 this year. I should like to know whether that service has ever received Treasury sanction?—I do not think it is necessary. The only thing that was necessary was Treasury sanction to pay the additional



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*continued.*

Mr. Boules—continued.

additional allowances to two messengers for doing part of the work. That does not come into this sum at all.

2503. (To Mr. Kempe.) Were you satisfied with the explanation that was offered to you about this expenditure of £358?—I was not satisfied that the service ought not to have been done much more cheaply, whether, for instance, a man, horse and cart might not be kept to deliver the mail every day, at much less cost. (Mr. Blain.) They prefer a motor-car.

Sir Robert Hobart.

2504. Are these mail bags made up in London, or in transit for the Castle and Phoenix Park Lodges; are they separate mail bags?—They would be in bags for the Lord-Lieutenant or Chief Secretary, as the case may be, made up at the Dublin Post Office.

2505. The letters themselves do not pass through the hands of the Post Office officials, only the bags?—I have no doubt that bags are sent from the Irish Office in London direct to the Lord-Lieutenant or the Chief Secretary, and would not be opened in the Post Office at all; but letters that come singly to the Post Office in Dublin would be put in bags at the Post Office there to be sent to the Lord-Lieutenant or the Chief Secretary, as the case may be.

2506. Is there any check kept upon this car hire; that is to say, are the messengers that you mention allowed to take a car and keep it waiting, and so forth, and charge whatever they think proper, or is there a contract for taking them out?—No, these are cars hired off the street, I think.

2507. But some sort of arrangement of contract would be very much cheaper, would it not? I daresay you will inquire into it?—Yes, I think it ought to be inquired into.

Mr. Hazleton.

2508. Why are the charges for Inspectors of Lunatic Asylums under this Vote for the Chief Secretary?—There is no other Vote to which they would be more appropriate, I think.

2509. Is this the only Imperial charge for lunatic asylums outside Great Britain?—Yes, it is the only charge on the Votes.

2510. Why should it not go into the Miscellaneous Expenditure instead of coming under this Vote?—That arrangement was made 40 years ago. Until 1868-9 there was a general Vote for Lunacy Commissioners for all the three countries; then it was thought desirable to separate the provisions, and separate Votes were instituted for England and for Scotland; but the Irish provision was put on the Chief Secretary's Vote at that time, and has been there ever since.

2511. I suppose it is not a matter of any consequence?—I do not think it is of much consequence.

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On Vote 33—Chief Secretary for Ireland—  
*continued.*

Mr. Hazleton—continued.

If you had a separate Vote the Chief Secretary would still be the Minister responsible for it. I cannot think it would make much difference.

Sir George Kekewich.

2512. Can you tell me why expenses under the Inebriates Acts, Sub-head D, are under this Vote for the Chief Secretary's Offices? Has he to do with the Inebriates Acts in his special Office?—Yes; it is the same in Scotland. In England it is done by the Home Office; in Scotland it is done by the Secretary for Scotland's Office; and in Ireland it is done by the Chief Secretary's Office.

2513. But there must be a number of other matters which might be included in the same way, and this seems to be specially picked out and placed under the head of the Chief Secretary's Offices. Why were the expenses of the Inebriates Acts picked out as a special matter to be put under the Chief Secretary's Offices?—There are others, but the reason is to keep as closely as possible to the analogy of England, I think. In England it is the duty of the Home Secretary; and both in Scotland and in Ireland duties which are performed in England by the Home Secretary are carried out by the Secretary for Scotland and the Chief Secretary for Ireland respectively.

2514. In England and Scotland this comes under the Home Office Account?—In England under the Home Office; and in Scotland under the Secretary for Scotland's Office.

2515. In England it comes under the Home Office Account?—Yes.

2516. But, I imagine, under a separate sub-heading?—Yes.

2517. Under Sub-head B, the travelling is considerable. That, of course, is explained by the autumn sittings of Parliament; but the travelling, I suppose, is that of the Chief Secretary and his officers simply between England and Ireland?—Chiefly that. The Chief Secretary does not draw travelling expenses for coming over here.

2518. He does not draw any expenses for placing himself at the place where he discharges his business?—No, not for travelling between Dublin and London; but when he travels in Ireland on business he does charge expenses.

2519. But his place of business is Dublin?—And London.

2520. He has to be at one or other, and he cannot charge for any journey between the two?—No.

2521. This charge is for travelling in Ireland?—So far as the Chief Secretary and his officers are concerned; but there are other officers who come from the Irish Office in Dublin to the Irish Office in London.

Mr. Brigg.

2522. (To Mr. Kempe.) With regard to the Items put down under "Extra Remuneration," I suppose you have had some accounts remitted to you, showing the purpose for which that extra remuneration was given. Are you satisfied that

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 33—Chief Secretary for Ireland—  
*continued.*

Mr. Brigg—continued.

it was extra work that deserved to be paid for?—We only know that certain payments have been made and properly vouched. We cannot answer for the nature of the work, whether the work was worth the money.

2523. It merely comes to you as a charge from the Office?—Yes, and the Department note it upon their Vote Account.

2524. And as long as the Office says that it has been paid, you pass it?—Paid and properly vouched, yes.

Mr. Leif Jones.

2525. (To Mr. Blain.) Under Sub-head D, "Expenses under the Inebriates Acts," I see the expenditure was £51 17s. 0d. Was that the whole expenditure under the Inebriates Acts in Ireland that year?—Yes, the whole in that year.

2526. That was the beginning of it in Ireland, I think?—That was the beginning.

2527. Do you happen to know what the expenditure is now in this year's Estimates?—I can say what sum is provided for it this year—£650.

2528. How many Inebriates' Homes are there in Ireland for which we are making payment?—The sum that is provided in the present year is for grants to St. Patrick's Home, Waterford—only one.

2529. Still only one?—That is the only one provided for in the Estimates for 1907-8.

2530. Then it would be the only one, would it not?—I cannot say whether there will be any more in next year's Estimate; I have not got the information here.

2531. But these are statutory payments made at so much per head for inmates in Inebriates' Homes?—Yes, the grant is on a scale approved by the Treasury.

## ON VOTE 34.

DEPARTMENT OF AGRICULTURE AND TECHNICAL  
INSTRUCTION, IRELAND.

Chairman.

2532. What is the explanation of this net surplus of £3,000?—It is a very small surplus in proportion to the amount of the Vote; it is spread over a good many sub-heads.

Mr. Leif Jones.

2533. (To Mr. Kempe.) With reference to the Endowment Fund, do you audit the accounts of that Fund?—We audit everything that is in this Account.

2534. (To Mr. Blain.) Can you tell me what are the village halls for the erection of which loans, I see, were made on page 271, the sixth Item, under "Nature of Loans"?—I am afraid I cannot answer about the details of this expenditure.

2535. Are they what we should call parish halls in this country?—I am afraid I do not know.

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 34—Department of Agriculture and  
Technical Instruction, Ireland—*continued.*

Mr. Leif Jones—continued.

This expenditure of the Endowment Fund does not come under the Treasury at all, and I am not able to say.

2536. Then I see that the guarantors for the repayment of the loan to the Cavan Creameries Company were let off a sum of £350, with interest, written off as irrecoverable. Who were these guarantors? Perhaps Mr. Kempe knows, if you do not. (To Mr. Kempe.) Do you happen to know who were these guarantors who are referred to in regard to the Creameries Company loan of £700?—I am afraid I do not.

2537. The amount was remitted. (To Mr. Blain.) Was it remitted by the Treasury?—No, it does not come before the Treasury at all; we have no control over this Endowment Fund.

2538. I see that it is stated that it was remitted with the concurrence of the Agricultural Board. What is that Board?—That is the Board that advises the Department of Agriculture.

2539. It was remitted by the Department with the concurrence of the Board?—Of their own Agricultural Board.

2540. I should like to have known who these guarantors were?—Probably it is explained in the Annual Report of the Department, but I am afraid I have not got the information. (Mr. Kempe.) The scheme appears to have been started by private people. I do not know who they are.

2541. That was the reason for this generosity at the public expense to those who had started an unsound scheme, apparently. No doubt it was a very desirable scheme, but it turned out to be a loss, and I do not know why they should have been let off?—(Mr. Blain.) I am afraid I cannot give you any information.

Mr. Bowles.

2542. Do I rightly understand that the Treasury has nothing at all to do with this Endowment Fund?—That is so; the Fund is vested in the Department of Agriculture by Statute for specific purposes.

2543. But supposing there was any question of the administration of it, how, for instance, would this Committee obtain the necessary information. I suppose we should have to send for the Accounting Officer?—Yes, that was done a year or two ago by the Committee.

2544. But short of that, the Treasury really know nothing about it; the Fund is handed over and the Treasury has nothing further to do with it?—I can, of course, ascertain from the Department, and let you know at a later date.

Mr. Parker.

2545. On the question of extra remuneration again, in which I am interested, are all these persons referred to on page 267 permanently employed by the Department?—Yes, they are all permanently employed.

2546. Is

27 March, 1908.]

Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 34—Department of Agriculture and  
Technical Instruction, Ireland—*continued.*

Mr. Parker—*continued.*

2546. Is this work done outside their own day working hours?—Yes, all these payments would be for work outside their ordinary hours.

Mr. Hazleton.

2547. Referring to the Sub-head G, under "Institutions of Science and Art," there are a number of grants-in-aid; are those fixed by Statute?—No.

2548. But they are permanent?—Yes, they are fixed by agreement between the Treasury and the Irish Government, and are intended to be permanent, but they are subject to revision when necessity arises.

2549. In regard to the gratuity for special services in connection with the Irish Exhibit at the St. Louis Exhibition paid to a Mr. Lee, as stated on page 267, why was that only paid now; was not that Exhibition over a long time ago?—This would be paid in 1906.

2550. What was the date of that Exhibition?—I think 1904. The final account of the British Commission for the Exhibition itself is in this volume.

ON VOTE 35.

CHARITABLE DONATIONS AND BEQUESTS OFFICE,  
IRELAND.

No Questions.

ON VOTE 36.

LOCAL GOVERNMENT BOARD, IRELAND.

Chairman.

2551. (To Mr. Blain.): I see there is a question in connection with the Castletlake (Cashel Union) Workhouse rent which has appeared from time to time. Have arrangements yet been made for terminating that?—It has not been finally carried out yet. The Local Government Board are in communication with the owner of the head rent with a view to arranging terms of commutation; but it turned out in the course of their negotiations that there are other interests besides that of Sir James Matthew, who is the rent-charger, and I understand that negotiations are going on between all the parties about it now.

Mr. Leif Jones.

2552. Is there any prospect of the end of these negotiations?—I think so, from what we have heard from the Local Government Board.

2553. You do not know at all what the terms of arrangement are likely to be?—No, I cannot say that, but we have had information about it.

2554. It is perhaps better not to say?—No doubt.

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 36—Local Government Board, Ireland—*continued.*

Mr. Bowles.

2555. At the bottom of page 283 there is a note that I do not quite understand—"Mr. J. F. Owens, Second Division Clerk, received, in addition, sums amounting to £2 10s. 10d. from certain of the Board's Inspectors for addressing and issuing Notices of Inquiries to be held by them under the Labourers Acts." Do these Inspectors pay for this work themselves? What is the real meaning of that?—Those expenses are recoverable from the local authorities afterwards; they come in under the head of Appropriations-in-Aid.

2556. But in the meantime they are, so to speak, advanced on behalf of the local authorities by the Inspectors, are they?—Yes, Sub-head F of the Vote "Inquiries" covers the cost of inquiries, which would include sending out these notices.

2557. It seems rather a questionable system, does it not, that the Board's Inspectors should make payments?—Out of what moneys are these payments made?—Out of money under Sub-head F. I think they could employ anybody to do this work for them, and in some cases they have employed a clerk in the Board out of his office hours to do the work for them.

2558. Is that a common practice?—I think I have seen a similar note on the Account before.

Mr. Parker.

2559. Could you give me any idea as to what was the salary of this individual, Mr. Bourke, that I find on page 283, before he receives this £268 16s. for extra remuneration?—£500 to £700 is the scale for the Inspectors.

2560. Then will this be additional, and will the work done be done outside the hours for which he is paid £500 to £600, whatever the amount may be?—This is paid to him for acting in a higher capacity than his own,—for acting in the place of one of the Commissioners.

2561. And who does his own work while he is acting in that capacity? I do not want to waste the time of the Committee with regard to this question of extra remuneration, but there is so much of it throughout the whole Account that I think attention ought to be brought to it?—The case there is simply that one of the higher offices of the Board is vacant, and that an officer of lower rank does the duty and gets extra pay for doing higher work than his salary covers, and probably somebody else is getting extra pay for doing his work.

2562. I notice down below an Item: "G. A. Mahon, Senior Assistant to Senior Clerk," who receives £200 in extra remuneration for being "Secretary to the Poor Law Reform (Ireland) Commission." I quite understand that that would be higher work, and I quite understand that it would take him away from his own work: but does the Department in addition to paying him his salary for his own work also pay the man who is doing his work at the time when he is acting as Secretary to this Commission?—In this case I think

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it

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 36—Local Government Board, Ireland—  
*continued.*

Mr. Parker—continued.

it was not necessary to appoint anybody specially to take his place: he was able to keep his work going, with some assistance from his colleagues, during the time that he was absent on the work of the Royal Commission. But this Committee has often had this question before it; and circumstances differ with nearly every Royal Commission. In some cases a man can take on the Secretaryship of a Royal Commission and do all his work as well, doing it mostly in overtime. In other cases he is assisted voluntarily by his colleagues in the office, who take on more work to help him do the extra work for which he gets extra pay. In other cases substitutes have to be appointed.

2563. Does that suggest—I speak with all deference as a new Member of the Committee—that the ordinary work of these men is not a day's work—that it is rather a soft job if their colleagues can take on and do their work while they are drawing salaries for other work?—If their whole time was given to this other work that they are doing, that would be true; but, generally speaking, a man can take on work of this kind, and do the great bulk of his ordinary work as well.

2564. There are other small amounts here with respect to other clerks, varying from £23 to £60—£12, £10, and so forth. This item, I take it, in most cases is overtime work, or work that is supposed to be overtime work, apart from their ordinary duty. I asked the question last week in regard to another Department. As there are hundreds of young fellows trying to get into the Civil Service, who have passed their examinations, would it not be possible, by adding to the Department (I note that this extra remuneration continually recurs), to stop this kind of thing, by appointing men who are already seeking work in the offices of the State?—That is done constantly. If the work of a Department is growing, the general course of things is that for a few years you may have a good deal of overtime work, and that when the Treasury find that that is going on persistently, they sanction an addition to the Establishment, and then the overtime item disappears. Then, if the work continues to grow, you get more overtime, and then when it comes to be permanent, the question of increasing the Establishment is considered. But as a question of policy, it is not considered desirable to increase permanent establishments until you are quite certain that there is a permanent addition to the amount of work to be done.

2565. You do not think it is at all a general thing for this kind of work to be made for men, to make it easy for this extra remuneration to creep in?—Every precaution that can be taken is taken to prevent that, I am sure.

Mr. Hazleton.

2566. On page 283, under "Explanation of the causes of variation between Expenditure and Grant," the excess under Sub-head A is partly

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 36—Local Government Board, Ireland—  
*continued.*

Mr. Hazleton—continued.

accounted for by the fact that the maximum salary was granted to the Secretary of the Local Government Board. Could you say why that maximum salary was granted to the Secretary? Is it not a fact that he was only very recently appointed?—He was appointed, I think, in 1905.

2567. Could you tell me the rule in connection with the way in which the salary is paid—is it fixed?—The scale of salary is the ordinary scale, rising from £800 to £900, after five years' service; he is not supposed to be increased to £900 until he has served five years.

2568. He starts at £800?—Yes. In the case of the present Secretary, he was raised to the maximum before he had completed five years.

2569. Can you tell me why that was done?—I am afraid I cannot. I think it probably was on account of the length of service he had rendered in other capacities before. It was a special decision.

2570. Is not that rather a bad practice?—There do occasionally arise cases in which it is necessary to adjust the ordinary rules to suit individual cases.

2571. Who would have made the rule in the original case?—The general scale of salary is prescribed by the Treasury—that anybody appointed to the office of Secretary should receive a salary of £800, rising to £900 after he has been there five years.

2572. He cannot go beyond £900?—Not without special sanction; but it does occasionally happen that a man is appointed to a post with a scale like that, and the Department makes out exceptional circumstances in his case, why he should be allowed the maximum salary before he has completed the period.

2573. The Treasury have to sanction this increase?—Yes, it cannot be done without.

2574. Can you not tell me the grounds of this increase?—I have not got that information; I could find it for the honourable Member.

2575. I notice that there are increased salaries to temporary Inspectors given also in the explanation of the excess under that Sub-head. Could you say why those increased salaries have been given; what temporary Inspectors are those; are they under the Labourers Act?—There are two additional temporary Inspectors appointed under the Labourers Act.

2577. But this is increased salaries to temporary Inspectors?—Yes; it was in connection with the Labourers Act, too, that the salaries of these other Inspectors were raised in 1906.

2578. Was not the Labourers Act only passed in 1906?—Yes, in 1906.

2579. Then, how are increased salaries paid to temporary Inspectors on first appointment?—They had a good deal more work to do after the passing of the new Act, as there were so many more schemes for labourers' cottages to be considered.

2580. It

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 36—Local Government Board, Ireland—  
*continued.*

*Sir George Kekewich.*

2580. It seems to me that the sums which are included in these Estimates for extra remuneration are increasing very largely year by year both on this Vote and on other Votes. Is the Treasury more facile in allowing these increased remunerations than it has been in former days?—No; if you take the case of this Vote they are mostly cases of over-time employment.

2581. Examiners is a common thing. Do you take men out of one office and get them to examine for another?—I do not know that there is any growth in that, except in so far as there may be a greater number of examinations being carried on by the Government.

2582. In every one of these cases of extra remuneration the Treasury sanction is obtained, I suppose?—Not for payments merely in the nature of overtime.

2583. But in other cases?—It would not necessarily be obtained in the case of a payment for a Government officer conducting an examination if the scale of fee to be paid to such Examiners has been settled by the Treasury. It would not be required for paying the salary to one man rather than another.

2584. Provided that he was not withdrawn from his duties?—Certainly.

2585. That I suppose is essential. If he is withdrawn from his duties at all Treasury sanction would be required, would it not?—Yes, but I do not think that in any of these cases of examination work there is any idea of its interfering with his ordinary duties.

2586. But the Treasury do make inquiries in all these cases except in the case of overtime?—Not necessarily in a case of that kind.

2587. We get a great many cases in this Account not only of extra remuneration but "Maximum Salary granted to Secretary," "Increased salaries to temporary Inspectors," "Gratuities to certain members of the Staff for increased work resulting from the transfer of other members of the office for duty in connection with the Poor Law Reform Commission." In all cases where they obtain remuneration in excess of their salaries or where there is a deviation from their salaries—that is to say, an excess of public money is paid over their ordinary salaries, I should have thought the sanction of the Treasury was required?—The sanction of the Treasury was obtained in every one of those cases.

2588. It was obtained in all the cases referred to under Sub-head A?—Yes.

2589. I only want to ask one more question here. I see under Sub-head G, "Expenses in connection with gratuitous supply of vaccine lymph," the explanation is that the saving is due to the absence of small-pox. You do not vaccinate because small-pox is there; you vaccinate as a prophylactic, I have always heard. How can that be the explanation?—There is a great deal more demand for vaccination when small-pox is about.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7  
On Vote 36—Local Government Board, Ireland—  
*continued.*

*Sir George Kekewich—continued.*

2590. You put it down to that cause, that there is not the same demand?—Yes, that is the explanation.

*Mr. Brigg.*

2591. Is there any reason why stamps that are received under this head which would otherwise go to the Inland Revenue Department should not be credited to this Account. It seems to me that they are simply cross-entries?—That question was before this Committee about 10 years ago or more, and it was decided after a great deal of consideration that Stamp receipts should not be appropriated in Aid of Votes. It is only when the Department actually receives the cash that it can appropriate it in Aid of its Vote. If a fee is paid in the shape of a stamp, the Department never receives the money: the Revenue Department that issues the stamp gets the money.

2592. There are no corresponding fees received by the Inland Revenue Department, I take it?—Those fees are paid direct into the Exchequer, and come in as Miscellaneous Revenue into the Exchequer.

2593. They are paid for a different purpose?—Yes.

ON VOTE 37.

PUBLIC RECORD OFFICE, IRELAND.†

No questions.

ON VOTE 38.

PUBLIC WORKS OFFICE, IRELAND.

"IRISH CHURCH FUND LOANS."

*Chairman.*

2594. Can you explain this Item about the amount of arrears outstanding upon the Irish Church Fund Loans, of £12,273?—It is a reduced amount, it has been reduced by nearly £2,000 in the course of the year. It is an inevitable incident, with so many loans as the Board have outstanding, that a few of them are in arrear.

"MISCELLANEOUS SERVICES."

*Mr. Bowles.*

2595. I should like to ask you about this remarkable story of this Glasgow shipping firm and Galway Harbour. Apparently it took 21 years to settle this matter of their claim for damages. An Execution Order obtained in 1885 for £5,000 was settled 21 years afterwards by the payment of £2,000?—The Government interfered to prevent it being settled any sooner. The Government had a prior claim as creditors against this Galway Harbour

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[Continued.]

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On Vote 38—"Miscellaneous Services"—*continued.*

Mr. Bowles—*continued.*

Harbour to that of this shipping firm; and in order to prevent the shipping firm from seizing the harbour, which was the security for the Government loan, the Government stepped in and seized it themselves.

2596. Still it seems rather a long time?—The Government were not prepared to pay anything to this firm unless they could be sure that there would be assets available.

2597. That is the point I was coming to?—Then when the firm were prepared to come down and accept a sum of £2,000 to settle their claim, which was nominally for £6,000, it was thought a good enough bargain to get rid of this liability on those terms. There was no likelihood that the firm would ever have been able to get any more.

2598. I do not quite see, even so, why it was a good bargain; because of the liability being one which the Government could always estop—could always stand in the way of?—Only by putting a Receiver in charge of the harbour undertaking. Having got this claim out of the way, the Board of Works, I think, will probably be able to let the harbour manage itself.

2599. You think so?—I hope so.

2600. That is the expectation of the Department?—Yes.

ON VOTE 39.

REGISTRAR-GENERAL'S OFFICE, IRELAND.?

Mr. Leif Jones.

2601. I see this extra remuneration recurs on page 294; I do not quite understand one item, "Michael G. Dowling, Second Division Clerk, task work £11 2s. 6d.; overtime, £15 15s." How are these sums calculated?—The task work means piece-work; sometimes they have to get out returns which are paid for by the number.

2602. You mean that they do that at home in their own time?—Yes, this is all extra work outside official hours.

2603. What is the "extra time," then, as is different from that?—That is work that cannot be paid for by the quantity, and has to be paid for by the time occupied.

2604. That is to say, that the two sums refer to different bits of work?—Yes.

2605. Some is piece-work, and the other time-work done out of ordinary hours?—It is all done out of ordinary hours.

ON VOTE 40.

VALUATION AND BOUNDARY SURVEY, IRELAND.

No Questions.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class III.—On Vote 10—Law Charges and Courts of Law, Scotland—*continued.*

CLASS III.

ON VOTE 10.

LAW CHARGES AND COURTS OF LAW, SCOTLAND.

Mr. Brigg.

2606. (To Mr. Kempe.) I see in your Report on a local test examination carried out by an officer in your Department in various places, you state: "The results were generally satisfactory." That is rather a vague term; does it mean that they were not satisfactory, or that they were satisfactory?—In the course of the examination we occasionally have questions that we discuss, and on which we raise points, but they have all been settled. I could not very well say that the whole account was satisfactory when that has taken place.

2607. Some of the results were satisfactory?—On the whole the results were satisfactory.

ON VOTE 11.

REGISTER HOUSE, EDINBURGH.

No Questions.

ON VOTE 12.

CROFTERS' COMMISSION.

No Questions.

ON VOTE 13.

PRISONS, SCOTLAND.

Mr. Leif Jones.

2608. (To Mr. Blain.) In the Abstract Statement of the Manufactory Accounts, on page 351, I see on the manufacture of prison goods a net profit is declared of £6,489; is that so?—Yes.

2609. How real is that profit; what do you take into account in it? For instance, "Farm and gardening," on which we are said to make £148 11s., I suppose there is no rent included there?—No.

2610. And no interest on the capital?—No.

2611. And no payments for labour?—No.

2612. So that "profit" is a word which no private person could apply?—That only means excess of receipts over expenditure.

2613. Taking that total of £6,489, are you able to estimate at all whether that would represent anything like a profit if you did pay interest, rent and labour for these industries on the whole of the manufacturing operations. The total net profit shown is £6,489 13s. 10d. Considering the capital invested and the rental that you might have

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 13—Prisons, Scotland—*continued.*

Mr. *Leif Jones*—*continued.*

have to pay for the land and the cost of labour at fair wages, would that represent any surplus?—You have also got to allow for the fact that they are very restricted in their operations—they must not compete with private trades, at least not with those that are likely to make an outcry.

2614. Anyhow, you have never attempted to estimate it on that basis?—I do not think that it would be of any practical use.

2615. I am not sure that it would not. This is a point that I have been urging in this Committee for some time really on the various Departments?—The only question is whether it is better than not carrying on the manufactory at all; that is the only practical point.

2616. That is one of the questions that one might ask; I do not think it is the only one. I should like to submit to the various Government Departments the desirability of knowing the exact position in regard to these things—how they compare as a matter of fact with what it would be if the work were a private enterprise?—I think that most of their produce is sold at fancy rates to other Government Departments; I mean, rates which are not necessarily those that a private manufacturer would charge?

2617. Cheaper or dearer?—(Mr. *Gibson.*) They charge a little over cost price.

2618. (To Mr. *Blain.*) What is the cost price?—In this case it appears to be so good as to yield a profit of £6,000 a year, that is the excess of receipts over payments to that amount.

Mr. *Brigg.*

2619. Do you know why the English prisons have had all the manufacturing work abolished, while this is allowed to continue?—It is not abolished in English prisons.

2620. I am afraid it is, at least in our case, at any rate. We had a sewage farm which paid its way, and we were obliged to give it up?—The Manufacturing Account of English Prisons is shown on page 330, under the English Prisons Vote.

Mr. *Leif Jones.*

2621. Is the cost price to which you refer anything except the cost of materials, then?—It must be more than that, or else there would not be any profit at all.

2623. I still have some difficulty in understanding, even now, what is the exact meaning of this net profit. As I understand it, these goods are sold to other departments at cost price?—(Mr. *Gibson.*) There is a small percentage charged to make themselves safe. We had that matter up on the English Prisons Vote.

2624. Does the small percentage give them this profit?—When we went into this last year on the English Prisons Vote, we found that they had been practically charging rather too large a percentage, and they agreed to reduce it.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 13—Prisons, Scotland—*continued.*

Mr. *Leif Jones*—*continued.*

The profit mainly arises on sale to the public, who are charged trade prices.

2625. Is it not still rather large, if they are able to show this profit on the Manufacturing Account. I should not like it to be put forward that I am objecting to their making a profit—quite the contrary; only, if it is to be a profit, I submit that it should be a real one. (To Mr. *Blain.*) It occurs to me that this represents practically nothing. It is not the cost price of the materials; it certainly is not the cost price of the goods as I understand it. What is it?—I regard it as merely a conventional form of Account. You must have some standard in order to keep the Accounts correctly.

2626. But do not accounts, as a rule, represent some reality behind them; or are they not supposed to do so?—Yes, but if you are trading with yourself it is quite optional at what price you buy and sell.

2627. If you are trading with yourself, would you not as a rule charge yourself rent, interest, labour and so forth, in order to know what your position really is. How else do you know what your position is?—If you are carrying on a business for the sake of making a profit, I can see the advantage of that; but if you are carrying on a business only to keep yourself out of idleness, it is a different matter.

Sir *Robert Hobart.*

2628. On page 349 I see that Marriage Gratuities amounting to £88 9s. 8d. were paid during the year to female officers; are the female officers of prisons in Scotland invariably discharged on marriage?—Yes.

2629. Are there no married ones?—I will not say that, but they would be discharged on marriage. There might be widows, for instance, employed as Prison Matrons.

2630. But are they not sometimes the wives of warders?—Not established officers.

2631. Because, presumably, they are all women of a certain age, not young women; it is not like the case we heard of the other day, where they were taken on at 16 and had a gratuity after six years' service?—The circumstances would be much the same; the age might be different.

ON VOTE 14.

LAW CHARGES AND CRIMINAL PROSECUTIONS,  
IRELAND.

*Chairman.*

2632. With regard to Sub-head D, Prosecutors, &c., the Comptroller and Auditor General states that it appeared to him that the description of that sub-head hitherto given in Part III. of the Estimate did not clearly explain that the Grant under it was largely a Grant in relief of expenses for which local authorities are liable by Statute, and that having suggested that some

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Mr. KEMPE, C.B., and Mr. BLAIN, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 14—Law Charges and Criminal Prosecutions, Ireland—*continued.*

*Chairman—continued.*

some alteration should be made in the description, he has been informed that a change has been made in the current Estimate. Have you anything to say on the subject?—A change has been made in the Estimate as presented for next year, 1908-9, clearly calling the attention of Parliament to the fact that this is a charge which would fall on local rates if Parliament did not vote the money.

*Mr. Bowles.*

2633. I see in the Estimate for 1908-9 the words to which the Comptroller and Auditor-General refers in paragraph 2 of his Report, are made clear; they are: "This sum of £13,000 is for expenses of prosecutors and witnesses at Assizes, Quarter Sessions and Petty Sessions," and then in a bracket, "Grant in relief of expenses which under"—three Acts which are named—"are payable out of local rates." No doubt you are familiar with those Acts. I have got what seem to me to be the important passages here, from which it is quite clear, unless I am wrong, that by these three Acts named on page 313 of the Estimates, these expenses have been ordered by Statute to be paid, not by Parliament at all, but by the County Fund. Is that so?—That was the intention, certainly, of the Acts.

2634. But it is an express direction, is it not? Take, for instance, 6 and 7 William IV, Chapter 116, Section 105: "It shall be lawful for the Court to order the Treasurer of the County to pay . . . and the Grand Jury of such County shall . . . present all sums so paid . . . to be raised . . . off the County," and then 14 and 15 Victoria, dealing with expenses incurred in conveying a prisoner or in pursuit of a person or in conveying witnesses, and so forth: "It shall be lawful for the Justices . . . to deliver to such officer . . . a certificate . . . that he is entitled to his expenses; and the Board of Superintendence of the gaol . . . are hereby empowered and required either to pay . . . or to grant an Order . . . directed to the County Treasurer . . . requiring him to pay," and the same thing in rather more express language in the other Act that is quoted. Surely it is quite clear from that, that it is an express direction of Parliament that these particular expenses are to be paid by the County Fund?—Yes, and Parliament for the last 50 years has invariably stepped in and voted the money to relieve them from that obligation.

*Mr. Leif Jones.*

2635. To relieve the rates?—To relieve the rates.

*Mr. Bowles.*

2636. Exactly; that is my point. In other words, the express directions of not one but three Acts of Parliament have been overridden every year by a Vote in Supply, supported by the Appropriation Act?—Yes.

2637. And the Treasury has made no objection to that?—No.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 14—Law Charges and Criminal Prosecutions, Ireland—*continued.*

*Mr. Bowles—continued.*

2638. You remember, perhaps, the case of the Resident Magistrates in Ireland in which this exact question arose, and the Treasury expressed itself very strongly upon that exact practice. Do the Treasury take the view now that the distinct terms of an Act of Parliament can properly be overridden by an alteration in the Estimates, supported by the Appropriation Act, as a matter of financial practice?—I think that a great deal must depend upon what the effect of the Vote is. In the present case exactly the same result could be brought about if this charge still remained on the local authorities, as it does in England and Scotland, and Parliament gave the money out of the Exchequer for them to pay. In Ireland a different procedure is adopted; a Vote is taken to pay the amount direct. I do not think that there is any inequity produced; it is not defeating the intention of Parliament, certainly.

2639. Is that really quite true? Here Parliament has said, in the most express way, that certain specific expenses are to be paid by the County Fund. In clear breach of that, we go and do something different, not by repealing the Statutes, but by slipping in an alteration, knowingly or unknowingly, into the Estimate, and then by merely appropriating it *en bloc* in the Appropriation Act. That is surely a distinct overriding of an Act of Parliament by an alteration of the Estimates, supported by the Appropriation Act; and in view of what the Treasury has consistently said, I want to know whether the view of the Treasury is that that is a financial proceeding which is proper in itself, and which may be properly adopted?—The Treasury has in past cases objected to the effort to override an Act of Parliament by a Vote in Committee of Supply; but I think that objection is no doubt weakened by the fact that for so many years such a case has been going on, and no objection has been raised to it by anybody in this case.

2640. I do not want to detain the Committee, but I have here a Treasury Minute of the 3rd November, 1885, long after this particular case on which we are now engaged was going on, which has never been brought up before because it has never been unearthed before, in which they say: "My Lords concur in the opinion of the Committee as to the danger, both on financial and Constitutional grounds, of any general adoption of the view that the distinct terms of an Act of Parliament may be overridden by a subsequent Vote, supported by the Appropriation Act"; they go on to transmit the paragraphs of this Committee's Report upon the matter to the Irish Government, and their Lordships request the Chief Secretary to—these are the words of the Treasury—"call the attention of His Excellency the Lord-Lieutenant to the gravity of the irregularity" (the amount was very small, nothing like as big as this) "both from a financial and Constitutional point of view, which has now been allowed to exist for three successive



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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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Mr. Bowles—*continued.*

successive years"; and finally, the thing having gone on, in a Minute of the Treasury of 3rd January, 1888, the Treasury say plainly and bluntly "that they can no longer defend the recurrence of the irregular charges before the Committee of Public Accounts." That was clear doctrine that the thing was improper and Constitutionally dangerous. I should like to know whether, this matter having been called attention to by the Comptroller and Auditor-General, the Treasury still take that attitude, or whether their attitude has changed. My own opinion is quite clear?—I still think that great allowance is to be made for different circumstances. The case that the Honourable Member is quoting now is the case of a Department trying, for its own convenience, to get an Act of Parliament over-ridden by a Vote. This is a case in which Parliament deliberately in its Votes made a provision contrary to one of its own Acts. This is no Departmental matter at all; it is done by the Government with the consent of the House of Commons at the time, deliberately, and in pursuance of a recommendation of a Committee of this House. A thing may be right if done by one body, and wrong if done by another body.

2641. The question as to what Parliament has done and under what circumstances it has done it is no doubt a matter for Parliament; but as to the effect of what has happened, I suggest to you that what has happened is quite clear, and that it amounts to financial impropriety. Parliament has no doubt done it, but what I want to get at is whether the Treasury still take the view, which I am bound to say appears to me the sound one, that this is not the proper way to make what amount to administrative changes. Here is an express statutory direction, and it has been consistently broken. I do not believe that Parliament knew anything about it, myself?—Parliament can have no excuse for not knowing about it at the time when it was first done.

2642. But observe that in the Estimates, until this Estimate for 1908-9, I think it would be difficult to maintain that the sub-head gives any adequate account of what the effect of the expenditure is. It is true that next year we shall know, because that is clear; but if you look at the old sub-heads you will see that they are very jejune?—It is said that it was to meet expenses that prior to 1st April, 1859, were met by presentment.

2643. Yes, that is so; it is not a very full explanation. However, I understand that the Treasury still take the view that it is an undesirable practice anyhow, and that the better practice, if you are going to make changes in a machinery set up by Statute, is to repeal the Statute or such part of the Statute as you desire to repeal?—I do not know that I am qualified to speak for the Treasury on a very broad question like that, but my own view would be, I must say, that if Parliament does impose an obligation on somebody to do something, or to pay something, it ought still to be open to

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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Mr. Bowles—*continued.*

Parliament to waive it temporarily, and from year to year to make provision for the relief of that body.

2644. But you would not suggest that temporary year to year changes or arrangements should go on, as they have done here, for 50 years?—Yes, it is 50 years now.

2645. That seems rather stretching temporary year to year arrangements, does it not. (To Mr. Kempe.) Might I ask you this: You, of course, are Comptroller of the Issues, and this money has been issued under the authority of the Appropriation Act?—Yes.

2646. And spent under that authority?—Yes.

2647. Now the Appropriation Act merely authorises the issue of the total amount of a Supply Grant and Appropriation in Aid; it does not go into any questions of the purposes of the sub-heads?—No.

2648. Therefore all that you do is to see that the amount expended for the purposes of any particular Vote does not exceed the total amount mentioned in the Appropriation Act?—A little more than that; we look into the details.

2649. So far as the issue is concerned?—Certainly.

2650. My point is this. Parliament has here laid down certain directions. It is proposed now to break them by the authority of the Appropriation Act. Have you, as Comptroller of the Issues, any power of preventing the issue of money for that purpose; or do you say—I suppose you do—that the Appropriation Act is good enough for you?—Certainly. Any question might arise on the Expenditure, but I think that if I found in the Estimate, as I shall in other years if the proposed change is made, that Parliament, being entirely sensible of what it is doing, has voted a sum for a specific purpose, even if it overrides a Statute, I cannot go behind what Parliament has done.

2651. No doubt; but I will ask you to imagine a hypothetical case, in which one of the sub-heads of a Vote does a thing which Parliament has itself prohibited, and in which it is clear, as it seems to me it is clear in this case, that Parliament was not fully sensible of what it was doing. Would you then have any power of preventing the issue of money under that sub-head, as Comptroller of the Issues?—I think not. I do not think I have any power to go behind the Vote and the Appropriation Act.

Mr. Leif Jones.

2652. (To Mr. Blain.) Might I put one question to you on that. Do I rightly understand that in your view and in the Treasury view a Vote on the Estimates plus the Appropriation Act amount to repealing an Act which has made other provision for the payment of money, for a twelvemonth?—No, I do not think it repeals the Act.

2653. I should have said: Does it repeal that part of the Act which effects the payment of money?—It prevents its operating.

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2654. It

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[Continued.]

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tions, Ireland—*continued.*

Mr. *Leif Jones*—*continued.*

2654. It suspends it for a twelvemonth?—It suspends its operation, because there is nothing for it to apply to. Certain expenses are incurred: certain old Acts have said that those expenses shall be paid in a certain way, but in a particular year Parliament comes in and provides money to pay those expenses; therefore there is no need to put the standing machinery into operation.

2655. Then from a purely Treasury point of view do you see anything objectionable in that procedure?—I think the method of simply repealing the Act would be better. The procedure of charging these expenses on local rates in Ireland may be regarded as obsolete now, and I think it would be better to repeal the Act which requires it.

2656. (To Mr. *Kempe.*) From the point of view of financial propriety, do you regard this procedure as meeting all requirements?—I think it has been defective in the past, because Parliament has apparently not known what it has been doing, and the Department has been doing a thing that Parliament was not aware of.

2657. Why do you assume that Parliament knew nothing about it?—Because it is not mentioned in the Estimates. If any Honourable Member liked to go thoroughly into the question, no doubt he could find out what has been done, by looking into the Acts; but I think it ought to be clearly stated on the face of the Estimates that a certain procedure has been provided for.

2658. Putting a full description into the Estimates does not affect the legal aspect of it at all, or the constitutional aspect?—It does not affect the validity of the original Act.

2659. Many things are not expressed in the Estimates that we have to find out; no Estimate can give every fact?—That is true.

2660. And when you change the presentation in an Estimate, it is merely for the greater convenience of Parliament; it does not do more than make it easier for Members to find out the intention of the Estimate?—I think it should be disclosed altogether. I am not sure that the Acts which are mentioned in my Report are mentioned in the old Estimates at all. The old Estimates, I think, contain no reference to the Acts. Therefore, the new procedure will actually disclose to Parliament information which it had not before.

2661. Did you look to see whether, when the change was originally made, any mention was made in the Estimates of that year of the reason for the change—in 1859, I think?—I have looked at the old Estimates and noticed what the wording was in those days. In the Estimates for 1860-61, the first time that it occurred, the description was, "Expenses of prosecutors and witnesses which previous to the 1st April, 1859, were provided for by presentment." There is no Act of Parliament mentioned there at all. There never has been any mention of the Act of Parliament since.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 14—Law Charges and Criminal Prosecu-  
tions, Ireland—*continued.*

Mr. *Leif Jones*—*continued.*

2662. But attention is directed there to the change of system?—Yes, it is.

2663. When did the Estimates change after that?—I have not got all the Estimates here. I do not think there has been any change since 1860-1 in the wording of the Estimates.

2664. But all that was said previously to that date was "Paid on presentment"—I mean up to last year?—Up to last year it has been in the same form as in 1860-1, when the change was made. There has been no change since 1860-1.

2665. Why exactly then do you think it is desirable to make the change now? I see you say, because it did not clearly explain the matter?—Yes, that is my point of view. I cannot go into the question whether Parliament is right or wrong in changing its mind, but I think it ought to be quite clear that when it changes its mind it knows what it is doing. For that reason I propose that the fact should be clearly stated on the Estimates. I may mention that last year, when the question first arose on the Education Vote, the fact was actually stated in the Appropriation Act that an older Statute is overridden. I have not gone so far as to suggest that in this case; but it may come later.

2666. So long as Parliament does a thing, it does not matter whether it does it knowingly or not from the point of view of the legality of what it does?—Quite so; I do not think I can go behind that. I must assume that Parliament knew what it was about in voting a certain sum of money; but I must point out that a Department may be doing something which Parliament has not authorised it to do. The Department may assume that Parliament has authorised it to do a certain thing, but Parliament may not be aware of what the Department is doing.

2667. But, in making this new suggestion with regard to the Estimates, do you intend to suggest that the vote of money by Parliament, together with the Appropriation Act, is not sufficient to authorise the expenditure of the money?—No, I should not go so far as that.

2668. You do not suggest that for a moment? No.

Mr. *Bowles.*

2669. (To Mr. *Blain.*) Might I just ask you one further question. On the general question, which after all is the only importance of this; on the question, namely, whether or not it is a proper procedure from the Treasury point of view, from the point of view of national finance, to make alterations of this kind in this way, I understand you to say that you think it depends, and must depend, largely upon circumstances—that there may be circumstances in which the practical repeal from year to year of the provisions of an Act of Parliament by a Vote in Supply and the Appropriation Act of the year would be a justifiable and

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tions, Ireland—*continued.*

Mr. Bowles—*continued.*

and proper procedure. That is so, is it not? Because all I want to put to you, if I may do so, is the very clear and perfectly general language that the Treasury has used in former times on this very point, in which they say, without any regard to circumstances at all, that as a matter of practice it is irregular and constitutionally dangerous. I will read you what they say. This is from a letter to all the Accounting Officers of the various Departments:—"I am desired by the Lords Commissioners of Her Majesty's Treasury to acquaint you . . . that the Public Accounts Committees of the past and preceding Sessions have upon more than one occasion noticed with disapproval cases where sums in excess of limits imposed by Acts of Parliament have been inserted in the Estimates and have subsequently been voted by Parliament and confirmed by the Appropriation Act. The report of the Committee of 1885 (paragraph 42) expresses disapproval of such a proceeding in distinct terms and recommends the matter to the consideration of the Public Accounts Committee in the next Parliament as one of great importance from a constitutional point of view. My Lords fully share in these views of the Committee, and when such irregularities have been brought to their notice they have only, so far as they are aware, permitted them under very exceptional circumstances, and in anticipation of obtaining from Parliament an immediate alteration in the law." Therefore you see the Treasury there, in general terms, say that they will only allow the express terms of an Act of Parliament to be set aside in this way in very exceptional circumstances and in anticipation of obtaining from Parliament an immediate alteration in the law. The thing was only allowed to go on, in this particular much smaller case, on the

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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tions, Ireland—*continued.*

Mr. Bowles—*continued.*

personal undertaking of successive Chief Secretaries that they really meant to bring in a Bill each year. That is a distinct and clear body of doctrine which seems to me to be perfectly sound; and I think that, if the Treasury take a different view upon a perfectly general question, it is so important that it would be as well that we should know it. This thing is either right or wrong as a matter of practice, and does not depend upon circumstances, it seems to me?—I do not think that the Treasury would be prepared to say that Parliament or the House of Commons is doing wrong in suspending temporarily the effect of an Act of Parliament.

2670. No, it would not be suggested that Parliament was doing wrong; but what it would suggest would be that what Parliament had done, although well within its competence, was a thing that was injurious to the financial system of the country. And that is what the Treasury has suggested. It has never been suggested that the thing was illegal, technically; what has been suggested is that it is financially injurious and constitutionally dangerous for reasons which will be clear, of course, to you. At least it seems to me to be so, and I imagine that the Treasury still take that view?—I do not think there is anything in this particular instance which could afford an example to be copied by Government Departments. That is the evil that the Treasury was aiming at in the cases referred to: Government Departments getting the law as it affects themselves overridden. (Mr. Kempe.) Perhaps I may add that I have had the Estimates examined, and I have found no other case of this kind.

(The Witnesses withdrew.)

Friday, 3rd April, 1908.

MEMBERS PRESENT:

Mr. Ashton.  
Mr. Bowles.  
Mr. Brigg.  
Mr. Hazleton.  
Sir Robert Hobart.

Mr. Leif Jones.  
Sir George Kekewich.  
Mr. Kettle.  
Mr. Parker.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

Mr. JOHN A. KEMPE, C.B., Mr. WILLIAM BLAIN, C.B., and Mr. H. J. GIBSON, called in; and Examined.

CLASS III.

LAW AND JUSTICE.

ON VOTE 15.

SUPREME COURT OF JUDICATURE AND OTHER LEGAL DEPARTMENTS IN IRELAND.

*Chairman.*

2671. (To Mr. Kempe.) There is nothing very much in your report on this Vote, is there?—No.

2672. Except a statement of extra receipts, which apparently do not come under the purview of this Committee at all?—That is so.

*Mr. Bowles.*

2673. With regard to those extra receipts, I suppose that they come before us in some form or another directly, do they not?—They are included in the Finance Accounts. They can be taken up there or they can be taken up here. Any question upon them can of course be answered upon the Vote.

2674. I gather they are merely stamps which have been bought and paid for?—Yes, they are fees paid by stamps.

*Sir Robert Hobart.*

2675. May I ask what becomes of the amount for these stamps?—They go to the Inland Revenue; they are part of the miscellaneous revenue.

*Mr. Ashton.*

2676. (To Mr. Blain.) Looking at the table of extra remuneration on page 358, there seems to be

*Mr. Ashton—continued.*

a very large amount of extra remuneration. I see in one case the amount paid was £367, and in two cases it was £550. The first case in the list is Mr. H. O. Holmes, train-bearer, who received £367 as extra remuneration as Registrar on Circuit. That seems a very large item?—That is the regular sum paid to a Registrar on Circuit. That is shown in the Estimates.

2677. What is a train-bearer in Ireland? I suppose he must be something rather different from a train-bearer as we understand them in this country?—Train-bearers to the Judges are, I think, rather dignified officials. But this extra remuneration is probably more than his salary as train-bearer. There are a number of train-bearers shown in detail in the Estimates, and the annual salary as train-bearer is usually £100. If one of those men goes as a Registrar on circuit to a Judge he gets £367 as Registrar.

2678. Are these sums given year after year to the same men?—I could not be sure whether they are given to the same people every year. Most of these allowances are given to people who do not receive any salary out of the Vote at all; it is only in cases where the money is paid to a man who is in addition receiving a salary out of the Vote that they are shown as "extra remuneration."

2679. In

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. GIBSON.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class III.—On Vote 15—Supreme Court of  
Judicature and other Legal Departments in Ireland.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 15—Supreme Court of Judicature and  
other Legal Departments in Ireland—*continued.*

Mr. Hazleton.

2679. In connection with that Item, can you tell me who has the appointment of the Registrar—is it the Judge?—I believe so.

2680. Is the remuneration for a Registrar a fixed amount? I observe that two of these amounts are the same, but in the third case it is a smaller amount?—The fixed charge is £367 4s. 8d., so that the first one in the list here gets the exact sum—in the other two cases there were arrears, as is explained on page 357, under Sub-head A; payments which should have been made to them in the previous year fell into that year, and that is why they got more than the annual amount.

2681. With regard to the excess on Sub-head F, it is explained as being “Due to an increase of £200 a year from the 1st April, 1906, in the salary of the Registrar of Deeds.” Was not that provided for in the Estimates?—No, it was decided after the Estimates had been presented.

2682. Is that a regular course? Does that occur often, or is it a thing that ought to be avoided—cannot they foresee what increases of salary are going to be granted a year ahead?—It happens, I am afraid, rather frequently. The Treasury would agree that it ought to be avoided, if possible, but it must happen sometimes. An application is made on behalf of some particular man, that his work has increased, or some new duty has been thrust upon him, and the Treasury is asked to sanction an increase of salary to him. When it sanctions it, of course it is open to the Treasury to say that it shall not take effect until the next financial year, so that it may be included first of all in the Estimates submitted to Parliament, but it is sometimes very difficult to enforce that. If the man is already doing the work it is rather difficult to make him wait until the Estimates can be presented, if the increase in the salary is reasonable in itself.

2683. In regard to Sub-head B, I see £6,778 is paid for scrivenry. I suppose the appointment of that staff rests with the Judges also, does it not?—I think so, or in some cases it may be left with the heads of the Department, the Registrars and others under the Judges.

2684. What is the explanation of that Sub-head D, “Compensation to District Probate Registrars”—what is the compensation there?—That is compensation paid under old Acts of Parliament for loss of fees. It is explained in the Estimates. There are two Items: one for loss of fees under the operation of an Act of 1881, and the other for loss of fees under the operation of an Act of 1894.

2685. They are paid under Act of Parliament?—Yes, in both cases they are under Act of Parliament.

Sir George Kekewich.

2686. What kind of persons would they be who hold this office of train-bearer—are they Government messengers, or people of that class?—They

Sir George Kekewich—*continued.*

could not be so in these cases where they have been appointed also as Registrars on Circuit.

2687. But I understand their salary as train-bearers would be £100?—Yes, and their duties probably correspond.

2688. Are they the kind of men who would take £100 as their full salary?—It is salary for duties which require probably very little of their time as train-bearer.

2689. But I presume they would not keep the office of train-bearer unless they took it with a full and certain hope that there were other pickings to be got from other appointments in connection with the office of train-bearer? What I mean is, that I suppose they have in their eye, when they take it, the fact that they are usually appointed Registrars on Circuit, or perhaps got other appointments?—Yes, I think that consideration may have been present to their minds.

2690. Would it not be much better to appoint a man always to hold both positions at the same time, instead of paying these men extra remuneration; in all probability we should be able to get a man to do the work of both offices for £300 a year, instead of giving these men extra remuneration to the amount of £367?—If we could apply the ordinary Civil Service rules to Judicial appointments, I think that might very possibly be an advantage, but up to now no Government has succeeded in bringing the Judicial offices within the ordinary rules of the Civil Service.

2691. What is the reason for the particular sum which a Registrar on Circuit gets, namely £367 4s. 8d.—what is the explanation of the broken figures?—I cannot say for certain in this particular case, but, generally speaking, in these cases in Ireland it would mean some old fee which was formerly reckoned in Irish currency, and which, when converted into sterling, gives an odd sum.

2692. Or it might be a fraction of a larger sum on an office being divided up?—Yes. I am afraid I do not know what it is in this particular case.

Mr. Kettle.

2693. As regards Sub-head B, “Scrivenry,” are the people who do the scrivenry work Civil Servants, or are they outside people?—They are not established Civil Servants.

2694. Is this work done in the Four Courts?—Certainly, some part of it would be done in the Four Courts; I cannot say whether it is all done there or not.

2695. Are they not what one might call a sort of penumbra of the Civil Service—not exactly outside people, and not exactly Civil Servants?—They are nominated in the first instance, subject to passing an examination, but they do not become pensionable.

2696. The whole clerical establishment of the Courts consists, does it not, of ordinary Civil Servants, who are subject to the ordinary rules, and

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Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. GIBSON.

[Continued

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 15—Supreme Court of Judicature and  
other Legal Departments in Ireland—*continued*.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 16—*continued*.

Mr. Kettle—*continued*.

and appointed in the ordinary way as Civil Servants, and another staff of persons appointed by the Judges?—I think there are a number of appointments made by open competition with Civil Service certificates in this case.

2697. Taking the Accountant-General's Offices for instance?—He has a class of clerks under him—they are appointed, I think, by competitive examination.

2698. They are ordinary Civil Servants?—Yes, of a special class. In the corresponding office in London, the staff is mainly composed of second division clerks—a class of clerks common to the whole Civil Service. They do not have those in the Accountant-General's Department in the Four Courts in Dublin.

2699. There is a special examination in their case?—Yes.

2700. You were asked how the train-bearers were appointed. You will notice perhaps the first name in the list on page 358 is Mr. Holmes?—Yes.

2701. Do you know there is also a Judge Holmes in Ireland?—Yes.

2702. If you will look a little lower down in the list you will see the name of Mr. Fitzgibbon,—of course you know there is also a Judge Fitzgibbon, who is a Judge of the High Court?—Yes, that is not peculiar to Ireland.

#### ON VOTE 16.

Chairman.

2703. (To Mr. Kempe.) I see on Vote 16, there has been expenditure in excess on one Sub-head, namely Sub-head A?—Yes, only on one Sub-head.

2704. I observe that a special Sub-head has been introduced to record irrecoverable expenditure amounting to £25 10s. 2d. on "Unoccupied Holdings"?—Yes.

Mr. Hazleton.

2705. (To Mr. Blain.) Is that special Sub-head to be a permanent Sub-head?—It is a Sub-head that has appeared frequently in the Accounts during the past 15 years. I think it was 15 years ago that it first appeared.

Chairman.

2706. As regards Sub-head G, I observe there is a very large saving of £20,862—that is all in the ordinary course of things with regard to the use of the Land Purchase Aid Fund, I imagine?—It is a very difficult service to estimate for. I may say that the Treasury is responsible for the estimate for this particular Sub-head of the Vote. The amount of the expenditure depends on the amount of stock that is to be created to pay the bonus to landlords who are selling their estates. The amount provided for in the Estimates is settled by the Treasury, after getting the best

Chairman—*continued*.

information they can get from the Irish Government, as to the probable progress of Land Purchase during the year and the probable amount of stock that will have to be created for the payment of bonus; but up to now, the progress made has never been anything like as great as was expected, that is why we have still this saving under this Sub-head.

2707. Have you continued the amount of £70,000 in the year after this?—Yes, it has been further increased in the subsequent year, because they are still sanguine about their progress.

2708. Then under Sub-head A, there is a great excess, which is explained as being "caused by the appointment in the year of additional staff, not provided in the Estimates," ought that not to have been provided—is that a case of under-estimating?—Of course the staff of the Land Commission, for several years past, ever since the passing of the Land Act of 1903, has been a very unsettled question. Complaints are constantly being made as to the slow progress of land purchase, and the question is constantly under consideration, how far it could be improved by adding to the staff of the Land Commission, and I am afraid it has not always been thought desirable to wait until the Annual Estimate can be presented before giving effect to increases when they are decided upon.

Sir George Kekewich.

2709. The staff of the Land Commission has been increased; does the saving on Sub-head G mean that there is less work in connection with the work of the Land Commission?—Very indirectly. The expenditure under Sub-head G depends entirely upon the purchase value of the estates that happen to be sold in the particular year, but that has no necessary relation to the number of estates that may be sold.

2710. Casting an eye over the Account, it looks as if there might have been less work in the Irish Land Commission this year, and yet the salaries of the staff are much larger?—The salaries are only being raised because the work gets in arrear, because the staff are unable to overtake the work.

Mr. Hazleton.

2711. As regards Sub-head G, "Land Purchase Aid Fund," that is in respect of what is known as bonus, is it not?—Yes, the stock there is issued to pay bonus.

2712. I do not quite understand this Item of £25, which is described as "Loss on unoccupied holdings"?—Those are cases of holdings that have been bought by tenant-purchasers, who then default in the payment of their annuities and are evicted. Then the estate falls into the hands of the Land Commissioners, who generally place a caretaker in charge, and they have to pay his wages, and the other expenses connected with the management of the holding.

2713. But have they not some means of getting

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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Mr. Hazleton—continued.

getting that back?—They get it back in most cases by selling the produce of the holding, and, generally speaking, they do make enough to meet those expenses; but there are some cases where they cannot do that, and where they cannot sell the holding either. Then there is no provision in the Land Acts for charging their loss anywhere, and so for some years now little items of this kind have appeared on this Vote Account.

2714. It has never been very large, I suppose?—No. The first time it was ever introduced there were accumulations, and then it was about £500, but ever since then it has been a much smaller sum.

2715. Under the head of "Extra Receipts," I see an item, "Expenses of Administration of Local Loans"—what are those receipts—who pays them?—Those are paid by the National Debt Commissioners out of the income of the Local Loans Fund—they are paid into the Exchequer. They come ultimately from the interest paid by the borrowers upon their loans.

2716. How do they appear as extra receipts under the Vote of the Irish Land Commission if they are paid by the National Debt Commissioners?—The National Debt Commissioners manage the Local Loans Funds, and they have to pay out of the surplus income of the year every year over to the Exchequer, sums which are considered to be required to repay the expenses incurred in the several Departments which manage the Local Loans. The Irish Land Commission is one of those Departments, and that amount, £8,000, is the estimated cost to the Irish Land Commission Vote of the Local Loans that are managed by that Department.

Mr. Leif Jones.

2717. Under Sub-head H, "Appropriations-in-Aid," I see the amount realised was £11,716 18s. 11d.—would that be in respect of purchase-moneys paid by tenants?—No.

2718. What would they be—are they merely costs?—That is chiefly payments from the Irish Church Temporalities for the expenses of management of the Church Property in the hands of the Commission—there is a fixed sum of £10,600 as an annual payment from the Church Funds.

2719. For the management of what?—The Land Commission has the whole management of the Irish Church Funds now, in succession to the former Commissioners of the Irish Church Temporalities. They collect the income.

2720. Then I see from the explanation it also includes claims for costs against defaulting tenant purchasers?—Yes. When tenants have defaulted and proceedings are taken against them, the expenses incurred by the Land Commissioners are paid out of the Vote, and the costs recovered are brought in as Appropriations-in-Aid.

2721. Do I gather that about £800 of this is attributable to such costs?—That is the figure in the Estimates. We cannot give the figure of the receipts closer up than it is here.

2722. And £9 7s. 7d. was the total amount they

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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Mr. Leif Jones—continued.

failed to recover for the year—is that so?—Yes; that is the amount of costs that could not be recovered.

2723. Can you tell me in connection with what total transactions this amount of default would be; that is to say, how much did they collect from the tenants, and what was the total amount of the default? If you have not the information at the moment, perhaps you could let me know later?—Yes.

2724. The point I wanted to get at was this—they collect so many thousand pounds during the year, and there is a certain proportion of tenants who default. Then they proceed against those defaulting tenants, and they recover the costs in most cases, and I gather that in their proceedings they only failed to recover £9 7s. 7d. of costs altogether?—Yes.

2725. What I wanted to know was what was the total amount and the number of transactions on which this default arose?—Yes, I will endeavour to get that information.

Mr. Bowles.

2726. In regard to Sub-head G, may I ask what do the Commissioners do with the money, pending its application to the expenditure. For instance, £20,000 was unspent in this year—was that invested?—They do not receive the money; it remains in the Exchequer. The issues are only made from the Exchequer to the account of the Vote as the money is required for meeting expenditure going out.

2727. Then what is the meaning of the explanation under Sub-head G, namely, that "The expenditure incurred under this Sub-head" (namely, £49,137) "was sufficient to meet the payment of sinking fund and interest," and so on, "after allowing for the interest earned by the unused portion of the fund." How was the interest earned?—That is a different matter. That is the unused portion of the Land Purchase Aid Fund itself, which is in the hands of the National Debt Commissioners, when the stock is issued and the money raised for the fund. Of course that is not done every day—it is done at long intervals.

2728. I see—that is what I wanted to make clear—it is not any part of this £70,000 that bore interest?—No, that is interest on the main fund.

ON VOTE 17.

COUNTY COURT OFFICERS, &c., IRELAND.

Chairman.

2729. (To Mr. Kempe.) I see on Vote 17 there is one excess on Sub-head E which is of very small amount?—Yes.

2730. Otherwise the account is quite satisfactory?—Yes, I have nothing to say upon it.

Sir Robert Hobart.

2731. (To Mr. Blain.) As regards the item of salaries on all these Votes, Vote 17, Vote 16 and I think

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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—continued.

Sir Robert Hobart—continued.

I think Vote 15, the Estimate seems to be rather indifferently made. What have you to say as to that?—The difference is explained with great particularity in this case; every penny of it is accounted for in the explanations on page 364.

2732. But you do not think it would be possible to have a closer Estimate by the Department?—As regards the first two Items, which are dealt with in the explanation, I do not think those could be foreseen. In one case the man did not cash his cheque.

Mr. Hazleton.

2733. As regards the deduction under Sub-head B, on page 364, "Arrears of Allowances proper to previous years paid in the course of the year, but not included in Estimate," ought not that to have been included in the Estimate?—No, that is a case where an officer to whom the payment was due might have claimed it at the end of the previous financial year. It would not have been known at the time that this Estimate was prepared, that he would not claim payment before the 31st March of the previous year.

2734. As regards Sub-head A, the explanation given is that the saving was "Owing to salary of Local Registering Authority and Local Registrar in Bankruptcy, County Cork, being temporarily suspended"—do you know the circumstances of that suspension?—No, I am afraid I do not.

Chairman.

2735. Were they financial irregularities of a kind which would come under our purview?—Of course, any financial irregularities of that kind would be called attention to by the Comptroller and Auditor-General himself in his Report of the year, which is before us.

Mr. Hazleton.

2736. (To Mr. Kempe.) There was nothing of that kind in this case?—Nothing.

Sir George Kekewich.

2737. (To Mr. Blain.) As regards Sub-head D, "Allowances"; what are those allowances for?—Those are allowances for clerical assistance, postage, stationery and law books.

2738. Then I suppose the recipient of the allowances can save out of them?—No, he has to produce vouchers in support of the expenditure of those allowances.

2739. Do you mean that he gets no more than the staff, or whatever it is that these allowances are given for costs him, or does he get a lump sum, and have to pay the staff out of it?—The lump sum is limited—he cannot get more than the lump sum, but even within the lump sum he has to produce vouchers to show that he has paid it away. I do not say that that applies to every item, as for instance postage; but Salaries and the bulk of the expenses have to be supported by vouchers, showing that he has actually spent the money for the purpose for which it was given.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 17—County Court Officers, &c., Ireland  
—continued.

Sir George Kekewich—continued.

2740. It is really reimbursement of out-of-pocket expenses?—Yes.

2741. I see under Sub-head B, the saving is explained as being "Due to the Clerks of Crown and Peace and the Local Registrar in Bankruptcy at Belfast not having drawn their full allowances." Do I gather after what you have said, that that means that the Clerks of the Crown and of the Peace, and the Local Registrar in Bankruptcy, had spent money out-of-pocket, and had not drawn a cheque for its reimbursement?—Yes, they had not sent in their claim at the end of the year. It may come in afterwards, and in the next year it will appear, like the entry below, as an arrear of allowances proper to the previous year.

2742. It does not mean that they have abandoned their claim?—No, probably it means that they were too late in sending in their claims to get them paid within the financial year.

Mr. Kelle.

2743. As regards Sub-heads E and F, does that heading "Magistrates" mean Resident Magistrates?—Yes.

2744. What I wanted to get at was this: The Dublin City Magistrates are not in this Vote, are they?—No, they come under the Metropolitan Police Vote.

2745. Do I understand you to say that the Allowances include sums spent on law-books by Resident Magistrates?—Not by Resident Magistrates.

2746. I thought you mentioned an Item of Law Books?—That was under the head of "County Court Officers," Sub-head B; that does not refer to magistrates who come further down, and whose allowances are included under Sub-head E.

2747. The point I wanted to get at is this: If you will add together Sub-heads E and F, you will get a sum which is more than one-third of the total Vote for Salaries. What do the Allowances to the Resident Magistrates consist of? I observe they get £7,000 in allowances, as against £36,000 in salaries?—Yes.

2748. How is that very large sum made up?—There are allowances for postage and stationery, and also forage allowances.

2749. I suppose they get forage allowances whether they have horses or not?—They all get them.

2750. Then in regard to the travelling expenses, I should like to ask a question, because as I understand the Resident Magistrates in Ireland are attached each to a special district. Under that system, how would the personal and travelling expenses run up to nearly £2,400?—It is in regard to travelling about their own districts: it is about £40 a head I think; taking the number of magistrates, it is under £1 a week.

2751. Could you get me any detailed information as to how this £7,129 for allowances is made up?—That is actually shown in detail in



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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7  
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—continued.

Mr. Kettle—continued.

in the Estimates. There are 66 of these travelling allowances which were formerly Forage Allowances, they are £100 each; that amounts to £6,600. Then there are 66 allowances of £8 each for postage and stationery, &c., that makes up the total.

ON VOTE 18.

DUBLIN METROPOLITAN POLICE.

Chairman.

2752. (To Mr. Kempe.) Are there any remarks you wish to make upon your report on this Vote?  
—No.

2753. The excesses are all quite small and call for no remark particularly?—No.

Mr. Kettle.

2754. (To Mr. Blain.) As regards Sub-head F, "Law Expenses," for which the expenditure was £300, what does that include? It would not include, would it, the amount paid to the solicitor who conducts the prosecutions in the Dublin Metropolitan Police Court, I forget his exact title?—The Chief Crown Solicitor acts, I believe, normally.

2755. What law expenses would these be; it seems a small item, because the law expenses must be rather high?—This is money provided for payment to the solicitor who assists the police in prosecutions at the police courts.

2756. But upon what Vote would the main cost of these prosecutions fall?—The Chief Crown Solicitor acts without any special remuneration; his salary is on the Law Charges Vote.

2757. You will notice that the pensions bear a very high proportion to the pay of the active force; have you any idea what the pensions scale for the police is? At first sight does not the amount under "Pensions" seem extraordinarily high, as compared with the amount for "Pay" and "Extra Pay" of the force?—It is always high for the police force as compared with a clerical force; the period of service for pension is generally shorter.

2758. Have you any idea what the pensionable age is in the Dublin Police?—I am afraid I cannot tell you that off-hand.

2759. The point is that the pensions here are more than 30 per cent. of the pay of the active force?—Yes, they have a scale of pensions according to various periods of service—15, 21 or 25 years of service, but I am not aware what the minimum age is at which a man is allowed to retire apart from ill-health.

Mr. Brigg.

2760. I see under the heading, "Appropriations-in-Aid realised," an item, "Fines and fees, Police Courts, £5,012 18s. 3d.": it is usual to pay half the fines and fees to the Police Courts; can you tell me whether that is the total or only half, and if it is a half, where shall we find the other

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On Vote 18—Dublin Metropolitan Police—  
continued.

Mr. Brigg—continued.

half?—I think those were the whole of the fines and the fees in these cases.

2761. I do not know what the particular rule in these Courts may be?—The circumstances are different in Ireland, where the Police are a direct charge on the Vote of Parliament.

Mr. Hazleton.

2762. Could you tell me, if by any chance the Appropriations-in-Aid exceed the voted expenditure (I suppose it never has happened), would the surplus go into the Treasury?—Yes, it does. There are cases where the receipts do exceed the expenditure. In the case of the Mint, for instance, the receipts are vastly greater than the amount of expenditure.

Mr. Leif Jones.

2763. What is the "Police Tax," which is the first item under the heading of "Appropriations-in-Aid realised"?—There is a special tax in Dublin to contribute towards the cost of the police.

2764. Why is it called a tax and not a rate?—I think it is so called by Parliament.

2765. It is fixed by Statute, is it?—Yes.

2766. But it is really what we should call a rate on the people of Dublin, I gather; it is not fixed by the people of Dublin. Do I understand that the inhabitants of Dublin are by Parliament taxed for the police?—Yes.

ON VOTE 19.

ROYAL IRISH CONSTABULARY.

Chairman.

2767. (To Mr. Kempe.) I observe there are a considerable number of excesses on this Vote?—There are five.

2768. But they have all been properly allowed by the Treasury, I suppose?—Yes.

2769. As regards the Store Accounts, I see from your Report that you applied a limited test examination?—Yes.

2770. With satisfactory results?—Yes.

Mr. Leif Jones.

2771. What does the limited test examination amount to?—It amounts to examining a limited period.

2772. But, I mean, in this particular case what did it amount to—how much test was given?—We tested a month's transactions.

Mr. Bowles.

2773. (To Mr. Blain.) I observe on Sub-head S, there is an excess, and I do not quite understand the explanation given. It is said to be "Owing to the unusually large number of men who during the year qualified for retirement after 25 years' service." Surely the number of such men would be perfectly well known beforehand. How could there

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On Vote 19—Royal Irish Constabulary—*continued*.

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Mr. Bowles—*continued*.

there be any doubt as to the number of men who would have qualified for retirement after 25 years' service during that year?—I do not understand that to be the meaning of the explanation. I think that it means men who were not only qualified by service to retire, but who actually wished to retire.

2774. I see. They have the option to retire after 25 years' service?—Yes, it is not compulsory.

Mr. Brigg.

2775. As regards Sub-head C, there seems to be a much less sum required than was estimated—£9,750 less was spent than was granted. What is the reason for that?—That is due to the same reason that causes the increase in the pensions—the large number of people who chose to retire during the year.

2776. There is no special reason given as to why they should all retire at this particular time. It looks as though some special facilities occurred which caused them to take advantage of this particular time. (To Mr. Kempe.) May I ask you this question in regard to your report? We often come across the words, "Test examination," and I see in the case of this Vote there was a test examination as to the Store Accounts. That means, I suppose, an indiscriminate assortment of stores picked out, and then they are carefully examined; it does not mean that you go through the whole of the stores, but only that a certain number of stores are examined—is that so?—We do not examine the stores themselves; we examine the accounts only. We take a certain given period; in this year we took a month's accounts and went through them carefully, taking all the transfers and the issues, and so on. We do not take stock of the stores.

2777. Then it was not an examination of the stock?—No, not an examination of the stock; we see that there is evidence that the stock has been taken; we see the reports of any officers who have taken the stock.

Mr. Kettle.

2778. (To Mr. Blain.) As regards Sub-head H, "Arms, Ammunition, Accoutrements, and Saddlery," do you know what is the nature of the arms of the Royal Irish Constabulary? Is the rule, one policeman, one rifle, or have they a certain number of rifles, and do they keep them up-to-date?—I think they keep a central stock, which would be recruited out of this Sub-head.

2779. You have no idea how much of this £1,600 has been spent upon rifles? The reason why I ask the question is because I am told that all the rifles with which the Royal Irish Constabulary are armed are entirely out of date?—I suppose they are not necessarily of the most up-to-date War Office pattern.

ON VOTE 20.

PRISONS, IRELAND.

Chairman.

2780. (To Mr. Kempe.) I observe on this Vote there are three excesses?—Yes, there are three small ones.

2781. Otherwise the account is all in order?—Yes, it is quite in order.

Mr. Hazleton.

2782. (To Mr. Blain.) As regards Sub-head N, "Escort and Conveyance of Prisoners," I presume those expenses would be chiefly in regard to policemen?—There would be locomotion charges, and subsistence expenses of Prison Officers and Prisoners.

2783. Why is not that charged to the Police Vote? I noticed that in the Police Vote which we have just passed, conveyance charges for industrial school children are charged to the Police Vote?—It becomes a charge on the Prison Vote from the date when the Order committing the person to prison has been made. Any travelling after that date is at the expense of this Vote.

Chairman.

2784. In fact it is in regard to travelling from prison to prison?—Yes.

2785. They would be under the charge of warders probably, and not of police; at least, they would be so in England?—Yes.

Mr. Hazleton.

2786. As regards Sub-head Q, "New Buildings and Alterations," how is it that the expenses under that Sub-head are not included under the Vote for the Board of Works? Have the Board of Works nothing to do with prisons?—They have not to do with prison buildings. It is the same in England: the Office of Works have nothing to do with the buildings of the English or the Scotch Prison Commissioners.

2787. What is the reason of that?—They are peculiar buildings, and the Office of Works would not necessarily be in a favourable position for knowing what the requirements are. There is so much to be done in regard to them, that it is considered worth while to allow the Prisons Department to be their own building department, to carry out the work themselves.

2788. Before they carry out these works, do the Office of Works have to get Treasury approval, just the same as the Board of Works have to do?—Yes.

2789. As regards Sub-head S, "Maintenance of Children of Female Prisoners," I observe the amount is very small. Where are these children maintained?—They would be either at institutions or with persons who are known to the Governor of the prison.

2790. Would those be children born in the prisons?—They would not necessarily be born in

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 20—Prisons, Ireland—continued.

Mr. Hazleton—continued.

in the prison; they might be very young children at the time the mother was committed to prison.

2791. As regards Sub-head W, "Maintenance of Criminal Lunatics," where are those criminal lunatics maintained? There is a separate Vote for the Dundrum Criminal Lunatic Asylum, Ireland; this seems to be a very large Item?—Those are criminal lunatics who have not committed crimes; that is the distinction.

2792. Who are they?—They include a number of soldiers and sailors.

Chairman.

2793. Do you mean that they have committed military crimes, but not civil crimes?—They have been under detention in the hands of the War Office or the Admiralty, and then transferred as dangerous lunatics to these asylums; but they have never been committed as criminal lunatics.

Mr. Hazleton.

2794. Is there any readjustment of the charges: should not the charge for maintaining these sailors and soldiers come out of the Army and Navy Votes? The Item here is a very large one, and it makes the total for prisons in Ireland look rather high?—If it were not paid out of this Vote, it would have to be paid by the local authorities in Ireland. That is the present position. The War Office and the Admiralty are not bound to go on maintaining these lunatics for ever, merely because they became lunatics in the Service. They are really a charge upon the local rates.

2795. Why should they not be transferred to Dundrum Criminal Lunatic Asylum?—People are only sent to Dundrum when they have been committed there by the Court on a criminal charge, after being found to be lunatics.

2796. If these lunatics have committed no crime, why are they not sent to the ordinary asylums, the district lunatic asylums?—These cases are in lunatic asylums.

2797. I understood they were in prisons?—No, they are in asylums. This money is provided on the Prisons Vote, in order that the Government may relieve the local authorities from the charge of maintenance.

2798. Why should it not be put upon the Army and Navy Votes if it is to be an Imperial charge at all? Would it not be more proper to maintain them out of the Army and Navy Votes than out of the Prisons Vote, Ireland?—No; it is the same in Great Britain. In this country it is not a charge upon the Army and Navy Votes. The only connection of these men with the Army and Navy is that they were serving in the Army or the Navy when they went mad.

2799. If they were on the Sick List of the Army or the Navy, would they not be maintained out of the Army and Navy Votes?—(Mr. Gibson.) Not after they were discharged.

2800. These are all permanently discharged men, of course?—Yes.

2801. (To Mr. Blain.) On page 373, there is an

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Mr. Hazleton—continued.

official receiving temporary personal remuneration at the rate of £250 for his new appointment, instead of the scale of £800, rising after five years to £900, previously attaching to the medical member of the Board, so that you get a saving there?—Yes, he has another post, in addition, as Inspector of Reformatory and Industrial Schools. He is really doing work which was formerly paid for at that rate, in addition to his existing work.

2802. Is he to be continued at that rate of £250 a year, or is he going to get the ordinary salary of £800?—He will not get two salaries for doing the work of both Departments—he will not be paid a double salary.

2803. Does that mean practically there is one appointment less?—Yes.

2804. One appointment has been found unnecessary, and has been done away with?—Yes, he gets a salary of £800 from the Reformatory School Vote, and this £250 in addition, and for that he does the work that was formerly done by two men.

2805. On page 377 there is an abstract statement of the Manufacturing Accounts of the Prisons in Ireland. As regards all those Sub-heads on the credit side, Sub-heads C, D, F, G, and so on, are the amounts included in the corresponding Sub-heads in the Vote itself?—(Mr. Gibson.) Yes, they are.

2806. Why are they put down under this Account?—Because they represent the value of the work done by the prisoners. They make the uniforms for the officers, they bake bread, and they make their own clothing, and that represents the value of the work they do.

Sir Robert Hobart.

2807. (To Mr. Blain.) On Item G, and Item O, I see there is a considerable amount not expended, which looks as if there were fewer prisoners; but I see the expenditure on Item H and Item I, which are for clothing and bedding for prisoners, point to the fact that the number of prisoners was normal—how do you account for that?—Those Items would not vary so immediately with the number of prisoners as the victualling, for instance, does. They do not necessarily give every new prisoner a new suit of clothes, I believe.

2808. It does not show that the diet was decreased, or the amount of fuel or light or water was decreased in any way?—The charge for diet has decreased owing to their being fewer people to be fed.

2809. But the amounts for clothing and bedding and gratuities seem to have been about normal?—As I say, I do not think that that would necessarily alter with the number of the prisoners. The number of beds would probably remain the same, even if they were not all occupied. (Mr. Gibson.) This represents the work done by the prisoners.

Mr. Leif Jones.

2810. (To Mr. Blain.) In the Manufacturing Account I see that the net profit is put down as

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as

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[Continued.]

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Mr. *Leif Jones*—*continued.*

as £3,567 16s. I suppose no rent was paid for any of the land?—No, there is no rent.

2811. And no interest is charged on account of the capital engaged in these operations?—No.

2812. So that it is really the excess of receipts over expenditure?—Yes; it does not amount to more than that.

2813. Then, turning to the other side of the Account, how much of the victualling and clothing and so on of the prisoners is charged against this Account? Is the whole of their time, so far as it is spent in manufacturing operations, put down there, or how do you divide up, for instance, the clothing?—(Mr. *Gibson.*) We have recently looked into this matter, and perhaps I might answer the question. As regards the "Clothing for Prisoners," it practically represents the cost of the material and the work done—it is not loaded with the prisoners' food, or any other indirect charge of that kind, because the prisoners would be fed in any case, whether they did the work or not.

2814. So that you leave out all expenses which are not caused by the fact of the manufacture—is that it?—Practically, that is so. Perhaps I might supplement what was said on the last occasion as to the comparison of the Manufacturing Accounts of Scotch prisons with those of English prisons. I have been looking into it since, and I find that the reason why the profit in Scotland is so large is that most of the sales in Scotland are to the public, and in these cases current trade prices are charged. If the sales are to other Government Departments, it is the practice to charge only the actual cost of the material, plus a small percentage. Whereas in England the prisons sell largely to other Departments, and not so much to the outside trade; in Scotland there is not the same difficulty; there they sell a good deal to the outside trade, and there they charge the current prices. That explains the comparatively large profits in Scotland.

2815. Does that apply to Ireland too?—Yes, to some extent, but it is not so large. In Ireland the profit is £3,500 out of £28,000, as against £9,000 out of £21,000 in Scotland.

Mr. *Brigg.*

2816. Is there any mechanical power, steam engine or gas engine, or anything of that kind, employed in manufacturing these articles in the prisons?—In some of the prisons they have special machinery put up—that would be charged, of course. In this account the only item is a small sum for "Ordinary Repairs of Buildings"; there is no machinery here, otherwise it would be included in the cost.

2817. That being so, the actual cost of machinery does not come in at all?—The prime cost would come in if there were any, but apparently there was none purchased in this year.

2818. What is put down here as net profit, really means the difference between the actual

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 20—Prisons, Ireland—*continued.*

Mr. *Brigg*—*continued.*

cost of the material put in and the material taken out—between the cost of the material and the prices realised, so that the word "profit" does not mean profit in the ordinary acceptation of the term?—Not in the strict commercial sense of the term.

Mr. *Ashton.*

2819. (To Mr. *Blain.*) In regard to the explanation of the saving on Sub-head A at the top of page 373; as being due to the appointments being held by one man—at present the appointments of Inspector of Reformatory and Industrial Schools and of medical member of the Board are held by the same man; I suppose it would not be possible for the Board to decide that those offices should be held by two separate men again without the consent of the Treasury?—No; Treasury consent would be necessary.

2820. Turning to the next page, 374, I see there are a very considerable number of cases of extra remuneration, and there is one point I cannot quite understand. The amount is given in the last column but one, and then the last column is headed, "Nature of remuneration," whether "Pension," "Fixed salary," or "Variable amount." Do I understand that those sums that are given where the word "pension" occurs are given in the shape of pension?—Yes; it merely means that in the prisons there are employed pensioners. This looks a very formidable list of extra remuneration, but it means nothing more than that a considerable number of the governors and other prison officers are pensioners before they are appointed to the prison—that is to say, they are pensioners who were receiving pensions in respect of some previous service before they entered the prison service.

Mr. *Parker.*

2821. Is it not rather an erroneous term to put it down as "Extra remuneration"? Suppose, for instance, a retired soldier is getting a pension for services rendered in the Army a long time ago, why should that pension be put down here as "Extra remuneration"?—It is simply done from great zeal not to withhold anything from the information of Parliament.

2822. But it seems to me the information is rather misleading in this form. If he is getting this pension in respect of service in the Army in years gone by, it is not really extra remuneration for any service which he is rendering to this particular business: it is really a pension which belongs to something the man did long ago?—The only reason for it is that the rule laid down by the Treasury in the past was made as wide as possible, so that Departments would have no excuse for leaving out any case, but that they should bring in everything.

2823. It seems to me it makes it rather confusing?—I think it is clearly enough stated in the explanation on this page, where they are pensions, that they are so.

2824. I

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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Mr. Bowles.

2824. I should like to ask one or two further questions above Sub-head W, "Maintenance of Criminal Lunatics." As I understand, this is a charge amounting to about £8,000 a year for services which in Great Britain are rendered and paid for by the localities. Why is it that in Ireland we put this charge upon the taxpayer. Is there any Act of Parliament or any authority for that?—It is under Act of Parliament. The same is done in England.

2825. You say the same is done in England?—Yes, in both cases it is done under Act of Parliament.

2826. But then why do we put this charge upon this Vote? These people, as I understand, are not only not in prisons, but they have never come near the prison system at all; they have surely nothing to do with prisons?—Prisoners in ordinary prisons who have become lunatics during their imprisonment and have been removed to asylums are provided for by this sub-head. The military prisoners to whom I have referred have, I understand, been guilty of some military offence, as a result of which they would be committed to prison in the ordinary course, but being lunatics they are sent to lunatic asylums instead.

2827. Do we only maintain them for the time during which they would have been in prison if they had not been lunatics, or do we continue to maintain them until they die?—I think we continue to maintain them.

2828. Could you tell me what the Act is?—The Irish Act is the Act of 1901 (1 Edw. VII. cap. 17).

2829. Before 1901 how was this business financed; did the locality pay? Is this practice only since 1901?—In Ireland the locality did pay, but the object of the Act of 1901 was to make the practice the same in Ireland as it already was in Great Britain.

2830. Therefore this Sub-head has only appeared since 1901?—Yes, in the Irish Votes.

2831. Do you not think that the Sub-head might be a little more explicit. After all, "Criminal lunatic" is, so to speak, a term of art—something that everybody understands, and these people are not criminal lunatics in the ordinary sense. Do you not think it would be clearer if they were described, as no doubt they could be very shortly?—I think the description is taken from the Act. You get on very delicate ground if you try to explain what it does include in this Irish case, because these charges ought only to be paid in regard to people who were prisoners while still in the military or naval services; but by a misprint in the Revised Statutes, in the English Act it was called "persons," and the misprint is copied in the Irish Act, and they are called "persons" there also, so that we pay in regard to people who are not necessarily prisoners in this case.

2832. So that this is really an expense which the general public is put to largely on account of a misprint?—Yes, under the decision of the Irish Courts of Law. The Treasury disputed the claim of the local authorities to be paid in all these cases. They said they ought to be only cases

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
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Mr. Bowles—*continued*.

where the men were prisoners before they were transferred, but the Courts decided against that.

2833. What is it that the Courts decided—that we had to pay in the case of men who, though not prisoners, became lunatics?—Who became lunatics during their service in the Army or Navy.

2834. In other words, we have to provide for life for everybody who, going mad, has been lucky enough to do so while in the service of the State?—There is no question of luck to the man—it only means that instead of being supported on the rates, he gets paid for out of the Votes of Parliament.

2835. I suppose he has no pension in such a case?—If so, it will be liable to deduction, I think, in respect of this payment.

Mr. Hazleton.

2836. Does the same state of things occur in Great Britain in regard to the misprint?—No, because in Great Britain we are not bound by the revised version of the Statutes, but by the original Statute; but in Ireland the original Act was based upon the revised version of the Statute affecting England.

2837. I ask the question because I find that in England the charges under this same heading, "Criminal Lunatics," only amount to £4,000, and in Scotland only amounted to £62 altogether?—Yes.

2838. Is that enormous difference due to the misprint in the Act?—I think it is due to the fact that it extends over a wider class in Ireland than in Great Britain owing to the language of the Act.

2839. Can you tell me, is it the soldiers and sailors who happen to go mad in Ireland who are maintained there, or is it only Irish soldiers and sailors who happen to go mad who are maintained there?—That depends upon the law of chargeability. They are people who, if they were not paid for out of this Vote, would be chargeable to the district asylums and supported out of the rates in Ireland.

2840. But I do not quite follow. Take the case of a garrison town in Ireland. Suppose an English regiment were stationed there, and supposing, say, ten English soldiers went mad while they were stationed there, would they be chargeable under the law to the locality; surely the ratepayers would not have to pay?—The question of the chargeability to different areas is all governed by Act of Parliament. I am afraid I cannot say how the law would operate in that case.

2841. I would like to have some more information about this point?—That question does not affect the charge on this Vote. The charge for these people would fall upon the rates in Ireland if they were not provided for out of this Vote.

2842. Are we to understand that in England and Scotland a very heavy charge for the maintenance of such lunatic soldiers and sailors does fall upon the local rates?—I think that is probable.

2843. Perhaps

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[Continued.]

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*Chairman.*

2843. Perhaps you will bring us up a paper next time with some more information as to the details under this Vote, as to the Act, and so forth?—Yes.

*Mr. Hazleton.*

2844. I think a Bill was introduced into the House by the Irish Attorney-General to change the word "persons" into "prisoners" in this Act, was it not?—That is so.

*Chairman.*

2845. But it was not passed?—No.

*Mr. Kettle.*

2846. Would you give me the reference to the Acts?—The Irish Act is the 1 Edward VII., chapter 17. The English Act is an Act of about 1882 or 1883—I do not recollect the exact title of it.

ON VOTE 21.

REFORMATORY AND INDUSTRIAL SCHOOLS,  
IRELAND.

*Chairman.*

2847. (To Mr. Kempe.) There is nothing particular in your report upon this Vote; no question arises upon it, I think?—No.

*Mr. Ashton.*

2848. (To Mr. Blain.) In the table of extra remuneration on page 380, I see that an Inspector received an amount of £143. What was that for?—That is the case which you have just had referred to on the Irish Prisons Vote. He was paid extra remuneration for acting as medical member of the Prisons Board.

*Mr. Hazleton.*

2849. Could you tell me what the Appropriations-in-Aid under this Vote chiefly consist of?—They are receipts from parents of children who are sent to the schools.

2850. Do you mean for the maintenance of children?—Yes.

2851. Are the parents liable for part of the maintenance, or is it a voluntary payment?—It has to be enforced; it is not a voluntary payment in most cases.

*Chairman.*

2852. The amount is fixed at the time of committal, is it not, and then it is recoverable?—Yes, an order is made against the parents—it is not always possible to enforce it.

*Mr. Kettle.*

2853. What is the difference between Sub-head D, "Maintenance of Juvenile Offenders," and Sub-head E, "Maintenance in Industrial Schools"—are there juvenile offenders maintained who are not in industrial schools?—Yes, those are in the reformatory schools.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 21—Reformatory and Industrial Schools,  
Ireland—*continued.*

*Mr. Kettle—continued.*

2854. Then is Sub-head D for reformatory schools?—Yes, it is merely for reformatory schools.

2855. So that Sub-head D is criminal juveniles, and the other is simply ordinary youngsters who are sent to industrial schools?—Yes.

ON VOTE 22.

DUNDRUM LUNATIC ASYLUM, IRELAND.

*Chairman.*

2856. (To Mr. Kempe.) There is only one small excess on this Vote, I see?—That is so. In the case of this Vote the usual statements relating to the farm and garden accounts have been forwarded, and you have tested their accuracy as far as possible?—Yes.

2857. Are you satisfied with the result?—Yes.

*Sir George Kekewich.*

2858. (To Mr. Blain.) With regard to the farm and garden account, I do not quite understand what is the meaning of "Excess of receipts over expenditure, £272 14s. 8d." I suppose the produce of the farm and garden is used for the maintenance of the lunatics, is it not?—Not wholly.

2859. I see, underneath, that £200 is applied in reduction of the charges. Does that mean that £200 is a round money estimate for the value of the vegetables supplied to the patients?—That is so.

*Mr. Hazleton.*

2860. I see from the explanation on page 383 that part of the saving under Sub-head A is counteracted by the employment of temporary attendants. Could you give me any information why the appointment of those temporary attendants was necessary, considering the fact that the average number of patients during the year was 160 instead of 170, as estimated for; that is to say, there were less patients to look after, but there were more attendants appointed apparently?—I am afraid I have not got any note here of why the temporary attendants were required at this time.

2861. Provision for this was not included in the Estimates, I think, was it?—No; but temporary attendants may be employed, for instance, during the absence on sick leave of the regular attendants; there is no saving on the pay of the regular attendants if they are absent for a short time on sick leave; somebody has to be paid to take their places. So far as I know that is the reason why temporary attendants were employed here.

*Mr. Brigg.*

2862. I see the explanation says that the saving on Sub-head A is "due to the fact that no marriage gratuity, as estimated, was granted during the financial year." Is it the policy of the Department

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[Continued.]

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—continued.

Mr. *Brigg*—continued.

Department to put a premium upon marriages in these lunatic asylums?—It only refers to the female warders; it does not mean the inmates.

2863. There is evidently a premium upon getting married if you go to a lunatic asylum?—No, you lose your situation if you get married, but as a compensation for that you get a gratuity.

CLASS IV.

EDUCATION, SCIENCE AND ART.

ON VOTE 10.

PUBLIC EDUCATION, IRELAND.

*Chairman.*

2864. (To Mr. *Kempe*.) I see there are a good many excesses on this Vote?—Yes, the larger ones are explained.

2865. The larger ones, I gather, are set off one against the other, or rather, the largest of all, which is on Sub-head E, is set off against the saving on Sub-head H?—Yes.

2866. I observe that an amount of £1,934 15s. 6d., for instruction given to girls in cookery and laundry work as extra subjects, has received the sanction of the Treasury?—Yes.

2867. With regard to paragraph 3 of your report, I do not see where the balance of £1,647 3s. 10d., which is referred to there, appears in the accounts?—It is an old standing amount; it appeared some years ago.

2868. It is not in this year's account?—No. This is only a statement of what has been done. The matter has now been clearly and finally finished, and it is mentioned for that reason.

2869. As regards the fourth paragraph of your report, that deficit of £284 has been written off with Treasury sanction?—Yes.

Mr. *Bowles*.

2870. (To Mr. *Blain*.) In regard to paragraph 3, I should like to ask a question about this balance of £1,647. I have no doubt there were good reasons for the action which the Treasury took, but I suppose the more obvious course would have been to surrender the balance to the Exchequer if it could not be spent in accordance with the original intention?—I think the Exchequer had no claim to it. It was intended to be paid to teachers. The only difficulty about paying them was that it would have had to be divided up into exceedingly small sums of about 2s. a head. It would have had to be distributed among the teachers all over Ireland, in proportion to their length of service, and it would have cost almost more than the amount of the money to work out everybody's share.

2871. This balance of £1,647 was really a book balance, so to speak, being the amount in the hands of the Commissioners of Public Education at the moment when the yearly grant was taken

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class IV.—On Vote 10—Public Education, Ireland  
—continued.

Mr. *Bowles*—continued.

over by the Agricultural Department; the grant continues to be made at this moment, does it not?—It is not made in the same shape now.

2872. It is paid through the Agricultural Department, but the teachers get it as they did, do they not?—The teachers get the equivalent for it included in this Vote; that is to say, an equivalent sum is added to the provision for education in Ireland in this Vote. The Department of Agriculture gets the original grant, and the Education Service, to which it was in the first instance allocated, gets an equivalent for it. But when the grant itself was paid to the Commissioners of Education it had to be employed in making additions to the salaries of school teachers. There is a different application of the equivalent that is now paid.

2873. That may be expended otherwise?—Yes; so that the question was how to dispose of the small balance that remained of the original grant.

Mr. *Hazleton*.

2874. In regard to Item A2, "Travelling," upon which the expenditure was £673, is that travelling expenses of the office staff?—Yes, the administrative staff.

2875. Is not that rather high? What are they travelling in connection with; where have they got to travel?—It would include the expenses of the Commissioners who have to come up to attend the meetings. They are unpaid.

2876. Then, I see, under Sub-head B, there is also an item for travelling; was not there a re-arrangement made as to the conditions under which these travelling expenses were to be incurred a year or two ago?—You mean the Inspectors' travelling expenses?

2877. Yes; was not there a sort of redistribution made? The official residences of the Inspectors, I understand, were changed, so that a number of them were brought into the same towns—was not that so?—I am afraid I do not know as to that.

2878. The reason I ask the question is this: I understand that a further change is being made. A considerable alteration was made in the arrangements a couple of years ago, involving considerable expense, and that arrangement has now been abandoned, and they have now gone back to the old system; do you know anything about that?—No, I am afraid I do not.

2879. As to Sub-head D, I presume, of course, the salaries of the teachers in the model schools are not included under that Sub-head?—They are under Sub-head E.

2880. The amount under that Sub-head seems a big amount; can you tell me what the expenses are?—(Mr. *Gibson*.) They are set out in detail at page 414 of the Estimates.

2881. (To Mr. *Blain*.) As regards Sub-head F, "Manual and Practical Instruction," has not the expenditure there considerably decreased; the expense has gone down considerably, has it not?

—Yes,

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[Continued.]

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Mr. Hazleton—*continued*.

—Yes, the expense is only about a quarter of what it was a few years ago.

2882. In connection with Sub-head G, has the Board of Works anything to say to the erection of teachers' residences?—Not in these cases. There are non-vested cases.

2883. Under the sub-head, I see, there are both vested and non-vested. These are grants made for the erection of teachers' residences, and half of it has to be paid out of this Vote?—(Mr. Kempe.) In the Estimates it is described as "Moiety of Annuities payable for loans advanced for the erection of teachers' residences." (Mr. Blain.) The other half is paid by the Managers themselves.

2884. Are the vested residences under the control of the Board of Works, or are they built by the Board of Works?—In the case of the vested residences, it is done by the Board of Works.

Sir George Kekewich.

2885. Is there any Grant for building schools included in this Account?—Not for building schools—that is in the Board of Works Vote.

2886. I see there is a very large surplus under Sub-head H, and a very large deficiency under Sub-head E. I suppose those two balance each other?—Yes.

ON VOTE 11.

ENDOWED SCHOOLS COMMISSIONERS, IRELAND.

Chairman.

2887. (To Mr. Kempe.) There is nothing to remark upon this Vote, is there?—No.

Mr. Hazleton.

2888. (To Mr. Blain.) In regard to Sub-head A, "Salaries," I see there is a note at the foot of the page, in which it appears there was a clerk who did not qualify for a Civil Service Certificate; can you tell me how long he was in the employment of the Board?—I think he was employed temporarily on probation, and then was not able to qualify. I do not think he was employed for a long time.

2889. Would it not be a Civil Service appointment?—Yes, when he obtains his Civil Service Certificate.

2890. But why was not a Civil Servant appointed in the first instance?—Immediately when a vacancy occurs, they have to get someone to fill the place for the time being.

2891. But it says that this clerk's salary included a £5 increment?—It was expected that that increment would fall to be paid before the end of the year, and it would have been, if he had gone on continuously during the whole of that time, but he did not.

2892. Then, on the following page, under the heading, "Extra Remuneration," I see the Secretary was employed for acting as Centre

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Ireland—*continued*.

Mr. Hazleton—*continued*.

Superintendent under the Intermediate Education Board, for which he got a further sum of £20. Who did his duties while he was away during that time?—I do not think it would be necessary to employ anybody to do his duty while he was away earning £20.

2893. But these duties would keep him away for over a week—did he receive his salary as Secretary while he was away on these duties?—Yes, he would receive his salary as Secretary all the year round. His salary as Secretary is £450 a year.

2894. Is he not required for that sum to give his whole time to the duties of the office?—The Endowed Schools Commission is not what you would call a very heavy office. It would be perfectly possible for the Secretary to be away a few days without upsetting the business of the office.

2895. Or even a week?—Or even a week.

2896. And to draw his salary?—Yes.

ON VOTE 12.

NATIONAL GALLERY OF IRELAND.

Chairman.

2897. (To Mr. Kempe.) Is there anything you want to say upon this Vote?—Nothing at all.

Mr. Hazleton.

2898. (To Mr. Blain.) Could you tell me whether there are any police employed on duty inside the National Gallery in Ireland?—I am afraid I do not know. There is no provision made for them here.

2899. There is no provision made under any Vote, is there? I know that in some of the public institutions there are police, and I think there are in the National Gallery. There is no Appropriation-in-Aid here?—Of course, the Dublin Metropolitan Police, being paid for out of the Votes themselves, their services could be retained in an institution like this in Dublin without their having to be directly paid for. So that it is not quite the same as is the case in London, where the police are a local charge.

ON VOTE 13.

QUEEN'S COLLEGES, IRELAND.

Chairman.

2900. (To Mr. Kempe.) There is nothing to remark upon this Vote at all, is there?—No.

2901. The abstract accounts of the income and expenditure of the three colleges have been examined by your Department in detail and found correct?—Yes, we have examined them.

Mr. Brigg.

2902. (To Mr. Blain.) As regards the statement of



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[Continued.]

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On Vote 13—Queen's Colleges, Ireland—*continued*.

Mr. *Brigg*—*continued*.

of extra remuneration on page 440, there is no description, such as is usually given, of the class of persons who receive the extra remuneration. It is very useful to have some statement of what the position of the people who receive the extra remuneration is, so that we can form some idea as to whether the extra remuneration is at all commensurate with the salaries which they receive. What class of people would they be receiving extra remuneration under this Vote?—All these people are professors or lecturers.

2903. That is not stated here?—No.!

Sir George *Kekewich*.

2904. What do these professors or lecturers get this extra remuneration for?—For examination work.

2905. But we are not told that here—do not you think it would be more convenient if we were told what the extra remuneration was given for in all these schedules?—Yes, I think it would be.

2906. Because, as Mr. *Brigg* said, it might be a small amount or it might be a large amount for the work done; but at any rate there seems to be a great deal of extra remuneration in the case of the Queen's Colleges, especially at Queen's College, Belfast. I think there are something like 25 professors or lecturers (if they are professors and lecturers) at Queen's College, Belfast, who get various sums for extra remuneration?—Of course, in that case, where the university is a purely examining university, it is inevitable. It must get its examination work done by someone or other, and the natural persons to employ are the professors.

2907. Are not the professors bound to give the whole of their time to their regular work? Are they not employed at a fixed salary to give the whole of their time to the work of the college?—Yes, but I think there is nothing in that inconsistent with their conducting examinations as well.

2908. You consider that all this is given for conducting examinations?—Yes.

2909. Then would that be so in all universities? Is it the same thing at Oxford?—This is a university which exists to carry on examinations, I believe; it is not a teaching university.

2910. Then what do you want professors and lecturers for?—The professors and lecturers of the constituent colleges are employed to conduct examinations, and the pay which they get in that capacity is shown here as extra remuneration.

2911. They get their salaries from the colleges, and then they get extra remuneration for work in connection with the university examinations—that is what I take it to be?—Yes.

2912. I suppose the same thing happens at any rate in cases like the Welsh Colleges and the Welsh University?—Yes, and so it is with every educational vote in this Estimate; we have lists like this of people getting extra remuneration for examination work.

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Sir George *Kekewich*—*continued*.

2913. But the difference, of course, is that these men are not paid by the State. A Grant-in-Aid is given to these colleges?—Yes.

Mr. *Hazleton*.

2914. What is the cause of the variation in the amount of the Income Tax paid on the original grant to each of the three colleges; it is different in each case, although the original amount received from the Paymaster-General is the same?—It seems to balance in such case—it is the same on both sides of the account. I am afraid I cannot say why it is not the same in one account as in the other. (Mr. *Kempe*.) I think the accounts of the year overlap. The college year is not the same as the financial year and, therefore, the Income Tax is not always paid at the same time.

2915. Would not that apply to all the three colleges?—Yes.

2916. The point I was putting was that in the three colleges the amount is different. On page 442 the Income Tax paid by Queen's College, Belfast, on £7,000 was £261 12s. 4d., and in the other two colleges it is £250 and £248?—Yes, I had not noticed that; I cannot explain that.

*Chairman*.

2917. Is not the explanation that the Income Tax is paid, not upon the £7,000 grant, but upon the income paid to the different individuals?—Yes, it is paid upon the amount paid out of these Votes. (Mr. *Gibson*.) It is not paid on the £7,000.

2918. It is paid on the salaries into which that amount is divided?—Yes.

2919. And therefore, of course, it varies?—Yes.

Mr. *Ashton*.

2920. (To Mr. *Blain*.) As regards the examination fees which are paid to all these various professors under the head of "extra remuneration," can you tell me who settles the amount of the scale they shall receive?—The examining authorities; the Civil Service Commissioners for instance, in their own case; the Board of Intermediate Education out of their funds. They pay on a certain scale for such work.

2921. Then I suppose the Treasury has to sanction it, too?—There would be no Treasury sanction required, except in the case of the Civil Service Commission. The Treasury have no control over this expenditure of the Board of Intermediate Education or the Royal University in Ireland.

2922. They can spend what they like?—So far as the Treasury is concerned; they may be governed by statute.

2923. (To

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[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

## CLASS VI.

## ON VOTE 3.

## NON-EFFECTIVE AND CHARITABLE SERVICES.

## HOSPITALS AND CHARITIES, IRELAND.

## ON VOTE 1.

## SUPERANNUATION AND RETIRED ALLOWANCES.

*Chairman.*

2931. (To Mr. Kempe.) Here, again, you have nothing to say particularly on this Vote?—Nothing.

*Chairman.*

2923. (To Mr. Kempe.) There is nothing to be said upon your Report upon this Vote, is there?—No.

*Mr. Hazleton.*

2932. (To Mr. Blain.) What is the meaning of this entry as regards Sub-head H, "Lunatics and Idiots"? There seems to be a similar amount transferred from the Grant in aid of Hospitals?—Yes, there is no charge to the public, as you will see in the explanation on page 530.

*Sir Robert Hobart.*

2924. (To Mr. Blain.) As regards Items A and B, is it not possible to estimate rather more closely than that?—It is a very large item, and the difference of £8,000 represents somewhat over 1 per cent. I think that is really very close estimating.

2925. My idea is that it could be rather more closely estimated?—In order to make the estimate you have to judge how many pensioners will die in the year, and how many new pensions will be granted. I think if it comes to 1 per cent. of the total it is not bad estimating.

2933. Then what is the necessity for the sub-head? I understand the money comes out of the Grant in aid of Hospitals, under the same Vote?—Yes. The payment which is received to provide this service comes in under Sub-head K, "Appropriations in Aid." Exactly the same amount is appropriated in aid as the amount of the charge under Sub-head H. In years gone by it was much larger, and that was the necessity of the sub-head. It is an expiring service.

*Mr. Brigg.*

2926. The same remark applies to Sub-head C, but there there is the variation of a good deal more than 1 per cent; it is nearly 30 per cent.?—Yes. But in that case it is even more difficult to estimate.

2927. It certainly includes gratuities also. May I call your attention to some large cases of extra remuneration; on page 524, under the head of "Scotland," I see extra remuneration was granted to Sir John Cheyne under three separate heads, making in all £1,050 extra remuneration. It seems rather odd to have them under three different heads—is there any special object in it?—He was a Sheriff and he held several different appointments, I believe. He is dead now.

2928. I suppose it is for the convenience of the Office to keep them under three separate heads?—Yes, they refer to different appointments which he held; that is why they are shown as separate items there.

2929. Then, turning back to page 522, there are some large amounts there given in the way of extra remuneration. I see £326 in one case and £400 in another?—Those are cases of people who had been pensioned, and who are re-employed in some capacity or other.

*Chairman.*

2934. The sub-head is ceasing to exist?—Yes. Formerly there was a net charge, but now it becomes so small that the receipts more than cover it, or suffice to cover it.

## ON VOTE 4.

## SAVINGS BANKS AND FRIENDLY SOCIETIES' DEFICIENCIES.

*Chairman.*

2935. (To Mr. Kempe.) With regard to the first paragraph of your Report, these variations are due to the variation in the price of stock?—Yes; the Vote is taken in consequence of the insufficiency of income from investments to meet the interest paid.

*Mr. Brigg.*

2936. (To Mr. Blain.) In regard to Sub-head C, "Post Office Savings Banks Deficiency," there is an expenditure of £88,000. I should like to know whether that is taken into account in the Post Office Account? In dealing with the Post Office, which is a revenue-producing account, is this £88,000 deficiency debited against that account?—No, it is never set against the Post Office revenue.

2937. This is simply a Grant from the State in the same way as with the trustee savings banks and the friendly societies?—Yes.

2938. So that when we look at the profit revenue on the Post Office, we may debit it with this £88,000 to be taken from those profits?—Except that the savings bank is not one of the means by which the Post Office earns its profits; it is simply

## ON VOTE 2.

## MISCELLANEOUS CHARITABLE AND OTHER ALLOWANCES.

*Chairman.*

2930. (To Mr. Kempe.) There is nothing to remark on this Vote, apparently?—No.

3 April, 1908.]

Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. GIBSON.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 4—Savings Banks and Friendly Societies'  
Deficiencies—*continued.*

Mr. *Brigg*—*continued.*

simply that the Post Office, having the machinery, uses it to carry on the business. You cannot blame the Post Office for the fact that these savings banks are not remunerative.

2939. It is not part of the Post Office?—No.

Sir *Robert Hobart.*

2940. Turning to the summary on page 534, may I draw attention to the item, "Superannuation and Retired Allowances," on which the amount to be surrendered, I see, is £13,579? Could you tell me how that compares with previous years—the last year or the year before? What I am trying to arrive at is whether the estimate was too much or was an average estimate?—This is the Comptroller and Auditor-General's own Account, and perhaps he would answer for that.

*Chairman.*

2941. (To Mr. *Kempe.*) My point is that if this amount is continuously about the same, it would tend to show that this is rather an over-estimate?—As Mr. Blain has explained, you never could get it exactly.

2942. But is this surplus generally about the same figure—£13,000?—I think the Estimates are based upon an average generally. It is an average taken over three years, and for a series of three years the surplus would probably be about the same; but from year to year it varies to a small extent.

2943. You are satisfied that the Estimates are sufficiently close?—I think it is as near as can be reasonably expected. It is much nearer than in many of the Votes.

#### CLASS VII.

#### MISCELLANEOUS.

#### ON VOTE 1.

#### TEMPORARY COMMISSIONS.

*Chairman.*

2944. (To Mr. *Kempe.*) On this Vote there are a good many excesses, and on two of them, Sub-head E and Sub-head L, they are rather larger?—Yes.

2945. (To Mr. *Blain.*) I gather from paragraph 4 that, as regards the Colonisation Board, balances are left at the Bank of Montreal in London, and in the hands of the Canadian agents?—That is so.

2946. The Saltecoats property has apparently not yet been disposed of?—It still remains for disposal.

2947. There are 480 acres yet to be sold, I understand?—Yes.

2948. In whose hands is that? Is there a caretaker appointed by the Government, or who looks after it?—The Colonisation Board have agents out in Canada, and they look after it.

B

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
Class VII.—On Vote 1—Temporary Commissions  
—*continued.*

*Chairman*—*continued.*

2949. They are responsible for the land?—Yes.

Mr. *Brigg.*

2950. In regard to Sub-head B4, "Scientific Investigations," which are under the heading "Sewage Disposal Commission," are those investigations published so that the public have access to them in some way?—The Reports of the Commission are frequently published, which include the results of their scientific investigations.

Mr. *Hazleton.*

2951. The total cost of all these Commissions for the year is included here, except, I suppose, the printing—that would come under the Stationery Office?—Yes, it is all included, except the printing and the housing—that does not come in here.

2952. The printing, I suppose, for Commissions would be a very large item?—It is a considerable item.

2953. This Vote would not give a correct idea of the total cost, therefore, of these Commissions, would it, for the year?—No, you have an appreciable amount to add on for stationery.

2954. Would it not be well to have a note stating that on this Vote?—It is given in the Estimates.

Mr. *Brigg.*

2955. I observe that a good deal of these reductions are in consequence of the stopping of taking shorthand notes; some of it is due to the reduction of printing expenses, and I notice that on page 517 there are several instances where the reduction was due to shorthand notes being dispensed with. For instance, the explanation of B2: "Very little evidence was taken which it was necessary to take down in shorthand"; and again on D2: "No necessity arose for the employment of a shorthand-writer"; and J2: "The arrangements made by the Committee enabled them to dispense with the services of a professional shorthand-writer," and so on. Is that the result of any special cause?—No; it is merely that the Commissions did not find it necessary to have so much shorthand reporting.

2956. The reductions in those cases are apparently due to that one item, and I thought there might be some general cause?—No, there was no general cause for it.

#### ON VOTE 2.

#### MISCELLANEOUS EXPENSES.

*Chairman*

2957. (To Mr. *Kempe.*) There is nothing to remark upon this Vote, except that the appropriations are very largely in excess of the Estimate?—Yes, that is explained in the Notes.

26\*

2958. I

3 April, 1908.]

MR. KEMPE, C.B., MR. BLAIN, C.B., and MR. GIBSON.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 2—Miscellaneous Expenses—*continued*.

Mr. Hazleton.

2958. I observe that, under Sub-head H, £6,500 is paid for the Irish Passenger Train Service; has that been withdrawn?—No, it is transferred to the Post Office Vote now this year at a reduced amount, I believe.

2959. Turning to page 551, I see the fees remitted at the Crown Office amount to £379. I suppose that is lost to Appropriations-in-Aid?—Yes.

2960. Is there anything special about these remissions, or are they ordinary?—These are quite ordinary.

2961. For instance, this "Warrant granting leave of absence to the Lord Chancellor of Ireland"—what is the reason there?—It is not considered necessary that he should pay the stamp duty, although the duty is chargeable.

ON VOTE 3.

REPAYMENTS TO LOCAL LOANS FUND.

Chairman.

2962. (To Mr. Kempe.) There is nothing to remark, I think, in your Report on this Vote; it is a mere historical statement, is it not?—Yes.

ON VOTE 4.

IRELAND DEVELOPMENT GRANT.

Chairman.

2963. (To Mr. Kempe.) Your Report again on this Vote is merely a historical statement, is it not?—Yes, it is merely a historical statement.

2964. There is no remark to make upon it?—No.

Mr. Ashton.

2965. (To Mr. Blain.) With regard to the "Irish Development Grant" Vote, at the bottom of page 556, mention is made of a deficiency of £57,000; what is that?—That is dealt with in paragraph 3 of the Report.

2966. Then, in regard to the other item mentioned there of £52,209, has that amount been carried forward—is it an accumulating amount?—It is carried forward to a standing account.

2967. It is carried forward to the next year as a balance?—Yes.

ON VOTE 5.

REPAYMENTS TO THE CIVIL CONTINGENCIES FUND.

Chairman.

2968. (To Mr. Kempe.) You have nothing to say on Vote 5, have you?—Nothing.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

ON VOTE 6.

INTER-PARLIAMENTARY CONFERENCE.

Chairman.

2969. (To Mr. Kempe.) There was a little balance to be surrendered from the sales of tickets—that has been duly surrendered?—Yes.

2970. Otherwise the £1,000 never was issued?—The total surrender is £1,200 15s. 8d.

Mr. Bowles.

2971. (To Mr. Blain.) I see that £499 15s. 8d. was held in reserve to cover the cost of the official report of the Conference?—Yes.

2972. I do not quite understand how that is arranged for?—The Treasurers held back that amount estimated by them as being sufficient to cover the cost of the Report. They surrendered all they felt sure they would not require.

2973. I do not quite understand how they were able to hold this back unexpended and not to surrender it?—It is a Grant-in-Aid.

ON VOTE 7.

EXPENSES UNDER THE UNEMPLOYED WORKMEN ACT, 1905.

Chairman.

2974. (To Mr. Kempe.) You have nothing to say upon this Vote, I gather?—No.

Mr. Hazleton.

2975. (To Mr. Blain.) I see that the amount spent out of the grant in Ireland was £11,050; what was the total amount surrendered from Ireland under this Vote?—There was nothing surrendered from Ireland because a Vote of £200,000 was taken as one sum for the United Kingdom.

2976. £124,000 was spent out of the Vote altogether?—Yes.

2977. Was there not a certain amount allocated to England, Scotland and Ireland?—The original allocation to Ireland was a sum of only £10,000. Ultimately £11,050 was spent in Ireland; so that there was no saving.

ST. LOUIS EXHIBITION, 1904

Chairman.

2978. (To Mr. Kempe.) Your Report on this Account raises no question?—No, it is simply the winding up of the Accounts.

TREASURY CHEST FUND, 1906-07.

Chairman.

2979. (To Mr. Kempe.) There is nothing unusual on this account, is there?—Nothing.

2980. There

3 April, 1908.]

Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. GIBSON.

[Continued.]

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 7—Treasury Chest Fund, 1906-07—  
*continued.**Chairman—continued.*

2980. There is only a very small net loss of £326?—That is so.

*Mr. Ashton.*2981. (To Mr. *Blain.*) Why have they to keep such large balances at some of these places? For instance, at a place like Malta, I see they keep £54,000. Is it necessary to keep so large a sum as that?—That happened to be the balance at that particular date.

2982. These balances are cash balances, are they not?—Yes; but that is simply the balance at the date when the account was struck.

2983. You mean there might not be so much at other times?—No, it varies very much. For instance, a ship of war might be arriving there, and they have to accumulate a balance. It varies very much.

2984. Why do they keep such a large balance in Ceylon as £45,000?—Generally speaking, the instruction to the Treasury Chest officer is to keep a balance not exceeding two months' expenditure. As a rule they keep very much less now, because the facilities for getting money are very much greater than they used to be.

2985. Where do they keep it; in the local banks?—Yes, in banks; there are only one or two cases where they are not kept in banks. But the whole sum is limited to £700,000.

2986. The total of £885,000 on page 8 includes the balance in the hands of the Paymaster-General; the balances abroad, of course, are very much less than £700,000?—The cash balances might exceed £700,000, because there are outstanding Bills; that is to say, Treasury Chest Bills which have been drawn but have not yet been presented here. One man would have the cash and the other man would not have presented the Bill.

CONSOLIDATED FUND—ABSTRACT ACCOUNT,  
1906-07.*Chairman.*2987. (To Mr. *Kempe.*) I think your Report upon this Account is merely a historical statement, is it not?—It is merely a summary of the Finance Accounts.*Mr. Bowles.*2988. (To Mr. *Blain.*) This will be an end of the Local Taxation Account, will it not—we shall not have it again, shall we?—No. The Local Taxation Account continues as before. The only thing that has happened is that, instead of paying the money direct from the revenue to the Local Taxation Account, it is paid to the Consolidated Fund. There will still be payments to the Local Taxation Accounts, but they will be made from the Consolidated Fund.

## CIVIL CONTINGENCIES FUND, 1906.

*Chairman.*2989. (To Mr. *Kempe.*) This is an Account on which I think you do not report; you only lay

## CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.

On Vote 7—Civil Contingencies Fund, 1906—  
*continued.**Chairman—continued.*

before us the correspondence between you and the Treasury?—It is examined under the direction of the Treasury. It is not reported to Parliament.

*Mr. Ashton.*2990. (To Mr. *Blain.*) On page 7 I see there is an item of expenditure, "Expenses incurred by the Admiralty in carrying the remains of the" "late Canadian Minister of Marine from Cherbourg to Halifax," amounting to nearly £4,000. How can it be so large a sum for conveyance from port to port? I suppose the remains would be carried on a warship, would they not?—The expense is mainly in regard to coal, I believe.

2991. Do you mean that this is really the expenses of the ship?—Yes.

2992. I imagined that the remains would have been carried by a warship at the expense of the Admiralty?—No, the Admiralty say that it is not a proper charge upon their Votes.

*Mr. Bowles.*

2993. Why do you charge such a thing as "Wages of Messenger to the Lord Privy Seal" at £1 ls. a week to this fund?—The Lord Privy Seal has got no office and there is no provision for it anywhere else, and so we pay it out of this Account.

2994. Has that gone on for a long time?—Yes.

## LOCAL LOANS FUND ACCOUNTS, 1906-7.

*Chairman.*2995. (To Mr. *Kempe.*) I think there is nothing at any rate to remark upon on the first four paragraphs of your Report on the Local Loans Fund, is there?—The whole Report is practically historical.

2996. With regard to paragraph 5, the balance on the Capital Account is very large because it includes £444,000 in regard to the Volunteer debt which was taken over?—That is so.

2997. Otherwise the whole of the Report is historical. There is nothing you wish to call attention to, is there?—No, there is nothing to which I wish to call special attention.

2998. I see in paragraph 15 you recovered a little money on the Fishguard and Rosslare Railway?—Yes.

2999. In the case of the Limavady and Dungiven Railway, the Commissioners have sold their interest apparently?—Yes.

*Mr. Brigg.*

3000. Does this Account contain any record of the amounts written off?—Yes. Column 10 contains the amounts written off on pages 7 to 17, and column 9 also.

3001. Column 9 are the sums remitted—that is, they are excused, I take it?—Yes. (Mr. *Blain.*) They are all done by Act of Parliament. There is a Public Works Loan Bill brought in every year

3 April, 1908.]

Mr. KEMPE, C.B., Mr. BLAIN, C.B., and Mr. GIBSON.

[Continued.]

-CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 7—Local Loans Fund Accounts, 1906-7  
—continued.

-CIVIL SERVICE APPROPRIATION ACCOUNTS, 1906-7.  
On Vote 7—Local Loans Fund Accounts, 1906-7  
—continued.

Mr. Brigg—continued.

year that schedules any amounts that are written off.

Mr. Hazleton.

3002. In the Capital Account on page 2, as regards the Irish Land Commissioners, there is a sum of £113,857 received. If you compare that with the amount received from the borrowers by the Land Commission, on page 17 at the bottom of Column 15, you will find the Commissioners had to pay over to the Local Loans Fund more than they had received from the borrowers. The sum in the one case is £113,857 and in the other case £113,553. Do you know what the reason is of the difference in the amount there?—That is merely a casual difference, because they do not necessarily pay over on the 31st March.

Chairman.

3003. There is a note saying that they had an extra balance of £552 for interest?—Yes.

Mr. Hazleton.

3004. But that does not balance the two amounts. They paid over to the Local Loans

Mr. Hazleton—continued.

Fund more than they had received from the borrowers?—Yes, and in addition they had a balance in hand. It may be that at the end of the previous year they had a still larger balance in hand—that is probably the explanation. They had a balance over what they received, but it may not be actually the amount they had received within the same year, because they do not necessarily pay over the money on the day when they receive it.

Mr. Bowles.

3005. On the balance-sheet on page 5, can you tell me how these assets are valued—do they value investments for this purpose at the price of the day or at par, or at what price?—These would be valued at cost price.

3006. That is the pretty nearly universal practice, I think, with the Government in these matters; investments as assets are usually valued at cost price, are they not?—Yes.

(The Witnesses withdrew.)

Friday, 1st May, 1908.

MEMBERS PRESENT:

Mr Ashton.  
Mr. Bowles.  
Mr. Brigg.  
Sir Robert Hobart.

Mr. Lief Jones.  
Mr. M'Crac.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

ARMY APPROPRIATION ACCOUNTS, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. E. G. HARMAN called in; and Examined.

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

Chairman.

3007. The Committee generally begin with the Treasury Minute, but this year it has nothing in it except dealing with the different paragraphs, and I, therefore, propose to take it when we come to the paragraphs of the Report itself. (To Mr.

Chairman—continued.

Kempe.) As regards paragraph I of your Report, there is really nothing special there except congratulations that the Accounts have been rendered earlier than usual this year?—That is so.

3008. I see

1 May, 1908.]

Mr. KEMPE, C.B. Mr. HARMAN, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1906-7.  
Examination of Army Accounts, 1906-7  
—continued.

Mr. Leif Jones.

3008. I see you say in this paragraph that you had to work your staff on overtime for several months; why was that?—Because in addition to the ordinary work, which would ordinarily have been spread over two or three months, we wanted to bring up the arrears so as to start clear, and there would not have been time to do that in the ordinary hours of the day, so the staff had to work for an hour or so overtime.

3009. I gather that this is a permanent change that is being made, and that in future you are always going to render these Accounts earlier?—Yes.

3010. Will that involve over time in future years?—No, the Accounts having been brought up-to-date now we start clear, but in this year, in order to bring the Accounts up-to-date in the time, we had to work overtime for about five months.

3011. That will not happen again?—No.

Mr. Bowles.

3012. (To Sir Guy Fleetwood-Wilson.) On page 218, I see there is a letter written by the War Office to the Comptroller and Auditor-General making the proposal that this change should be effected?—That is so.

3013. In that letter of the 27th March, 1907, the War Office say: "As regards the Army, it is provided in the preamble to the Balance Sheet, that the Accounts shall be closed on the 30th September, whereas, in practice, it is kept open until late in December."—that is to say, it was three months late—had that gone on for a long time?—I think it has always been so from time immemorial. It is to be remembered, of course, that we have so many out-stations and Accounts coming in from abroad.

3014. The letter says that: "It is provided in the preamble to the Balance Sheet that the Account shall be closed on the 30th September." Is not the date at which the Account has to be closed also provided for in the Act of 1866?—I could not say at the moment, but I think we have always had a certain amount of latitude in the matter, because of the difficulties arising in regard to Accounts coming from the out-stations and the exceptional conditions which may attach in regard to these Accounts. If I recollect rightly it is regulated by Treasury Minute. This year we did our best to bring it up to date at the earlier period as the Comptroller and Auditor-General has indicated, and we are trying to keep it up closer if possible. It has been an effort, but we have made it with very very slight, indeed hardly any, overtime.

## EXAMINATION OF ARMY ACCOUNTS, 1906-7.

Chairman.

3015. (To Mr. Kempe.) This year you have managed to bring the whole of the Votes under review for appropriation purposes instead of only

ARMY APPROPRIATION ACCOUNTS, 1906-7.  
Examination of Army Accounts, 1906-7  
—continued.

Chairman—continued.

two or three?—Yes; this is the second year we have done that. We began last year; but this year it is more complete. As the Committee will see, we have practically noticed all the Votes this year.

3016. Consequently all the Votes are noticed in the Report this year?—That is so.

## CARRY-OVER OF EXPENDITURE.

3017. As regards paragraph 3 that is entirely satisfactory: there is no carry-over of expenditure at all this year?—That is so.

3018. This the second year in succession in which that has been the case?—It is the second year in succession.

## COMPARISON OF ESTIMATE AND EXPENDITURE AS SHOWN BY THE ABSTRACT APPROPRIATION ACCOUNT.

Chairman.

3019. Passing to paragraph 4, the first sentence is merely a historical statement, is it not?—That is so.

3020. In fact the whole thing is really only historical?—Yes.

3021. (To Sir Guy Fleetwood-Wilson.) With regard to the second set of figures given under paragraph 4, there is a certain surplus which would have been larger but for certain payments in 1906-07 in respect of supplies and services under Vote 7, which in ordinary course would not have been paid for until the year 1907-8. Was the estimate for the following year reduced because those sums were paid in that year?—It has not occurred in the past that we have not been able to pay the March accounts until April. The supplies referred to here are supplies which came within the financial year and we had the money and we were able to pay the March accounts in March, and I think it was legitimate and proper that the money should have been paid in March. *Pro tanto* of course the Estimates for the following year had less money to find because in the ordinary case we have to take a month of the previous year and find money for it.

3022. Was that provided for in the Estimates when they were framed or was it provided for in any way?—Certainly; the money which we knew would not be wanted for these particular accounts that had been paid was not asked for. What was paid was for supplies which were properly handed over to us and were used and came into account in March: they were paid for in March instead of being paid for in April.

3023. In an ordinary year they would not be paid for till April?—Very often it has happened that they are not paid for till April.

3024. So that practically you paid for 13 months' supplies

1 May, 1908.]

Mr. KEMPE, C.B., Mr. HARMAN, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1906-7.  
Comparison of Estimate and Expenditure as shown  
by the Abstract Appropriation Account  
—continued.

Chairman—continued.

supplies with 12 months' money?—Yes, that would be so if you take in the previous year.

3026. That was done?—That was done.

Mr. M'Crae.

3027. With regard to this very large surplus the Comptroller and Auditor-General of course notes that we had this question very fully before us last year, and you then indicated that the same conditions might apply to the Accounts that are now before us. I should like to ask can you tell me what was your forecast of the expenditure for 1906-7 in March of that year?—You mean the forecast which we sent to the Treasury?

3028. Yes?—It is alluded to by the Comptroller and Auditor-General, I think, in the next paragraph, and it is alluded to in the Treasury Minute, and perhaps I may be allowed to express my thanks for the tone of the remarks both in the Report and in the Treasury Minute upon the improvement which has been effected. I felt very strongly last year that it was an unsatisfactory forecast. This one, I think, cannot be called unsatisfactory, and the subsequent one will, I hope, be even better.

3029. So that we may consider this very large surplus quite abnormal and will not occur again?—I should not quite like to say that, because as the Committee know we have a surplus this year, as is indicated by the Estimate that has been taken. But this is an abnormal surplus in many respects. I have analysed it and a good deal of it was, I think, genuinely unavoidable owing to changes of policy, to delays on the part of contractors, and to failures to place contracts. Last year I devoted myself as much as I could to the question of the forecast, with this improved condition of affairs. Personally, this year my time has been taken up very much (and I am sure the Committee will extend to me their sympathy on that account) with territorial finance, and I have not been able to go into the matter so carefully; but during the coming autumn, with the assistance of the Secretary of State and the new Finance member, I hope to be able to go into the causes which have produced these surpluses, because no one realises more than myself that the recurrence of them must be unsatisfactory to this Committee as it is to me, as being to some extent responsible for the Estimates.

3030. May we take it that the expenditure as compared with the Estimate will in future years more nearly approximate?—That certainly ought to be the case and I hope will be the case. This year we have a large surplus still, but great help will be rendered by what appears to be a fixed policy in regard to the Army; or everything points to its being practically more fixed than it has been during the last three years or so, and I think some of these changes and variations which have produced these unsatisfactory results will

ARMY APPROPRIATION ACCOUNTS, 1906-7.  
Comparison of Estimate and Expenditure as shown  
by the Abstract Appropriation Account  
—continued.

Mr. M'Crae—continued.

be modified. For instance, I attribute something like £400,000 to variation of policy and nearly £250,000 to delays with contracts, and those I think, ought to be materially modified, and I hope they will be, at all events.

3031. Do you anticipate bringing about this improvement by more careful scrutiny of the Estimates, in the first instance, or by financial control which will operate during the currency of the expenditure?—I think an appreciable amount of the surpluses in the last two years has been attributable to the economical policy of the Department, which has been cordially accepted by the military members of the Council. Whether it has been fully recognised that contractors do not always keep to their promises, and that if you start a policy in regard to the Army in April it will not necessarily be carried out during that financial year in its entirety is open to question, and it is just those points which I hope will receive very careful consideration this year. But it is in the direction of not taking quite so much money rather than in regard to the question of any change in the spending of the money during the financial year that I think improvement may take place.

Mr. Leif Jones.

3032. I am not sure whether I correctly understood the answer that you gave to a question put by the Chairman a little time ago as to this payment for supplies which was made in March this year instead of in the following April. The Estimates for the following year would not be reduced on that account, would they, because the Estimates would have been framed before you knew what was going to happen in March?—Yes, I understood the question to be whether the Estimates would be relieved of that payment which, of course, they would be.

3033. They would be relieved of the payment, but the Estimates would not be reduced, would they, because the Estimates would have been framed before you knew what was going to happen?—The Estimates were framed before the Accounts were paid in March, certainly. If I have said anything to the contrary of that, it was a slip. What I meant to say was that, *pro tanto*, the Estimates would have been relieved of that payment.

3034. In the following year, again, unless the March accounts were again included, there would only be 11 months instead of 12 months?—That is so.

3035. So that the surplus would be swelled to that extent?—Yes.

3036. What do you anticipate will be the rule in the future—will these Accounts generally be paid before the end of the year or not?—Properly speaking, of course, all Accounts that belong to a year ought to be paid within that year, but it depends



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## ARMY APPROPRIATION ACCOUNTS, 1906-7.

Comparison of Estimate and Expenditure as shown  
by the Abstract Appropriation Account  
—continued.Mr. *Léif Jones*—continued.

depends a good deal where the expenditure arises. If the Accounts are ripe for payment and we have the money, we should pay the Accounts at once. It is like getting your bill before Christmas or after the 1st January.

3037. It makes a comparison of the Accounts difficult, and in some cases even useless, does it not, unless you know whether your account year is going to have 12 months in it. We should not compare an 11 months' year with a 12 months' year?—I agree. I think I cannot give you a pledge as to what will be done every year, because obviously the circumstances vary very often, but I can say this much; properly speaking, no doubt, the Accounts of one year ought to be brought into payment within that year.

3038. You agree with me that it is very desirable that the Account should contain the 12 months accounts?—Yes, I quite agree.

Mr. *Bowles*.

3039. To follow that up, is there sometimes absolute administrative difficulty in getting accounts in in time to be paid during the proper year, even though you have the money available?—Yes, I think there is. You may have an account which is a perfectly simple account and represents a large sum which could perhaps be run through easily, while another account may be built up of a great number of amounts which require examination, and which take a much longer time to examine. It has been the result of considerable pressure on the staff to get these paid this year.

3040. I suppose the total amount held over in that way for further examination would not bear a very large proportion to the total expenditure—could you give me any notion what the accounts held over would be?—I could not tell you off-hand what the Accounts might be that would come into payment in March and what might not come into payment—I suppose it would be really every kind of account. I do not think I could give you any idea as to that without having the whole of the Accounts gone into and examined. What I meant was that one account would require a much heavier amount of examination than another account.

3041. And sometimes the necessity of giving time to its examination would prevent your paying the Account within the year, even though you had the money?—Yes; and then there is another thing; there might be queries on the Account which would delay the matter, and those queries may be at Salisbury or they may be out in South Africa.

Sir *Robert Hobart*.

3042. With regard to the surplus you arrive at a knowledge of it, I understand, at the end

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of March, but from time to time during the year you make a sort of rough estimate as to how the money is going, do you not?—Yes, but as you are aware, the real position in point of fact is only indicated towards the middle of the last quarter of the year. It is then that the heaviest payment is made.

3043. Some items you would know about; for instance, taking "Pay." You know the number of men?—Yes, but you cannot alter your surplus once you have taken your money, even if you do know about it.

3044. But in making your estimate you can take into consideration whether your Army has been reduced in number for example?—Yes, we take all the elements into consideration that we can; but there are a great many elements which are practically beyond control, such as changes of policy, the failure on the part of contractors and also an extraordinary number of varying conditions of service. We cannot tell, for instance, at the beginning of the year whether the men who will go had taken Mess Allowance or Deferred Pay. That is a matter which affects Vote 1 very materially.

3045. But you know from time to time the number of men?—We know the number of men that Parliament votes, and we must provide the money for them

3046. And you know the number of men that are on the Rolls from time to time?—I do not quite follow how that would affect the question of the surplus; there would be a variation just the same.

3047. But you know that you would not be paying for so many men?—Yes, we know that, and that produces the variation; that is partly how the surplus is made up.

3048. Applying the same thing to Armaments; you would know whether the Orders were less than you expected?—Yes; we know what the Orders are and we provide money for them, but we do not know whether the contractor will produce the articles in time to bring them within payment within the year. We must take the money because we may be liable to pay it within the year; but you know, of course, very well, how often contractors fail in keeping up to their time in regard to heavy Armaments.

3049. But your expectation could be arrived at rather sooner than the 1st March, I take it?—Yes, that is just it; it is because our expectation is arrived at long before the 1st March that we are out.

Mr. *Brigg*.

3050. I suppose the Estimates which you make for Receipts have been made as carefully as you can make them?—Yes. There is one point with regard to these Estimates for Receipts which is satisfactory, and that is, that we are getting in more

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Mr. Brigg—continued.

more money than we had what I may call a reasonable right to expect in some cases; that is the result of pressure and of very considerable energy on the part of the Officers of the Department.

3051. It seems rather singular that so many of the items should be in excess?—I think that is a good deal attributable to the great pressure that has been brought to bear upon everybody, to bring in all the money that they get a chance of bringing in, but of course, the Honourable Member will appreciate that if you have a doubtful debt, it is not good business to enter it as a receipt in full, but you enter what you think you may get and then if it pans out better, you get more—that is what has happened in some of these cases.

3052. You do not think there has been any undue forcing in getting in these sums?—I do not admit any undue forcing when we have to get money in.

Chairman.

3053. I wish to ask one question as to supplies that were paid for in March to the tune of £250,000: is it not the case that that £250,000 was kept out of the Old Sinking Fund, that is to say, if they had not been paid for in March, that £250,000 would have been in War Office hands and therefore it would have gone into the Old Sinking Fund?—The sum surrendered would have been *pro tanto* increased by £127,000, but you would have had to find it next year. They would have been paid in April in the ensuing year.

3054. But the War Office would have had £250,000 in April to pay for bills in that quarter?—Yes, but presumably the surrender would have been postponed.

VARIATION BETWEEN FORECAST AND ACTUAL  
OUTCOME OF EXPENDITURE.

Chairman.

3055. (To Mr. Kempe.) Passing to paragraph 5 of your Report that is merely a historical statement, is it not?—That is all.

3056. (To Mr. Harman.) The second subparagraph here, refers to the expression of satisfaction on the part of the Treasury in their letter, and in the Treasury Minute, as to the great improvement that has been effected in the forecast for the present year, as compared with the preceding year?—That is so.

3057. This Committee echo that expression of satisfaction?—(Sir Guy Fleetwood-Wilson.) I am much obliged to you for that kind remark, I hope to carry out an improvement in estimating as well.

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of Expenditure—continued.

Mr. Leif Jones.

3058. I would like to ask you, how you are going to bring about this great improvement, because last year the reason you gave for the failure was that the men were new to the working of the scheme, and that under the arrangements that were made, that would, in a great measure, continue to be the case, because the directors would be changed?—To speak perfectly frankly, I think I have gained experience in the year. I think I may say I am better able, and my immediate staff is better able to, shall I say, assist the directors.

3059. That was the point I was really coming to, as to how far the directors had availed themselves of the added experience of your staff?—The directors in both cases did their best to tell us how the money was going, but obviously the result of the year was not very satisfactory. I may say that I and my office have left no stone unturned to try and detect any errors of judgment in the forecast, and we were very cordially assisted by the military side and between us we have produced a more satisfactory result.

3060. Have your staff been fairly permanent—they have not been changed?—No, I have not moved any of my men, for that very reason.

3061. Do you attribute this success, which is very marked, to the men having remained in their posts in that way?—I think any man who is dealing with a very intricate subject like Army Expenditure, which I think is an exceptionally difficult expenditure to deal with, is obviously better fitted to cope with any difficulty which arises if he is fixed in his place and does not change. If you get a new man coming in, he has to learn his work, and if he goes at the end of four years you practically take two years out of the time—the first year and the last year; you have to train up a successor to follow him.

3062. May I take it that you have avoided changes in your staff?—I like moving men from time to time within the Department. I do not like a one-man system at all; I do not think that is wise in the interests of the service. But in this particular work, I may say, though I never like mentioning names, I have received very marked assistance from Mr. Harris, who is my immediate assistant in the Estimate work, and I think he would be the first to admit himself that with every year which passes he is more likely to be more efficient in the particular work of this branch of the office, and I should be very loth to move him, at any rate at present, but I always like to bring up another man who should be able to do the work in case he should be wanted. The difficulty we have on the military side is that you may bring a man from Malta or from Singapore who knows nothing about the particular work at headquarters, and in that respect they have to cope with greater difficulties than are encountered on the civil side.

3063. At any rate you are satisfied that this improvement

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improvement is one which is likely to continue?—I hope the result will be even better this year. One does not like to prophesy because one's expectations may be upset at the last moment, but at any rate I hope we have got it on a sounder footing.

3064. You think the system is on a better footing now?—I think so. I started a considerable number of Returns and Analytical Tables and things of that sort which I think bring us into closer touch, and I have also got more rapid communication with our out-stations all over the world.

## SUPPLEMENTARY ESTIMATE.

Chairman

3065. (To Mr. Kempe.) Have you anything you wish to say with regard to paragraph 6 of your Report?—I think not. The only point which I make there is in the second paragraph, that these reductions were not earmarked as arising upon particular sub-heads.

3066. I was going to ask a question upon that. (To Sir Guy Fleetwood-Wilson.) Have you anything to say with regard to the second sentence under this paragraph, that these reductions were not earmarked as arising upon particular sub-heads, and so on?—The form of Estimate is a matter which rests entirely with the Treasury, and this form of Supplementary Estimate was approved by the Treasury as well as voted by the House, and I do not think it is for me to defend the particular form.

3067. (To Mr. Harman.) Do the Treasury think that this is on the whole a satisfactory way of accounting for this, that is to say, not earmarking these reductions as arising upon particular sub-heads. Is not that apt to lead to loose accounting?—Does the Honourable Member refer to the surpluses which are taken in aid?

3068. Yes. Does the Treasury think that is on the whole a satisfactory way of accounting?—I think so. This is a token Supplementary Estimate. The object of the Estimate is to show Parliament to what purpose the surplus is to be applied. In this case the purpose was taking over mortgages from the Public Works Loan Commissioners, Loans to Volunteer Corps, and a contribution in respect of damages caused by the explosion at Woolwich. Those two items are specified. I think there is no object, in a Supplementary Estimate of this kind, in specifying where the surpluses arise in detail. The surpluses are shown in large sums under Vote 1 (Pay), Vote 6 (Quartering) and Vote 7 (Supplies and Clothing), making a total of £458,900, which leaves a net sum of £100 voted by Parliament *pro forma*. I think that is quite usual, in fact I may say I know it is.

3069. It may be, but it is a question whether  
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Chairman—*continued.*

they ought not to be earmarked to the particular sub-head to which they belong?—(Sir Guy Fleetwood-Wilson.) Might I put it this way? As has been pointed out, the object of the Supplementary Estimate is to enable Parliament to know exactly what the money is going to be spent on and what amount is wanted. The question where it comes from is clearly shown and must be shown in the Appropriation Account, which is what comes before this Committee, and I think it is this Committee which represents the House in dealing with the surplus that is there. For instance, if you take the case of the Volunteer Vote, we might have no money on the Volunteer Vote, and we might have a good deal of money on another vote. The question whether we had too little money on the Volunteer Vote and too much on another Vote would be a question on the Appropriation Accounts.

3070. That is rather the point of my question. Taking, for instance, Vote 1 (Pay), you have sub-heads from A to Y, and then at the end, on page 22, you have £250,000 shown as having been knocked off all these sub-heads, and this Committee has no knowledge or control as to which particular sub-head it arises on. Is it shown in the Votes?—(Mr. Harman.) It is shown in the Appropriation Account. So far as transfers inside the Vote are concerned that rests within the power and discretion of the Treasury, so that I think it would not be usual or necessary to show to Parliament how the transfers had been made within the Vote; certainly it would not be usual to do so in the Supplementary Estimate. The purpose of a Supplementary Estimate is only to show the purposes to which the money is to be applied.

3071. I agree as to the Estimate; what I was talking about was the earmarking of the surpluses to the particular sub-heads. It is only a question whether they ought to be earmarked under the various sub-heads, and your answer, as I understand, is that it has never been the practice to do so, and it is accounted for later?—It is accounted for later. The surpluses would not be known at the time when the Supplementary Estimate was presented. The Supplementary Estimate was presented on the 21st of February.

3072. So that the real answer is that the earmarking is not possible because you do not know the particular sub-heads until the end of the year?—You do not know the exact figures until the account is closed.

Mr. McCrae.

3073. (To Sir Guy Fleetwood-Wilson.) Did I understand you to say that, although the present form was approved by the Treasury, in your view it was not quite satisfactory, and might be improved in regard to the earmarking of the particular sub-heads?—No, I did not mean to say that,  
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and I do not think I said that; what I tried to explain was, that it was not for me to express an opinion on the form of the Estimate. We put forward an Estimate, but it rests entirely with the Treasury to accept or correct or modify that form. I think Mr. Harman will agree with me that it is essentially a function of the Treasury to control the form of the Estimate. (Mr. Harman.) To control the form generally.

3074. (To Sir Guy Fleetwood-Wilson.) But when your Department comes to the House of Commons with a token Supplementary Estimate they have to show that they have a certain surplus so that they do not want more money, and then they produce a token Estimate; is it not possible to show there the sub-heads from which those surpluses are to come?—The Estimate which is laid before the House is, of course, the matter that is now in question. The form of the Estimate is approved by the Treasury, but, as a rule, when a Supplementary Estimate is put forward it is only guess-work what sums you may have on the particular sub-heads. We see from the trend of the expenditure that there will be money available, but it is premature then, as a rule, to make up our minds exactly what sub-heads may be able to find the money and what may not.

3075. Then it is merely guess-work upon your part that you will have a surplus; you say you can only get it from the trend of expenditure?—You know that you have not spent as much as you anticipated and you have a shrewd idea of what you will have to spend in the rest of the year.

3076. Would you not be able to have the information detailed under the separate heads of the Estimate?—I do not know if you could or not—it is difficult to foretell at that period exactly how you stand in detail as regards the Vote. The question of how the Vote has panned out seems to me to be essentially a question for this Committee; that is what you are going to take me over now, and if you want to criticise that, now is your time, if I may say so.

3077. With regard to the power of *virement* which a Department has with the consent of the Treasury, the House of Commons is rather jealous with regard to that, and when a Department comes before the House with a fresh demand for expenditure which has never been defined and which has been included in the Estimates for the year, I think the House is entitled to have some detailed information as to where the surplus is to come from if the money is to be provided for in that way?—Yes, but this is only a question as between particular sub-heads, I do not think you can approach sub-heads from the same standpoint as Votes. After all, the sub-heads of a Vote are matters to some extent of administrative convenience. If you are going to work sub-heads on the basis of their being individual Votes, I think that we should have to re-cast the whole of the Estimates and have so many more Votes because you must have a certain latitude within the

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Votes—it would be impossible to work it otherwise.

3078. But here you are dealing with very large sums—the Supplementary Estimate here was something like half-a-million?—Yes, in paragraph 6 you have got an indication of the sub-heads where the reductions occur; under Vote 1, for instance, and under Votes 6 and 7. You do not lose sight of it, and you see how the money is built up when we are in a position to give you the information.

3079. Of course, if the anticipations which you have indicated, which are to bring about a nearer approximation between Estimate and Expenditure, are realised, you would have no such large margin to work upon?—We should have no money to play with.

3080. If you came before the House for a Supplementary Estimate, it would be for money required for the purpose?—Yes, I can quite appreciate that it would be more satisfactory to the House to get it in that way.

Mr. Leif Jones.

3081. (To Mr. Harman.) In the case of this £439,000 there was a Supplementary Estimate taken; but I would like to ask whether it would have been open to the Treasury to sanction this expenditure without a Supplementary Estimate?—It would be open to them to do so, subject to the approval of the House of Commons under section 4 of the Appropriation Act, if the circumstances contemplated by the section had arisen. It would then appear as a transfer between Votes, for which the Treasury has temporary power. But in practice the Treasury would not approve a transfer of this kind, because the service was entirely new and not contemplated by Parliament; and it was for that reason, and not because money was wanted, that a token Supplementary Estimate was presented in order to put Parliament in possession of the fact that the Government proposed to spend £439,000 in taking over these mortgages from the Public Works Loan Commissioners.

3082. It was precisely because it was a new expenditure that I raised the point whether you consider that you have power to sanction it, because, as I understand, the power of *virement* contemplated by Parliament is that you have power under certain circumstances well defined to cause a transfer from Vote to Vote, the Votes being well understood by Parliament, and the money for those Votes being sanctioned by Parliament, but in this case no such money had ever been sanctioned by Parliament, I wanted to know whether the Treasury feels that it has the power to sanction a transfer of money voted to purposes which Parliament had never contemplated at all?—The Treasury has complete discretion, and the way that the Treasury exercises their discretion must be subject to review by the House of Commons. The terms of the Appropriation Act define and indicate in what manner the Treasury should

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should exercise their discretion. The condition is that the expenditure which it is proposed to incur out of surpluses is such as "it may be detrimental to the Public Service to postpone until provision can be made for it by Parliament in the usual course." It rests, of course, with the Treasury acting under this temporary power to consider whether the proposed new service comes within this definition. I think it would be impossible, as a matter of practical administration, to say that a service of this kind did come within it; the Treasury took that view, and therefore they came to Parliament. It is difficult to answer the question absolutely in so many words, because it is rather a question of interpreting statutory powers. The Act says that the Treasury has a certain temporary discretion where it would be "detrimental to the public service to postpone until provision can be made for it by Parliament in the usual course."

3083. Of course, as you are aware, the power of *virement* is one which this Committee and Parliament are rather inclined to watch with close scrutiny?—I am quite aware of that.

3084. Therefore it is very important to know what the Treasury view upon the matter is. This is really the creation of a new sub-head in the Vote for expenditure which Parliament never contemplated at all?—Yes.

3085. As a matter of fact, of course, Parliament or the majority in Parliament, did sanction it under the Supplementary Estimate?—Yes.

3086. I think some of the members of this Committee were not among those who sanctioned that expenditure, but it is very important to us to know whether you would take power to spend surpluses on sub-heads which have never been contemplated at all by Parliament—in this case you acted as we should wish the Treasury to act, but the question is would you always do so?—It would depend upon circumstances. I think the Treasury would be guided by the consideration whether the expenditure was "within the four corners of the Vote," as it is called. If it is not entirely new—if it is germane to the Vote, and reasonably within the contemplation of Parliament—an unforeseen expenditure which it would be detrimental to the public service to postpone, I think the Treasury would certainly exercise its statutory discretion if it was satisfied that there would be a surplus, subject, of course, to ratification in the usual way.

3087. May I put it in this way: May I take it that the Treasury regards it as desirable to limit these transactions as much as possible?—It does, certainly.

3088. If they were in doubt in their own minds they would rather come to Parliament than not?—Yes, that is so.

3089. Can you remember any case where a new sub-head has been set up without bringing a Supplementary Estimate before Parliament?—Yes, there are many cases where the Treasury have given authority for setting up a new sub-

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head. Where the service is regarded as necessary, but not strictly within the definition of an existing sub-head, and the amount involved is not such as to make it necessary to take a Supplementary Estimate, the Treasury would give directions to set up a new sub-head, in the Appropriation Account.

3090. May I take it that that would be in a case where the sums in question were comparatively trifling?—Yes, where they were relatively trifling—I mean in relation to the total Vote. (Sir Guy Fleetwood-Wilson.) In order to remove any possible misapprehension, might I mention that the question of having a Supplementary Estimate or not in regard to this very expenditure was a matter which I had to advise upon in my own Department, and I represented in the strongest possible manner that I thought it was essentially a case where the House should be in full possession of all the facts of the case. I do not want there to be any impression that it was the Treasury who induced us to come for a Supplementary Estimate. I strongly advised that in view of its being a new service it ought to take the form of a Supplementary Estimate to be placed before the House for full consideration.

3091. You quite concur in the view which Mr. Harman has expressed, that it is desirable that a case of this kind should come before Parliament?—Yes, certainly.

3092. Because in this case the old Sinking Fund was very seriously affected. The Supplementary Estimate was passed by Parliament, and there was nothing more to be said about it, but in view of this £200,000, paid in March for supplies and other matters already referred to on Paragraph 4, and this £439,000 here, the old Sinking Fund was £650,000 less than it would otherwise have been?—As to the propriety or impropriety of the proceedings, the House has voted the money, and of course it would not be proper for me to express any opinion—I only wanted to remove any possible misunderstanding by saying that the War Office *proprio motu* put forward a Supplementary Estimate and there was no attempt on our part to avoid full consideration by the House.

3093. (To Mr. Kempe.) Apart from the question of the Sinking Fund result, is this, is it not, that the old Sinking Fund received £650,000 less than it would otherwise have received?—Yes, if you put aside the fact that the Supplementary Estimate was voted by Parliament.

3094. I am not distributing praise or blame at all. I am only putting the fact that the old Sinking Fund received this year £650,000 less than it would have had if things had been left to take the ordinary course?—If this expenditure had not taken place that would, no doubt, have been so.

Mr. Bowles.

3095. (To Mr. Harman.) On the question of the form

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Mr. Bowles—continued.

form of the Supplementary Estimate you have told us, as Sir Guy has already told us, that it was the view of both Departments that this being rather a large and rather a strong departure from the directions of Parliament with regard to this money, that the fullest information should be afforded to the House of Commons—I cannot quite understand why it is, if the War Office knew (and the Treasury adopted the same view) that, for instance, upon Vote 1 there would be a surplus of £250,000, the War Office had no notion as to how the £250,000 surplus was going to arise upon each sub-head. (To Sir Guy Fleetwood-Wilson.) Perhaps I ought rather to put the question to you. If you knew that you were going to have a saving of £250,000 upon Vote 1, how was it that you had not any notion of what the saving would be upon each sub-head?—I would not like to accept the term “no notion,” but it is premature at that time to state how each sub-head will pan out. The panning out of each sub-head is brought clearly before the House of Commons by means of the Appropriation Account through this Committee. If you take a general review of the Vote and come to the conclusion that the bulk of the sub-heads, or a certain number of the sub-heads, will produce a surplus, this was, perhaps, the most prudent thing to do at that time, and I should not have thought it was necessary to go further. Of course, I am in the hands of the Committee.

3096. Of course, under Vote 1, for instance, there are an enormous number of sub-heads?—There are a great many.

3097. You must have gone through each sub-head, of course?—Yes, each one is watched. The result, in any case, would not have been our escaping any close criticism of the way in which the money had gone; it is all bound to come out.

3098. Certainly, but the result would have been that Parliament would have known what, under these circumstances, it did not know—which of these sub-heads were to be affected, and what was the money that it was being asked to apply to these purposes?—They were told what the Votes were. I suppose a Vote is voted on the broad principle of whether the money is necessary or unnecessary. As to earmarking the particular sub-heads, I do not say that it could not be done, but I should have thought it was hardly worth the doing, having in view the probability of its not being very accurate in the end; for, of course, there is a considerable time for variation to take place in the sub-heads.

3099. What strikes one is that, if it is possible to foresee an over-expenditure on a sub-head, it ought to be equally possible to make, at all events, an equally good guess as to the probability of under-expenditure on a sub-head?—Yes. The sub-heads, of course, vary a good deal in their nature. It is easier to watch one sub-head than another—that is, one is more automatic than another. But I am not at all prepared to say that it could not be done. The question is whether it was really worth doing.

ARMY APPROPRIATION ACCOUNTS, 1906-7.  
Supplementary Estimate—continued.

Mr. Bowles—continued.

3100. (To Mr. Harman.) Do I understand you to say that this is the usual form of a Supplementary Estimate, so far as surpluses are concerned?—That is so.

3101. Parliament has not usually been informed as to the sources of the money to be used, other than by a mere reference to the Votes?—Only under the Votes. Perhaps I might add this: in the first place it would not be possible (as Sir Guy has pointed out) to say definitely how much would be available under each sub-head; but, secondly, I should submit that it is not the object at that time to show the details of the savings, which appear on the Appropriation Account later. In the statement of probable savings and excesses which is presented to Parliament at the end of the financial year, the amounts of such savings and excesses are always shown under the Votes; Parliament does not take cognisance of the sub-heads in this connection. Of course, the Appropriation Account shows the whole thing in detail.

3102. (To Sir Guy Fleetwood-Wilson.) Still, I do not understand you to suggest that there is any real difficulty in giving the information, if it were thought desirable to do it?—It is very difficult for me to say that a thing is hardly worth doing, because that would savour of disrespect to the Committee, though I am sure the Committee will not take it in that way. No doubt, greater information could be given. The view that was taken was that what Parliament was mainly interested in was the amount of money to be voted, and the object with which it was to be voted, and that if you indicated the Votes that was sufficient. As regards sub-heads of Votes, we apprehend that, with the Treasury consent, we might do away with sub-heads, and merely report the matter to the Committee for approval. As to whether it is wise to go into such great detail as to go into the particular sub-heads I do not know, because the more you show savings under sub-heads the more likely you are to have variations in the results. I should have thought it was sufficient if you indicated the Vote, and then in the Appropriation Account you see how every penny has gone in regard to the sub-heads; and the House of Commons, through this Committee, is made acquainted with everything. As to indicating the particular sub-head, I do not say it cannot be done—it can be done; but whether it is worth while, or whether it could be done with very satisfactory results, is another question.

3103. With regard to this £439,000 which was spent on Loans to Volunteer Corps, that really may be regarded as having been used to buy an Appropriation-in-Aid every year; do you know what amount yearly is brought in in that way?—You mean, I take it, what the interest etc., on the Loans is? The rate, of course, varies as they fall in. The average amount is about £28,000 a year.

3104. That sum will appear every year henceforward as an Appropriation-in-Aid under Vote 5?—Yes, or rather it would only appear one year,

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[Continued.]

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## Supplementary Estimate—continued.

Mr. Bowles—continued.

of course, because the operation of the change is to wipe it out.

Sir Robert Hobart.

3105. (To Mr. Harman.) Were you present last year when there was a great discussion in this Committee about the operation of the Appropriation Act?—I was not present, but I have read the evidence that was given.

3106. At any rate, you are fully cognisant with what went on in the Committee in regard to that matter?—Yes.

3107. The Committee, although they agreed eventually, showed, I think, or a good many of us, at all events, did, some considerable amount of jealousy as to the extended powers which the Treasury were to have under the proposed alteration of Section 4 of the Appropriation Act. May I ask whether this particular case, which we are now discussing, was dealt with under these extended powers of Section 4, or whether it was under the powers that you had already?—Section 4 of last year's Appropriation Act does not apply to the Accounts at present under discussion.

3108. Then when the Treasury were advocating the alteration of Section 4 they were not anticipating this particular sort of transaction?—Not at all.

3109. (To Sir Guy Fleetwood-Wilson.) I understood you to say that you like to have a certain amount of money to play with?—No, I do not think I said that, I said that under certain conditions we should not have money to play with, which is quite a different thing.

3110. Then you sometimes have money to play with?—Perhaps I ought not to have used that term; I should not like to be pinned down to that, but I would rather say we have money available.

3111. The Committee, I think, are somewhat jealous of any Department having money (to use your last term) "available"?—I think that is very natural, if I may say so.

3112. (To Mr. Harman.) Last year you got very considerably extended powers of *virement* under Section 4 of the Appropriation Act, did you not?—No; in point of fact, we did not get any increased powers. All that was done, as the Honourable Member will see we state in the Treasury Minute, is that a desirable amendment of the law was secured to put us right in a matter of form. The matter was rather open to dispute, but it was suggested that we were in an illegal position as regards the application of excess Appropriations-in-Aid to meet deficiencies on Appropriations-in-Aid, the reasons being that when the Appropriation Act of 1894 was passed, a column for Appropriations-in-Aid was put into the Schedule. It has got rather a long history, with which the Honourable Member is, no doubt, familiar, and I need not go back into it. It was pointed out in the Treasury Minute on the Report of the Public Accounts Committee at that time that the effect of including Appropriations-in-Aid

## ARMY APPROPRIATION ACCOUNTS, 1906-7.

## Supplementary Estimate—continued.

Sir Robert Hobart—continued.

in the Schedule of the Act, in other words, defining statutorily the amount of money that the Treasury could use as Appropriations-in-Aid, would be that the relative section in the Appropriation Act might have to be amended, because it only dealt with the application of savings of expenditure. The Treasury continued the practice of pooling the savings of expenditure, and excesses of Appropriations-in-Aid, and applying them in aid of deficiencies, so long as no excess was caused on the aggregate expenditure. That being represented to be illegal, the Treasury obtained, with the consent of this Committee, an amendment in the Appropriation Act last year, which gives statutory recognition to a power which has always been exercised. The effect of the amendment of the section is not to give the Treasury more control over money than they had before—they cannot use more money than they could before. The actual accounting operation which takes place on paper is now regularised, and it will be exercised this year under this new power. With regard to the Accounts of which we are now speaking, the Treasury did not use the surplus Appropriations-in-Aid in that case, so that they kept technically within the law. But, as regards the general question which the Honourable Member put, whether the Treasury obtained a larger power of *virement* last year under the amendment of the section, the answer is, No.

3113. In your view, you had the power already?—Yes.

3114. Of course this Committee and, I think, the House of Commons look not only at the total amount of the Vote, but also very closely at the Items in the Vote, and we consider that each of these Items is earmarked to the particular service, and not that the Treasury should have a complete wide discretion to use the whole of the sum of money practically as they thought proper?—I do not think that the Treasury claim that discretion generally, but they do claim that they have a discretion with regard to authorising transfers, on the advice of the spending Department, as between sub-heads—of course, subject to the criticism, of the Comptroller and Auditor-General, who follows these things, and to the views of the Public Accounts Committee. With regard to transfers between Votes, their power is strictly defined by Parliament—it is a statutory one.

3115. These matters, I take it, are looked at very closely by the Treasury—you do not exercise your power of *virement*, except with very great care and caution?—Certainly not.

Mr. Bowles.

3116. I should like to ask one question arising out of what you have just said. As I understand, you said that the view of the Treasury is, that by the new Clause 4, which appears for the

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Supplementary Estimate—continued.

Mr. Bowles—continued.

the first time in the Appropriation Act of last year, the Treasury got no extension of their power over money?—None.

3117. That is the Treasury view?—Yes.

3118. (To Mr. Kempe.) I should like to ask you whether that is also the view of the Comptroller and Auditor-General?—I agree that they got no extension of the power of spending money, but I cannot agree that they had no power given to them which they had not before. They were exercising a power of *virement* before which they did not possess, and this Act gave them the power. (Mr. Harman.) I admit that, technically, that was so. That was admitted by the fact of the Government introducing this amendment in the Appropriation Act. The amended Section was put into the Act to regularise the practice.

Mr. Leif Jones.

3119. Do I understand that the Treasury now admits that, because, as I understood, last year the contention of the Treasury was that they had the power implicitly though not explicitly, and they said that to use such words as “illegal” and so forth was going beyond what the case justified?—It is a very technical question. They always held that they had the power implicitly. But the amendment of the Appropriation Act of 1894 certainly made a difference, because the Schedule of the Act was amended, and a column headed, “Appropriations-in-Aid,” was put into that Act for the first time. It is a long story, and the Honourable Member is, no doubt, familiar with it.

3120. Yes; the only point I was putting is this. As I understood, last year the Treasury did not admit that they had been acting illegally—they claimed that they had the power implicitly, though not explicitly. Now they have the power explicitly on the amended Section in the Appropriation Act of last year?—Yes.

3121. Then have you now changed from the position taken up then?—I did not mean to give the Committee a different impression from that which I understand my predecessor did, in regard to this matter. I had an opportunity last year of discussing the matter with him once or twice, although, as the Honourable Member will understand, I am not familiar with it in the way he was; but I understand that he explained to the Committee that the implicit powers of the Treasury, which have been exercised from time immemorial remain, but when the amendment in the Appropriation Act of 1894 was made, the section authorising the transfer of savings of expenditure was not made to cover Appropriations-in-Aid, which were for the first time put into the Schedule. That put the Treasury in a different position, and gave some colour to the suggestion that the Treasury, in transferring surpluses on Appropriations-in-Aid on one Vote to make good deficiencies in Appropriations-in-Aid on

ARMY APPROPRIATION ACCOUNTS, 1906-7.  
Supplementary Estimate—continued.

Mr. Leif Jones—continued

another Vote, were acting (it was suggested) illegally—at any rate, technically, not within the terms of the Statute. Before the Act of 1894 nobody questioned the discretion of the Treasury in this respect. If the word “illegal” is used, it is purely technical; it was illegal only as regards the power created under the Act—it did not affect the inherent rights of the Treasury. But, of course, directly you begin to embody ancient rights in a statute, you must follow the statute, and the statute must cover the whole ground, otherwise you may be told that by implication your inherent powers are modified. The change in the position is only technical, and I think I am right in saying that the effect of the Act of last year is not to give the Treasury any new power of appropriation. It has only regularised the position.

3122. Then we may take it that, whatever doubts there were as to the power of the Treasury, they have been set at rest by the amendment of the Act last year?—We hope that that is so.

## INDIAN AND COLONIAL CONTRIBUTIONS.

## INDIA—HOME EFFECTIVE.

Chairman.

3123. (To Mr. Kempe.) In paragraph 7 it is stated that the amount received from India in 1906-7 in respect of deferred pay and gratuities on discharge fell short of the Estimate by £13,000?—Yes.

3124. But, I think, that is not a very large proportion of the whole sum, is it?—No, it is small.

3125. It is a matter which it is almost impossible to estimate exactly, because there are so many varying factors?—Yes, I do not question the Estimate

Mr. Leif Jones.

3126. (To Sir Guy Fleetwood-Wilson.) In regard to the receipts from India in respect of deferred pay and gratuities, they appear to be steadily diminishing. I see this year they fell short of the Estimate, which is £102,000, by £13,000; in the following year, 1907-8, you take an Estimate of £92,000. I do not, of course, know what you received, but this year I see you take an Estimate of £87,000. Why is there this steady diminution?—The gratuities are in lieu of deferred pay; they vary according to the circumstances of the men who are out in India. It is a dying-out charge. Deferred pay is dying out with a great many of the men. There is no loss to us from the Indian contribution or anything of that sort.

## INDIA—NON-EFFECTIVE.

Chairman.

3127. (To Mr. Kempe.) Paragraph 8 is practically



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India—Non-Effective—continued.*Chairman*—continued.

cally the same thing—it is merely a report of what has taken place?—Yes, it is merely keeping the matter alive.

## CONTRIBUTIONS FROM COLONIES.

*Chairman*.

3128. (To Mr. Kempe.) This paragraph, also, is merely historical, is it not?—Yes.

*Mr. Leif Jones*.

3129. (To Sir Guy Fleetwood-Wilson.) What would be the effect upon Ceylon of the proposed change of system referred to in paragraph 10. As I understand, it is now proposed that Ceylon should pay the cost of the garrison instead of paying a percentage of its revenue?—No. There is a proposal to increase the maximum contribution from three-quarters of the cost of the garrison, which they used to pay, to the full cost. The three-quarter limit arose in this way. Half of the garrison was at Trincomalee and half of it was at Colombo. For coast defence, half Trincomalee, which was an Imperial coaling station, was recognised as our liability. Colombo was not recognised as our liability at all, but rather as a Colonial liability—that is to say, they were liable to defend their own coast, as it were. Now, as we have done away with Trincomalee, the War Office contention is that we are no longer interested in the Ceylon Garrison to the same extent as before, but that it is purely a Colonial matter for them to defend Colonial interests and that they ought to pay the whole cost of its garrison.

3130. What is the Colonial view upon the point?—I should think it is exactly the opposite, but I do not know. We have not had any reply from them.

3131. As I understand, three-fourths of the cost of the garrison was the maximum sum payable?—Yes.

3132. Did that generally come to about 9½ per cent. of the net revenue?—Yes.

*Mr. Bowles*.

3133. I understand that the garrison in the meantime has been reduced?—We have given up Trincomalee as a station.

3134. And there only remains Colombo?—Yes; and our contention is that the defence of Colombo is not a matter for the War Office.

*Chairman*.

3135. Any discussion as to that will come up next year, I take it; the matter is still open?—Yes, it is open; we have not had any answer yet.

## NATAL.

*Chairman*.

3136. (To Mr. Kempe.) In paragraph 11 I see that you say that with the sanction of the Treasury no claim will be made against Natal for contributions in aid of military expenditure in respect of any period after 31st March, 1907, and the

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Natal—continued.*Chairman*—continued.

Estimates for 1907-8 have been framed accordingly?—Yes.

3137. This is really a finishing up of the matter as I understand?—This is a statement of the latest position.

*Mr. Bowles*.

3138. (To Mr. Harman.) I should like to know if you can tell me whether the Treasury is quite satisfied that it is altogether equitable to make no claim against this Colony?—Yes, the Treasury agreed.

*Mr. Leif Jones*.

3139. Is the Treasury the sole judge in this matter?—No, the Treasury agreed on an application from the War Office. I think the matter was rather considered as a question of policy.

3140. Was this a transaction in which the War Office approached the Treasury on this subject?—Yes.

3141. As part of the War Office policy?—As part of the War Office policy and Colonial policy. I take it (Sir Guy Fleetwood-Wilson will correct me if I am wrong) that the Colony applied to the Colonial Office, and the Colonial Office moved the War Office, and then the War Office came to the Treasury and asked whether the Treasury would agree to the proposal that no claim should be made against Natal for a contribution. (Sir Guy Fleetwood-Wilson.) I think it was really a question of general policy, rather than the policy of the Department. (Mr. Harman.) It was the policy of the Government.

3142. (To Sir Guy Fleetwood-Wilson.) Could you say what the total amount of your claims had been in this respect?—£4,000 a year.

## CANADA.

*Chairman*.

3143. (To Mr. Kempe.) The first sentence in paragraph 12 is that the receipt of £48,888 16s. 4d. from Canada is in part payment of the cost of maintenance of the garrisons of Halifax and Esquimaux, of which there is £5,000 still to come, as I understand?—Yes, that has since been received.

## ORANGE RIVER COLONY.

*Chairman*.

3144. (To Sir Guy Fleetwood-Wilson.) Paragraph 13 is merely historical. I understand a sum of £9,000 was received from the Orange River Colony in respect of Military Survey; that represents the share of the Colony of the cost of the survey—that is according to the ordinary practice, I understand, that when a survey is made in any Colony, the Government pays half and the Colony pays half?—Under general Treasury authority, the War Office may arrange for a military survey in a Colony, provided the Colonial funds bear half the cost.

3145. It was in accordance with that practice that this charge was incurred?—Yes.

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3146. (To

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[Continued.]

## ARMY APPROPRIATION ACCOUNTS, 1906-7.

## CONTRIBUTION FROM EGYPT FOR BRITISH TROOPS.

*Chairman.*

3146. (To Mr. Kempe.) The contribution referred to in paragraph 14 is carrying out the arrangement made with the Government of Egypt, is it not?—Yes; the paragraph is a statement of the new arrangement.

*Mr. McCrae.*

3147. (To Sir Guy Fleetwood-Wilson.) Might I ask whether this additional payment from Egypt was based on the same proportion as the previous expenditure?—We are charging Egypt for the extra cost of the reinforcements which were sent.

3148. The whole of the extra cost?—Yes. Some of it was for extra transport as well.

*Mr. Brigg.*

3149. I suppose, in this arrangement for repayment from the Egyptian Government, you had nothing to do with the other Government that formerly took part in the management of Egypt?—No, this has to meet the cost of the troops we keep in Egypt for the benefit of Egypt.

## VOTE A.

## NUMBERS SANCTIONED.

*Chairman.*

3150. (To Mr. Kempe.) Paragraph 15 is merely a historical statement, is it not?—Yes. The numbers of troops were below the voted number.

## VOTE I.

## OVER-SEA CONTINGENTS.

*Chairman.*

3151. (To Mr. Harman.) In paragraph 16 certain adjustments are referred to as approaching completion—have they now achieved completion?—Yes, they are completed.

## SUB-HEADS C. REGIMENTAL, &amp;C., PAY, &amp;C.

*Chairman.*

3152. (To Mr. Kempe.) I see in paragraph 17 you state that in the absence of any indication in the papers that the arrangement for the settling of Accounts between the two Departments had been submitted to the Treasury, you made inquiries from the War Office as to whether the arrangement had been submitted to the Treasury?—Yes, and since that inquiry the War Office have obtained from the Treasury acquiescence in the arrangement.

*Mr. Bowles.*

3153. Do I understand that, in your opinion this sum ought not to have been charged to the sub-heads without Treasury sanction?—I think they ought not to have been included without Treasury sanction.

## ARMY APPROPRIATION ACCOUNTS, 1906-7.

Sub-heads C—Regimental, &c., Pay, &c.—  
*continued.**Mr. Bowles—continued.*

3154. But Treasury sanction has now been obtained?—Yes, the Treasury have acquiesced. (Mr. Harman.) That is so.

*Mr. Leif Jones.*

3155. (To Sir Guy Fleetwood-Wilson.) Does this sum of £28,517 represent the total cost of the Indian Troops when they were on Imperial Service in Somaliland and China?—It is only a question of the Furlough Pay earned by the Native Indian Troops; it is not the cost of the troops. It is really a question of the incidence of the cost, between the two Departments, of this particular Furlough Pay.

*Mr. Bowles.*

3156. Has it always been charged to this Sub-head before?—Yes, it has always been charged. There was an agreement between the War Office and the India Office that when we borrow native troops from India, the pay and allowances during furlough are chargeable to Imperial Funds. We have re-cast the general conditions under which we pay for the troops.

3157. But I conceive that there must have been some sub-head to which this was properly chargeable?—The old plan was a different one. Now we pay a sort of capitation rate.

3158. Do you refer it to the Treasury?—If it is a question of principle, we send it to the Treasury for their agreement, but we do not do so in a case of any detail; we have never done so. The last agreement was drawn up nearly 20 years ago, and we have re-arranged, so to speak, the terms between the two Departments. The Auditor drew attention to the fact that the general agreement with the India Office was submitted to the Treasury; we sent the general agreement to the Treasury and they did not comment upon it, and we thought that that would cover the whole thing. There was no desire to keep it back from them in any way.

3159. I understand the view of the Comptroller and Auditor-General to be that the charge was put to a wrong Sub-head to which it was not properly chargeable. (To Mr. Kempe.) Is that so?—The question was whether furlough in respect of Imperial Service taken after return to India should be paid by the War Office. (Sir Guy Fleetwood-Wilson.) I did not understand the Comptroller and Auditor-General to raise the question that it was under the wrong Sub-head. (Mr. Kempe.) No, we did not raise that. We thought that it would be all right if the Treasury gave their sanction to the question of principle.

## SUB-HEAD F.

## RECRUITING STAFF AND EXPENSES.

*Chairman.*

3160. (To Sir Guy Fleetwood-Wilson.) I see in the second portion of paragraph, under paragraph

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Sub-head F—Recruiting Staff and Expenses—  
*continued.**Chairman*—continued.

graph 18, it is stated that the War Office made a certain suggestion to the India Office; has the suggestion made by the War Office been acceded to?—No, we have not yet received a reply. You will find the correspondence on page 220.

*Sir Robert Hobart.*

3161. I presume that this deal, if I may so call it, with the Indian Government was based on certain principles: there was some recognised rule under which you made the claim against India?—There was a Capitation Rate.

3162. I am alluding to what is referred to in the second portion of paragraph 18?—Yes, I think you will find the situation detailed in the correspondence which is set out at page 220.

*Chairman.*

3163. We shall come to that on paragraph 31?—Yes.

SUB-HEAD W.

EXPENSES OF NATIVE INDIAN TROOPS.

*Chairman.*

3164. (To *Sir Guy Fleetwood-Wilson*.) Has this question of the Capitation Grant for the service of Native Indian Regiments in Imperial employ been settled yet?—Subject to the Treasury, I think we may say it has been settled.

3165. Have you received Treasury sanction yet?—No. The matter is under consideration between the War Office and the India Office, and we are not quite in a position yet to submit it to the Treasury. Of course, we shall require their sanction.

3166. It is not settled yet?—I cannot say that it is absolutely settled.

*Sir Robert Hobart.*

3167. I see it is stated here that "the rate on which the Estimate for the service was based has been found to be too high"; did India provide you with any information for the purpose of making the Estimate as to what was the proper charge?—It was gone into by both Departments. We know what they pay in India, and we know what we have been paying when we have had to meet the charge.

3168. There was correspondence before the Estimate was made?—Yes, the thing was gone into most carefully on both sides. We put our contention, and the India Office put their contention, and each Department advanced its own proofs, so to speak, and tried to make the best bargain they could; and we hope to come to an agreement which will be fair to both Departments.

*Mr. McCrae.*

3169. With regard to the Capitation Rate, I notice in the explanation on page 23, it is said that "the rate assumed as the basis of the

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ARMY APPROPRIATION ACCOUNTS, 1906-7.  
Sub-head W—Expenses of Native Indian Troops  
*—continued.**Mr. McCrae*—continued.

Estimate was found to be too high." In that case, the right rate might have been agreed upon?—I suppose, when it worked out as a result, we found it had been too high, and it was adjusted.

3170. The facts being that your Grant for this particular service, "Expenses of Native Indian Troops" was £291,000, and the expenditure was only £221,000?—Yes; as we had no guarantee to go upon, in the absence of sufficient information from India, we did the best we could to arrive at what would be the proper figure.

3171. Do I understand that the exact Capitation Rate has not yet been adjusted?—It has not been quite adjusted yet.

SOMALILAND EXPEDITION.

*Chairman.*

3172. (To *Mr. Kempe*.) In regard to paragraph 21, do you know whether the Accounts of the Somaliland Field Force have yet been closed?—No, they have not been closed yet, so far as we are aware. (*Sir Guy Fleetwood-Wilson*.) There are a few small items which continue to be preferred by the Indian Government, and I continue to consider them; and, until we get to a final conclusion as to what is due, the Account will not be quite closed up. But the items are very small.

ON VOTE 1.

PAY, &amp;C., OF THE ARMY.

*Sir Robert Hobart.*

3173. (To *Sir Guy Fleetwood-Wilson*.) As regards Item C, Regimental Pay, &c., it is said in the explanation of the surplus that "There was also an over-estimate of the sums required for Service Pay and Messing and Kit Allowances, items which present great difficulty as regards estimating"—what sort of difficulty do they present?—The difficulty is this, to take one case, for instance, if they take Deferred Pay they do not take their Messing Allowance. It is impossible to know exactly, or even approximately, how many men have taken the one or the other; it is an extremely difficult matter to estimate.

3174. But you have got precedents from former years to judge by, have you not?—No, it is not separately recorded—the Messing Allowance is a new thing.

3175. For how long has it been going on?—I understand it has practically been going on for 8 or 10 years. It is rather a question when they go—you do not know whether the men who are going will take Deferred Pay or Messing Allowance. But, I admit, I think there has been over-estimating.

3176. It is the sort of thing you ought to be able.

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On Vote 1—Pay, &c., of the Army—*continued.*Sir Robert Hobart—*continued.*

able to get at by previous experience, is it not?  
—Yes. I think we ought to get nearer to it, I admit.

Mr. McCrae.

3177. With regard to the total surplus on the Vote, it amounts in all to £526,000; if you look at page 22, you have that amount less than granted?—Yes.

3178. Of course, a very large proportion of that, namely £204,000, is on Sub-head C—Regimental Pay and Messing Allowance; may I take it that, so far as regards the over-estimate of the Messing Allowance, that is a small proportion of the total £204,000, which has been unspent?—A relatively small proportion.

3179. Has the reduction in the expenditure as compared with the Estimate for "Pay," been largely on account of the smaller number of men?—Yes, you have got the reductions in the Army, and in the closing Section D of the Reserve which accounts for £157,000, and then you have got the closing of the Mounted Infantry Schools, and the reduction of horses, which comes to £127,000.

3180. So that, after next year, we will be on a better basis altogether?—After the coming year we will be on a better basis, but there is a big surplus, as you are aware, for the year just closed. We have cut it down a good deal where we dared.

Chairman.

3181. On page 22 you have got £250,000 for the Supplementary Estimate, which has been already referred to; but I see the surplus that has been taken into account as against the Supplementary Estimate, only applies to two Sub-heads of this particular Vote?—Yes.

3182. Would it have given much trouble to have split it up under the several Sub-heads?—I think the Supplementary Estimate only took the Vote.

3183. I understood you to say that it would be a good deal of trouble to have accounted for the £250,000 under the various Sub-heads, and that therefore it was accounted for in the Appropriation Account by a Supplementary Estimate of £250,000. My question was whether it would have involved much more trouble to you not to have that Supplementary Estimate of £250,000 at all, but to have put the amounts under the two Sub-heads of the Vote, which are Sub-head C and Sub-head W?—We have given an explanation as against each

3184. But you might have put the figures in, and not lumped them together at the end. In the middle of page 22 you have got the heading "Supplementary Estimate, £250,000"?—Yes.

3185. Why do you want that at all? Would it not be very much better for the purpose of accounting, and of our check upon the accounting, if that had not been there at all, but if you had put under Sub-head W that so much money was accounted for under the Supplementary

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On Vote 1—Pay, &c., of the Army—*continued.*Chairman—*continued.*

Estimate, and under C that so much money was accounted for under the Supplementary Estimate?  
—I think the only object was to give you the figures that corresponded with the Supplementary Estimate which was laid before the House.

3186. A Supplementary Estimate is all very well for Supplementary Estimate purposes, but we want to look at it from the point of view of accounting; and for the purpose of accounting it would be much better if the £250,000 was put under the two Sub-heads in the exact amounts?—But that could not be done with any accuracy. The division would be perfectly arbitrary. I am afraid I do not quite see your point. You have got a sum of money to find that £250,000. We show you that there is a surplus on two items, but we could have taken it anywhere; we could have made it up out of several Heads. I suppose we might just as well have taken it out of any other Sub-head.

3187. But then there would have been some question why the surplus arose on that particular Vote?—But you have that in this case—you have got the whole of your claim, so to speak, for explanation on Sub-head C, for instance, because we show a saving of £204,945 11s. 10d. under the column headed "Less than Grant."

3188. And a share of the £250,000 is included in that saving?—Yes; we have taken this to make up the £250,000, but there is no law of the Medes and Persians to oblige us to take it out of one Sub-head, rather than another. These were the two Sub-heads which seemed likely to show a surplus, and therefore we took them. I think you may take it that this £250,000 is really a token figure representing savings that have been taken in the form of Sub-heads.

3189. A token figure that is used for the purpose of appropriation?—Yes, that is all.

Mr. Leif Jones.

3190. There is nothing to show, so far as I can see, that any part of the saving on the pay of the Army was used in that £250,000. You have the £250,000 without considering that £204,000—your total saving is over £500,000?—There is no particular merit in taking it from one Sub-head more than another.

3191. And yet you did so, for the purpose of presenting it to Parliament?—No, we took it on the Vote—that is my point. I might have almost misled Parliament without meaning it; I might have said, for instance, that we will take it out of Sub-heads H and Y, and then at the end of the year those Sub-heads might have turned out without any surplus. I do not say it could not be done, but it must be subject to correction.

Mr. Bowles.

3192. Just to follow that up for a moment, as I understand, you looked through the whole of this Vote, and came to the conclusion that there would be at any rate £250,000 saved upon it. But that might have misled Parliament?—I do not quite follow how.

3193. It

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[Continued.]

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On Vote 1—Pay, &c., of the Army—*continued.*Mr. *Bowles*—*continued.*

3193. It was, after all, only a guess, was it not?—No, I think you can get a pretty shrewd notion at a certain period of the year that you will have a surplus. For instance, I knew there were certain administrative Acts which were affecting the expenditures on Votes. If you take the case of provisions, for instance, you may have a fall in the cost of provisions, for which you put out three months' contracts, and things of that sort, which would affect the expenditure of the year.

3194. You came to the conclusion that you would have at least £250,000 saved upon Vote 1, and you knew, I take it that a great part of that, at any rate, and probably the greater part of it, would necessarily be saved on Sub-head C of the Vote?—I should say most probably yes. As I tried to indicate to you before, it could have been done, but I really did not see there was any particular advantage in doing it. If I had been asked at the moment: "Where do you expect to find this money?" I should have told you, "I think there will be an appreciable saving on these two or three Sub-heads." But here you have the result. We give you the exact savings upon the Sub-heads, and there they are for you to criticise them. We had indicated that probably these would be two convenient sums to roll up into the £250,000—I think that is really all it amounts to.

## VOTE 2.

## IRREGULAR ISSUE OF SERVANT ALLOWANCE.

Chairman.

3195. (To Mr. *Kempe*.) As regards the charge referred to in paragraph 22, I understand the matter has been settled, and it is now in course of repayment?—That is so.

## VOTE 3.

## ALDERNEY MILITIA.

Chairman.

3196. As regards paragraph 23, you have no particular remark to make upon that, I gather?—No, it is a new fact which I thought it desirable to state.

## VOTES 3 AND 5.

## BERMUDA MILITIA AND VOLUNTEERS.

Chairman

3197. (To Sir *Guy Fleetwood-Wilson*.) With regard to paragraph 24, have steps now been taken to secure that Bermuda should bear a more adequate share of the cost of her own defence?—I think we are unable to press them any further for the present, at all events. The Colonial Office are very averse to our pressing Bermuda unduly, as they think.

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ON VOTE 4.

No questions.

ON VOTE 5.

## VOLUNTEER CORPS: PAY AND ALLOWANCES.

Mr. *McCrae*.

3198. (To Sir *Guy Fleetwood-Wilson*.) On page 31, in regard to the surplus on Sub-head D, "Allowances in Aid of Volunteer Camps," the explanation is that it was "Due to a decrease in the numbers attending camp owing to concessions made as to compulsory attendance." Were there any concessions made in that particular year?—Yes. If I recollect rightly, you could not go into camp unless you took a certain number of men into camp, and that condition was waived and you could go with a less number. The outcome of it was that fewer went.

AMOUNTS REPAID IN REDEMPTION OF LOANS  
CREDITED TO ARMY VOTES.

Chairman.

3199. (To Mr. *Kempe*.) In paragraph 26, it is stated that: "As a result of this transaction, the amounts repaid by Volunteer Corps in redemption of these loans are credited to Army Votes"—that is so, is it not?—Yes, it is so.

## VOTE 6.

## SUB-HEAD C.

## HIRE OF BUILDINGS TO SUPPLEMENT BARRACKS.

Chairman.

3200. (To Mr. *Kempe*.) Paragraph 28 is a mere historical statement so to speak, is it not?—That is all.

3201. There is no observation you wish to make upon it?—No.

Mr. *Leif Jones*.

3202. (To Sir *Guy Fleetwood-Wilson*.) It is stated in the latter portion of the paragraph that "At stations abroad the rentals exceeded the authorised lodging allowances by £2,028, which the War Office attribute to the rise in rents." Could you tell me what sort of percentage of increase that would be; what is the amount of money in question?—You mean what is the actual sum that it would have been without the increase?

3203. Yes?—I am afraid I cannot give you that straight off.

3204. Can you give it me roughly—would it be £200,000?—I am afraid I do not know what it is. It is a Vote which is administered by the Quartermaster-General; I have no doubt it has been checked, but if you will allow me, I would rather give you the information next time.

3205. It is stated that the Rates of Lodging Allowances are practically obsolete. I suppose they vary at various stations?—Yes.

3206. (How

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[Continued.]

## ARMY APPROPRIATION ACCOUNTS, 1906-7.

Vote 6—Sub-head C—Hire of Buildings to Supplement Barracks—*continued.*Mr. *Leif Jones*—*continued.*

3206. How can a thing like that become obsolete? Must they not be revised practically at each station from time to time?—They ought to be revised from time to time, and I have no doubt they are. I suppose it means that in some cases the original Rates are not applicable; I am afraid that I must frankly admit that I do not know what the exact process is in regard to the difference in Hiring and Lodging Allowances; but, if you will allow me, I will give you the information next time.

3207. I should like at the same time to know how far these Rates of Lodging Allowances have ever been used, and whether they not always hire instead of taking lodging allowance?—Perhaps you will allow Mr. Flynn, who is familiar with the point, to answer the question. (Mr. J. A. Flynn.) It has always been the practice at stations abroad to hire accommodation for Warrant and Non-Commissioned Officers and men, and their families, rather than to use the rates of lodging allowance. That is the reason, I believe, why the rates have not been revised—that practically they have not been used. Of course, for officers, they are constantly used, and the Officers' Rates are revised.

3208. Would it not be better to face that on the Estimates?—That is the result, I think, of the discussion that has taken place; the practice has now been legalised.

3209. So that, practically, this lodging allowance will disappear, will it?—I think it will be

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Vote 6—Sub-head C—Hire of Buildings to Supplement Barracks—*continued.*Mr. *Leif Jones*—*continued.*

necessary to keep it for isolated cases, but it will be, and it always has been, very rarely used for the ranks below Commissioned ranks abroad. (Sir Guy Fleetwood-Wilson.) If you like I could supply you with a little memorandum upon the point, for your own information.

3210. I should be glad if you would do so?—I will have a memorandum made out. I frankly confess I do not know the details myself.

3211. Perhaps you would give it for one station, so as to show how things work?—Certainly.

## MINERAL WATER FACTORIES.

*Chairman.*

3212. (To Mr. Kempe.) As regards paragraph 30, that is merely the winding-up of a long story, which we have had before us in previous years?—Yes, the Committee have looked into the question a good deal in former years, and this is the winding-up of it. (Sir Guy Fleetwood-Wilson.) It is now wound up, practically.

Mr. *Ashton.*

3213. I suppose the rate of 4 per cent which is being charged on the total capital expenditure, is to form a sort of Sinking Fund for the repayment of the cost?—Yes.

Paragraph 31 postponed.

*(The Witnesses withdrew.)**Tuesday, 5th May, 1908.*

## MEMBERS PRESENT:

Mr. Ashton.  
Mr. Bowles.  
Sir Robert Hobart.  
Mr. Hobhouse.Mr. Leif Jones.  
Mr. McCrae.  
Mr. Parker.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

## ARMY APPROPRIATION ACCOUNT, 1906-1907.

Mr. JOHN A. KEMPE, C.B., and Mr. E. G. HARMAN, called in; and Examined.

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

*Chairman.*

3214. (To Mr. Kempe.) Before we proceed with the paragraphs in the Report I think you wish to say something about the form of

*Chairman—continued.*

Supplementary Estimate which arose on a previous paragraph?—Yes; it was in regard to the remarks which were made last time upon paragraph

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

*Chairman*—continued.

paragraph 6 in which I say: "These reductions were not ear-marked as arising on particular sub-heads." There seems to be some misunderstanding as to the form of the Supplementary Estimate upon the question whether in the statement of the surpluses which were to be applied for the purpose in question, the sub-heads were given in the form of Estimate. I have referred to some old cases of Supplementary Estimates which were laid before the House in 1904-5 and 1905-6. I have a Supplementary Estimate in 1904-5, in the case of the Army, and a Supplementary Estimate in 1905-6 in the case of the Navy, and in those the sub-heads were given both in the provision for Expenditure and in the provision for the use of the Surpluses. For instance, in the Army Estimate under Vote 8, there were large Surpluses under Sub-heads D, E, F and P, and the amounts are given against each sub-head. So that as a matter of fact it would seem that the alteration this year is a new departure.

3215. And not one to be recommended?—Not one which I think the Committee would as a rule approve.

3216. (To Sir Guy Fleetwood-Wilson.) Have you any observation to make upon what has just been said?—The only observation I have to make is to say that, of course, whatever the Committee recommend will be adopted so far as I am concerned. In the case under discussion it was not considered to be of any particular advantage to go into such details for the reasons which I endeavoured to put before the Committee on the last occasion. But, as I said before, the form of the estimate is a matter which concerns primarily the Treasury and not the War Office.

*Mr. McCrae*.

3217. There was no special reason why a departure should be made with regard to the particular Estimate before the House this year?—No. If I remember rightly the previous one which has been referred to was one which I myself for the first time had to deal with and I gave more detail than had been usual, and I think more than was considered necessary. Speaking from memory, I think that was what took place. On reviewing it, it was not considered necessary to go into such detail; it was thought there was no particular advantage in it and we did not do it in the case of the next Estimate. As I say, my recollection is—and I find I am confirmed in that recollection—that in the first supplementary Estimate with which I had to deal there was more detail than there had been in previous ones. So that the departure was rather in the direction of my giving more detail than had been given previously, and we afterwards reverted to some extent, though not altogether, rather to the earlier form than to the later. (Mr. Kempe.) I think that applies only to the minor details. A number of

the sub-heads were given, though not so many of them.

3218. (To Mr. Harman.) Have you any observations to offer on behalf of the Treasury upon this point?—I was not aware that the point was going to be raised again, but I think I can say that it has never been considered at the Treasury, when a Token Supplementary Estimate is presented, that there is any advantage in showing the savings available under the sub-heads. I think I told the Committee on the last occasion that the particular Army Supplementary Estimate which is under discussion followed precedent in not showing the savings under the sub-heads. Mr. Kempe has referred to a Supplementary Estimate in the case of the Army, and I understand also one in the case of the Navy, where the savings are shown under the sub-heads. I do not think that any principle is involved in that, nor that the Treasury had in view, when they approved the Supplementary Estimate in that form, the importance of showing the savings under sub-heads as distinguished from Votes. To take an illustration, supposing the War Office or the Admiralty are aware that they have savings of half a million, and come to the Treasury to authorise a transfer of, say, a quarter of a million for a new service, and the Treasury hold that in view of the exceptional circumstances they are not justified in sanctioning it without consulting Parliament, the procedure adopted, and it is a very convenient one, is to submit a Token Supplementary Estimate. The object of the Token Supplementary Estimate is to obtain Parliamentary authority for the new service, and I submit it is immaterial when you are taking only a quarter of a million out of a total estimated saving of half a million where you show the saving. The object is to show that you have got a saving so that you can meet the new expenditure without asking Parliament to authorise further issues from the Exchequer. In cases where the savings have been shown in Supplementary Estimates under sub-heads, I think the reason is that it has not been necessary to go further afield for the saving than the sub-heads within the same vote or possibly within the same section of the vote. In the case of the particular Supplementary Estimate which we are considering savings had arisen throughout the different votes: a certain amount was allocated to Vote 1 ("Pay") and a certain amount allocated to other votes, but it would have given no useful information to Parliament to show the particular sub-heads under which these savings were expected to be found. I might illustrate the argument by pointing to the Statement which, later in the year, after 31st March is laid before Parliament in pursuance of the Monk Resolution of 1879 where transfers, temporarily authorised by the Treasury to meet estimated deficiencies on the votes, are shown; there the probable surpluses over Grants from which such deficiencies are to be met are lumped together, and

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[Continued.]

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Mr. McCrae—continued.

and are not even shown under the votes. That is the form on which the Resolution of the House of Commons in the following year is based, and which is submitted to the House of Commons in pursuance of Section 4 of the Appropriation Act. No savings under sub-heads are shown there at all, it having always been regarded that the Treasury has complete authority as regards transfers as between sub-heads. The net result of what I am endeavouring to put before the Committee is this, that at that period of the year, in February, there is no object in trying to define the savings under sub-heads; it is sufficient for Parliament to know that there are savings on the aggregate total, and it is a matter for the discretion of those who prepare the estimate where those savings will be indicated. As I say, it must be arbitrary: you have a saving of half a million, and you wish to spend on the new service a quarter of a million, and it is immaterial to Parliament where you allocate the saving—you may not allocate it anywhere—as a matter of convenience you select the Votes or the sub-heads of the Votes where the largest saving appears likely to be.

Mr. Leif Jones.

3219. I do not quite share the view which you have put before us as representing the Treasury that it is immaterial to Parliament where you allocate the saving. I can imagine cases in which Parliament might refuse to vote the sum if it found that the saving was of a character of which it disapproved. What I mean is this: When we voted money in Parliament to the particular vote in question it depended upon the money having been saved, and I think to some extent the opinion of Parliament would be influenced by the fact of which sub-head the money had been saved upon; at any rate I can imagine cases in which that would be so. Is it the position of the Treasury that it does not matter to us where the money has been saved so long as it has been saved?—Yes. I imagine it is immaterial at that stage where the money had been saved—that is as to the sub-head.

3220. Might it not occasionally be the case that the judgment of the House would be affected by the fact of where the money had been saved and how it had been saved?—All I can say at the moment is, that the point is not only new to me, but I think it is a new point before this Committee. I have never heard of the form of Supplementary Estimate being challenged on the ground that the savings are not allocated in it under the sub-heads.

3221. They used to be so allocated?—I can recall one or two Supplementary Estimates on the Civil side, but, of course, in a Civil Estimate the sub-head corresponds to the Vote for this purpose.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. Leif Jones—continued.

3222. It has been so allocated; I have here an Army Supplementary Estimate in 1904-5, in which the very fullest information is given under the Votes and sub-heads?—It has been so.

3223. And similarly in the case of the Navy Supplementary Estimate in 1905-6?—If I remember rightly those were cases where sufficient savings to meet the new expenditure were available under appropriate sub-heads in the Vote.

3224. In the case of the Navy Estimate which I have here, for instance, on Votes 2, 8 and 10 there were savings and the sub-heads are given, and they were disposed of by Vote of Parliament. Similarly in the case of the Army, details are given as to Votes 1, 2, 6, 7, 12, and 15, and Parliament was placed in possession of the facts in regard to every Vote in which the Department saw its way at the time to effect a saving. It seems to me desirable that that information should be put before the House if that can be done. I want to be quite sure that I have got the Treasury view upon this matter?—I have submitted what I think would be the view of the Treasury. I was not aware that the point was going to be raised to-day, but still I do not think I should be prepared to modify what I have said upon the point. What I have endeavoured to submit to the Committee is that really no principle is involved, and that the selection of the items under which the saving was shown was a matter of convenience and not of principle.

3225. Then may I take it that you do not consider that it ought to influence Parliament at all in voting a Supplementary Estimate how the savings may have been effected throughout the Service?—No, I will not go so far as that, because they are always shown under the Votes. My point was, that it was not important that they should be shown under the sub-heads.

3226. Sometimes under Selected Votes?—Yes; if you have a total estimated saving of half a million, and you only want to use a quarter of a million it is obvious that there must be a process of selection; as I have said I submit it is entirely arbitrary. It depends a good deal upon the official who prepares the estimate. He may see that he has a convenient amount with which to meet the new service on one Vote; he may possibly find the whole quarter of a million on one Vote; therefore it may be shown under the one Vote and there would be no object in scattering it up and down; that would not give any information to Parliament short of showing the entire state of the Vote.

3227. But the superiority of the Supplementary Estimate which I have here is that apparently it shows the estimated surplus in practically every Vote where there was a surplus—it did not confine itself to showing the surpluses from which the service was to be met?—That was so in that case, but I do not think that that point was considered in principle at the Treasury. I think the Treasury took the Estimate as it was prepared by



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[Continued.]

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Mr. *Leif Jones*—continued.

by the Admiralty and saw that the proposed items of expenditure were in order and that the savings were sufficient.

3228. Would you consider the point when you are presenting a Supplementary Estimate for a quarter of a million, for instance, not only of showing that amount of surplus, but also of showing us what you think you had saved?—That I submit is already provided for under the machinery of the Monk Resolution, which provides that a Statement should be laid upon the Table of the House within three weeks after the 31st March, showing transfers made between the Votes and Estimates of the probable excesses over Grants and the probable surpluses on Grants.

3229. That is all after we have voted the Supplementary Estimate?—Yes, but it cannot be done before—that is the earliest period at which a forecast can be made. In 1879, when that arrangement was provided for, the object was to induce or to bring pressure to bear upon the Departments, the War Office and the Admiralty, to come to the Treasury early in the year before the close of the financial year to get sanction for the transfers.

3230. I do not understand why it cannot be done throughout. If it can be done in the case of one Vote, you can do it in the case of all Votes?—It could be done, but it would be a duplication of the procedure, because every year Parliament, on or about 31st March, gets a complete Statement of the estimated savings and excesses.

3231. I do not propose to press it further, but I think you will see what I am after?—What the Honourable Member suggests, as I understand, is that we should anticipate the Statement of savings and excesses by about two months.

3232. I think it really would come to that in the case of a Supplementary Estimate?—I could consult the Accountant-General of the Admiralty and the Director of Army Finance, but I should say that it would be impossible to know the amounts with any certainty.

3233. If you did not show it in some Votes I should perhaps not ask you to do anything further in the matter, but as you claim to be able to do it in some cases, and say, for instance, that you are going to save a quarter of a million on a particular Vote, you must know the state of that Vote, and I presume you know the state of other Votes also, and I was therefore suggesting whether you could not do the same thing and give the figures throughout?—I do not see the object of it; the figures would not be reliable. Of course, Parliamentary authority is not required for transfers between sub-head and sub-head. We have a token supplementary estimate where the savings have been transferred from one sub-head to another within the total Vote; the object being to show Parliament that money is being expended on a new service and to get Parliamentary authority.

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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. *Leif Jones*—continued.

3234. You know, of course, that we have watched this power of transfer rather jealously?—Not as between sub-heads I think. This Committee has again and again recognised the power of the Treasury to transfer as between sub-heads. As regards transferring between Votes, that is a temporary power subject to the approval of the House of Commons.

Mr. *McCrae*.

3235. When a Department comes to the Treasury for sanction to transfer money from one sub-head to another, of course they submit details to the Treasury?—Yes.

3236. And the Treasury must satisfy itself that the money is available?—Yes.

3237. Then if it is a larger sum than that is wanted and it is for a new service, they would still be able to give the Treasury all the details of where the savings occur?—Not always; sometimes—in fact very frequently in the course of the year—new items of Expenditure of a special character are sanctioned on condition that no excess on the aggregate total of the whole will be caused; and there we do not go into the details at all; but, of course, if there is any question of a considerable excess we do have a statement submitted.

3238. That statement would be presented in detail to the Treasury, so that the Treasury itself will have the information?—Yes.

3239. So that it is not a question of the difficulty of getting the facts, but you think it is not worth while as being not sufficiently certain?—It is problematical; at that period of the year it is very uncertain what the saving will amount to.

3240. Still the Treasury has a statement from the Department of the different sub-heads where a saving is estimated to accrue?—Yes; the transfer between the sub-heads generally takes place quite at the end of the financial year; but, of course, as regards a big item, sanction is sometimes sought for a big deviation much earlier, in November or December, and that sanction takes the form of being made conditional on there being no excess on the aggregate total.

3241. Where a new service is to be provided for, and a large sum of money to be taken, not from sub-heads, but from the Vote itself, the Treasury will look more carefully into the details, and demand information also as to where the money is expected to come from?—Yes, but they do not themselves go into the details; they accept the Statement which they receive from the Admiralty or the War Office as to their having got a saving. (Sir *Guy Fleetwood-Wilson*.) Practically a saving may arise from a particular service being relinquished which will release money to meet another service. In such a case we should be able to say: We have money available. But if it is only watching the course of the expenditure during the year it will, of course, only be a forecast.

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3242. (To

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[Continued.]

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Mr. Bowles.

3242. (To Mr. Harman.) I understand the view of the Treasury to be that as a matter of principle where a new service arises and money has to be found for it out of savings, it is, as I think you said, a matter of discretion for those who prepare the Estimate to decide as to where the money for the service is to come from?—Yes.

3243. If that is so, can you say what is the object of informing Parliament even as between one Vote and another?—I do not think personally there is much object on a supplementary estimate; but it is done.

3244. You do not think there is any advantage in it?—No; not on token Votes. In other words, you are not asking Parliament to authorise any new demand upon the taxpayer. You have got the money and you indicate in a general way where it is coming from.

3245. In other words the view of the Treasury is, as I understand, that for this purpose the whole gross total of the Vote may be regarded as one pool upon which a saving to the amount required is to be anticipated, although not with any certainty?—Yes.

3246. The figures, I understand you to say, are unreliable?—That is the view I submit, certainly.

3247. And upon that general impression, you think Parliament should be content to authorise the expenditure upon the new service?—That is the important thing, that authority should be obtained for the new expenditure.

3248. But in your opinion it is not really necessary from the point of view of the financial control of Parliament, that Parliament should be aware even from what Vote the money is expected to come?—I do not think there is any advantage in it, but of course we should show transfers proposed as between votes because Parliament takes cognisance of transfers between votes; but when that is done it is not complete; we are only utilising a portion of the total surplus and, as I say, it is an arbitrary sum.

3249. You do not anticipate that in a case of this kind in future the Treasury will allow a Supplementary Estimate to be prepared without any reference to the vote from which the money is expected to come?—That has never been suggested and I should not wish to suggest it.

3250. But you think it unnecessary to put the Vote in?—I do in principle. If you come to argue it out, I ask myself what good it is.

3251. Just one more question. This omission from the Supplementary Estimate of the sub-head or sub-heads from which the money is expected to come is, as I understand, a change. Do I understand that there has never been a case before of such a Supplementary Estimate in the case of the Army Votes?—I told the Committee on the last occasion—forgetting one or two precedents which I had seen, and of

Mr. Bowles—continued.

which I was really aware, though they were not in my mind at the time—that there was no change and that the form of Supplementary Estimate here followed precedent. I am not prepared to say that it does not. I do not know if the Comptroller and Auditor General has ascertained that there is no precedent for only showing savings under Votes. I should have thought there were many. (Mr. Kempe.) I cannot say that there were no such cases; I have two cases here where the sub-heads were shown. (Mr. Harman.) My point rather is that where that has been shown it is an accident and that the point has not been specially considered when the Estimate was prepared. In the cases where the savings have been shown under the sub-heads a convenient amount has been found to have arisen as a surplus under a relative sub-head, and it is more convenient to show it there than anywhere else.

3252. (To Sir Guy Fleetwood-Wilson.) I think you told us on the last occasion that there would be no insuperable difficulty in re-adopting the system of showing the sub-heads. The figures of course would be guesses as you say, but the whole thing is a guess?—If it is to be a guess you can obviously make the guess, whether the guess would be worth much when you have made it is just the issue.

3253. But this £250,000 in this case was only a guess, was it not?—No, for instance, if the recruiting were falling off materially you would know that you would have a saving on Vote 1; and so if the Militia recruiting were falling off you would know that you would have a saving on the Militia Vote. When it comes to sub-heads, I think, of course, there is a very great difference between a Vote and a sub-head. A sub-head is after all the arbitrary breaking-up of a Vote into convenient compartments into which you put whatever seems most suitable to put into that compartment; but there is nothing *sacro-sanct* about sub-heads as there is about a Vote. The basis on which the House votes the money is the Votes. I am speaking subject to correction and giving only my own opinion for what it is worth. When you come to sub-heads the two Departments may, and sometimes do, change the sub-heads. It is found convenient to work it in that way. The real object of sub-heads is to estimate more closely than you would if you pooled the whole expenditure in one Vote. A Vote, I think, is a very serious matter to affect or alter, but a sub-head seems to me—I will not say unimportant, because everything is important which comes before the House of Commons—but of considerably less importance. Therefore to have an elaborate system of guessing at a number of sub-heads, not knowing which guesses might come out right, seems to me hardly worth doing. Of course it can be done, because you can make a guess about anything.

3254. To

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Mr. KEMPE, C.B., Mr. HARMAN, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## PARAGRAPH 31.

## SEE TRANSPORT OF TROOPS.

*Chairman.*

3254. To proceed with the paragraphs in order, we had dealt with paragraph 30 on the last occasion, and we postponed paragraph 31, but I understand you are ready to deal with it to-day?—Yes. I should like to explain that there is no very close relation between the negotiations which have been going on between the two Secretaries of State and the very special point of the transport charge raised in this paragraph; but the negotiations which have been taking place were just about to be ratified, and one of the items, and an important item, in regard to which there was a difference of opinion, was the transport charge, and it was for that reason that I ventured to ask your permission to postpone the consideration of that paragraph on the last occasion. The arrangement which was under consideration was brought to a conclusion only last Saturday, the day after I gave evidence here, and it has resulted in our getting an additional sum of money from India. I mention that because I think it may interest the Committee, but my chief point was to indicate my reason for asking you on the last occasion to hold up this particular paragraph which I am now quite ready to deal with if you wish.

3255. (To Mr. Kempe.) Paragraph 31 is a mere statement of the facts?—Yes, that is all; I did not know what was behind.

*Mr. Bowles.*

3256. (To Sir Guy Fleetwood-Wilson.) If I understand this paragraph rightly it seems to show that the War Office entered into an agreement with the India Office in regard to certain transport charges, knowing that it was an arrangement to which the Treasury would not agree—is that so?—No, I think there is a misconception in your mind. The arrangement was not brought to the knowledge of the Treasury, but the arrangement was made between the two Departments, and when it was brought to the knowledge of the Treasury they repudiated responsibility for that arrangement, although they indicated that it was essential that the War Office should keep faith with the Government of India, that arrangement having been come to.

3257. But the Treasury, as I understand, declined to share with the Army Council the responsibility for this expenditure?—It was before the Army Council existed. At the time the arrangement was made it was the two Secretaries of State who were concerned.

3258. (To Mr. Harman.) Can you tell us upon what grounds the Treasury gave their refusal?—The ground of their refusal was, that the arguments against the Imperial Government bearing the whole of this charge which were put before the War Office in 1904 had never

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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Paragraph 31—See Transport of Troops—  
*continued.**Mr. Bowles—continued.*

been met. The Treasury proposed that there should be a Conference between the Chancellor of the Exchequer, the Secretary of State for War and the Secretary of State for India, but that Conference never took place and the matter was allowed to run on. That was in 1904; then in 1906 the War Office came to the Treasury and said that the matter was still in dispute, and that the total charge in dispute had now accumulated to, roughly I think about, £95,000. (Sir Guy Fleetwood-Wilson.) The amount in regard to transport is only £59,000. (Mr. Harman.) There were various other items, but we are only concerned with the transport in regard to which the amount was £59,000. The War Office then said that they had practically agreed with the Indian Government to bear the cost of this transport and so the Treasury wrote their letter which amounted in effect to this:—If you have undertaken to bear the extra cost of sending these men to India and bringing them back that is no affair of ours, you must do what you like. Our arguments have not been met; we do not think it is a fair charge against the British Exchequer. Therefore, the Treasury felt that they were unable to share the responsibility. That is, of course, a way of bringing the matter before this Committee. I do not know whether I rightly understood Sir Guy Fleetwood-Wilson to say that something had been settled within the last few days about this particular charge. (Sir Guy Fleetwood-Wilson.) The money was paid in this form—that is how it comes before the cognisance of the Committee—it was paid, and the Comptroller and Auditor-General alludes to the fact that it is paid although the Treasury expressed a doubt as to the propriety of this agreement. (Mr. Harman.) I do not know whether the point is one which can very well be argued before this Committee or upon which I can submit anything that would be useful—it is really a question for the Government of the day to arrange. Nothing has been arranged as I understand. The charge at present lies against the Army funds and the Treasury from their official information certainly do not approve of that charge. It was suggested that India ought in any case to bear half. I think it is a matter that probably the Government of the day ought to take up and consider, and arrive at some conclusion one way or the other. It will be necessary to do so because the charge as against the British Exchequer is in the position of being unauthorised at the present moment. I may add that this particular charge will not recur. It was due to the altered terms of enlistment of for three years with the colours in 1902. That broke down, and cost the Indian Government as well as the Home Government a good deal of money. We have gone back now to the longer term of service—seven years' men—and the difficulty; I

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take

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Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Paragraph 31—See Transport of Troops—  
*continued.*

Mr. Bowles—continued.

take it, will not recur. I should think the year 1905-6 will bring it to an end, or, at any rate, 1907. (Sir Guy Fleetwood-Wilson.) We have paid it up to 1906-7. There would not be many men left now, I suppose. A few were enlisted in 1906, so that there would be a few in 1908. (Mr. Harman.) If the Committee would like me to go into the history of how it arose I could do so, but the matter is a little complicated, and I do not know that it is much use discussing it.

3259. No. I should think that is hardly worth while, but it seems to me that the question of principle which does remain although this particular charge may be settled, is one of some little importance and it is this: Here as I understand the War Office did enter into an arrangement which, unless I quite misunderstand the thing, they must have known the Treasury did not agree to. (To Sir Guy Fleetwood-Wilson.) Is that so?—No, it never was referred to the Treasury (Mr. Harman) I think I can explain how it arose. After the system of three years with the Colours with the option of extending was started in 1902 it appeared in 1903 that owing to an insufficiency of men with the requisite qualification for India, extra expenditure would be incurred amounting to about £13,000. The sum was small and the War Office came to the Treasury and asked whether, under the circumstances, there was any objection to the sum being placed against Army Votes, and the Treasury agreed to that being done then. It seems to me looking at the correspondence that the War Office rather assumed after that that the Treasury would take the same view in future, but when in 1904 they came to the Treasury with a similar story the sum was a larger one and it seemed likely to recur and the Treasury pointed out that there was no reason why troops should be provided for India at a loss. That brings me to the point which I alluded to when I said that we suggested there should be a Conference. But that Conference was not held. In 1905 and in 1906 there were further charges, and we were then told that the sum for transport had got up to £59,000. The question of the incidence of the charge was still unsettled and the Treasury wrote a letter saying that the arguments put forward in 1904 had not been met and that under these circumstances they did not feel able to share the responsibility of placing the charge to Army Funds. The Treasury having agreed in 1903 to the small sum, as it then was, being placed against Army Votes, the War Office seem to have thought the rest might follow suit.

3260. I think that makes the facts quite clear?—That, I think, is the position.

Mr. Leif Jones.

3261. (To Mr. Kempe.) I want to put one

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Paragraph 31—See Transport of Troops—  
*continued.*

Mr. Leif Jones—continued.

question to you in regard to the interpretation of terms. In the last paragraph but one of paragraph 31, you speak of the "Army Council," as fulfilling its obligations, but just above the term is "The War Office." Is the Army Council a synonym for the War Office?—In financial questions it is so.

3262. The reason I ask the question is that later on you return to the term "War Office," and I attach some little importance to adhering to the term "War Office." Later on I see the term "War Office" recurs—it is not the Army Council that performs all these acts but the War Office?—I am reminded that in 1903-4 the Army Council did not exist, and therefore the term "War Office" is used to represent the then existing authority.

3263. I thought myself that that might be the explanation, but later I see as regards current acts to-day you still speak of the War Office doing things and not the Army Council?—I think it was only by way of varying the terms.

3264. Then may I take it that "Army Council" in this report is a synonym for the War Office?—It would be so now, certainly.

3265. (To Sir Guy Fleetwood-Wilson.) Is that your view that the Army Council is a synonym for the War Office?—I would rather not express any opinion upon that point. I find opinions vary so much that it might be a presumption on my part to express an opinion.

3266. My reason for asking the question is that at the present moment there is a Bill to transfer from the War Office certain powers?—That is not before this Committee. I may say that "War Office" is a generic term. In the old days the authority quoted for everything was the Secretary of State for War. The present authority quoted in the correspondence and so forth is the Army Council, which includes, of course, the Secretary of State as the predominant partner.

3267. (To Mr. Kempe.) I only wanted to be quite sure what your meaning was in writing this paragraph; as I gather, the term "Army Council" here is just used instead of the War Office?—Yes, that is all.

3268. (To Sir Guy Fleetwood-Wilson.) Of course the use of that term raises certain questions of considerable importance, as I think you appreciate?—I do not think that is a question before me at the moment. I should not like to take up that point.

Sir Robert Hobart.

3269. Is there not a Bill before Parliament at the present moment to clear up some doubts in regard to this matter?—There is a special department of the War Office which deals with Parliamentary Bills, and that does not come within my purview.

3270. You

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Paragraph 31—See Transport of Troops—  
*continued.*Sir Robert Hobart—*continued.*

3270. You have some cognisance of it, I presume?—I have seen reference to it in the newspapers. Before we leave this paragraph I would like to make two remarks; first, that I did not hold my present appointment when this agreement was made with the India Office, and secondly, that I took up my duties in June, 1904, and it was in September, 1904, that the matter was laid before the Treasury. I thought I would like to regularise my own position in the matter by saying that.

3271. You were not cognisant of the agreement?—I had nothing to do with the agreement.

3272. But as a matter of fact it resulted in the War Office spending a considerable sum of money which had not been voted by Parliament for a service not voted by Parliament—that is to say, it resulted in an excess on the Vote?—It resulted in an excess on the sub-head of the Vote. I may add that the money was only paid over to the India Office by me after the receipt of the communication from the Treasury, in which they indicated that we ought to keep faith with the India Office, but the responsibility for the original agreement must rest with the people who made it.

Mr. McCrae.

3273. I notice that under Vote 6, Sub-head F, the excess expenditure was as much as £66,700?—That is including Egypt.

3274. Am I to take it that that sum of £59,000 was the amount for India for that year?—No; £30,000 came into account for that year, but there were charges for the previous year, and it was owing to India rolling up this big bill against us that I tried to regularise the situation, and paid off what it amounted to as the total for the previous year and that year—namely, £59,000.

3275. Was that the half due by the Imperial Government?—That was the amount that India, under the agreement, had a right to expect from us since the agreement had been started—that came to £59,000. The amount for the particular year which that £66,000 represents was £30,000 for India and the balance for Egypt. The Egyptian increase was owing to the strengthening of the garrison.

3276. Can you tell us what was the total cost of this new system?—On transport alone it was £59,000. Then there were other amounts that were dealt with on another paragraph—bounties and things of that sort.

3277. I suppose the future cost to this country, including that borne by India, will be very large?—A considerable sum. Of course the three years' system entirely broke down as regards drafts to India and the various palliatives which were attempted with a view to curing the evil failed one after the other.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Paragraph 31—See Transport of Troops—  
*continued.*Mr. McCrae—*continued.*

3278. Could you tell us roundly what the cost would come to?—It was roughly £100,000, of which we bear £83,000. I am giving you round figures. I should not like to be pledged to the exact figures, because I did not expect the question to be raised, but roughly speaking I think you may take that to be so.

## REMOUNT FARM BALANCE SHEET.

Chairman.

3279. (To Mr. Kempe.) As regards the Remount Farm referred to in paragraph 32, I gather that your Department is satisfied with the accuracy of the account given on page 221—you have examined it, I think?—Yes, we are satisfied with the items.

3280. I gather that the practice of insuring at Remount Farms generally is going to be discontinued, and therefore you do not need to say anything in regard to this charge of £5 3s. 5d. for insurance?—That is so.

3281. I see that you suggest that the sum of £2,657 8s. 2d., representing the value of the forage rations which would have been issued for the remounts in normal circumstances should be excluded?—Yes; it appeared to us that the account ought to contain facts only. The account is intended to show what the cost of feeding the horses would be, and if you want to bring in this item it should be done by a note—that is to say, the cost of the actual feeding of the horses would be £5,000, and the note should say that against that there may be set a sum of £2,657 that has been saved from the Vote.

3282. (To Sir Guy Fleetwood - Wilson.) On that point I see at the top of page 201 it is stated that "the War Office, whilst admitting the force of the suggestion, considered it preferable to include the amount, as the saving of forage, which would otherwise have been issued, was an important item in the real result of the working of the establishment which the Account had been designed to show." But then I see in the next paragraph but one it is said: "As regards the exclusion from this cost account of charges for certain timber obtained from War Department Lands and for transport of stores and supplies, the War Office have defended their absence on the ground that no direct charges have been incurred in these instances." It seems to me that those paragraphs are mutually contradictory. If the argument prevails in one case it ought to prevail in the other?—The whole of this Account is, as the Committee are aware, an endeavour on the part of the War Office to meet the request of a Member of the Committee. I think it was Mr. Leif Jones, and the actual form which it takes is the one which I thought

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Remount Farm Balance Sheet—continued.*Chairman*—continued.

I thought best met the Honourable Member's wishes. The two points raised by the Comptroller and Auditor-General are quite arguable points, if I may say so, and if the Committee preferred, for instance, not to show the forage in this way, but in another way, we should be perfectly prepared to make the change. It seemed to me when it came to the cost of the farm, as a set-off to the cost of the farm you ought to set-off the rations which would otherwise have had to be provided to feed the horses that were there. It is an asset for the farm so to speak. But if the Committee think that it will be preferable to change it in any way, we can easily do it. With regard to the timber, the information which I have been given and which is I believe correct, is that the timber was surplus timber—trees cut down in hedges and that kind of thing—it realised no value inasmuch as it was unsaleable locally and it was used for fencing purposes and that sort of thing. It was not a sufficiently important item to bring it out separately. That again if you wish it, we could do; but if you cut down a sapling and use it as a bit of fencing it seemed to me rather a laboured process to put that in as a separate item. The object of the Account, as I said before, is to meet the wish expressed by a Member of this Committee to show the cost of this farm; and with that object in view I thought I would ignore in the one case an item which is a trivial one, and give credit to the farm for the saving which it was effecting, in the other.

3283. With regard to the question of the depreciation written off in the case of buildings, has the question been decided as to purchasing the land?—No; and I think I should say at once that if we go on with the leasehold we should certainly review the depreciation rate; but we have not thought it worth while to do so, having started with that rather low depreciation rate, pending the decision as to whether it should be bought or not. I think it would rather confuse the accounts to have a shifting charge.

*Mr. Leif Jones.*

3284. In regard to the question of forage I take it that you accept the figure of £5,000 as the cost of the forage?—Yes, I think so.

3285. Is there anything except forage included in that—is not the shoeing of the horses included?—I am afraid I cannot say at the moment.

3286. I see there is a charge of £150 on page 221, for "Cost of shoeing and clipping remounts"; is that the whole of the cost of shoeing and clipping?—If it is shown as the cost no doubt it would be the whole cost of shoeing and clipping the horses that are there.

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Remount Farm Balance Sheet—continued.*Mr. Leif Jones*—continued.

3287. It is all charged against the farm?—That is so.

3288. I do not quite see why that is charged against the farm any more than the clothing of the horses and other things. It has just been suggested to me that it is included because if they were with the Units, there would be no charge for that?—Yes, I daresay that is the reason for it.

3289. This is the cost for a number of horses averaging nearly 115 horses daily, I understand?—Yes.

3290. That works out at a cost of nearly 17s. per horse per week?—That is so if you divide the amount against the horse so to speak.

3291. If that is for forage alone, it seems to me rather high?—Yes, it would be high if it was forage alone.

3292. Of course, if it includes a number of other things it is a different matter. Does this amount include the cost of housing the horses and shoeing and feeding?—Yes, if you put it as the cost as against each horse it would be not only the forage but everything that the horse costs.

3293. Of course, in order that we may understand whether this is a paying transaction or not, one does want to know what the 17s. a week represents?—It represents the cost of each horse to the farm or the State so to speak.

3294. That is not quite so, is it; it does not represent the cost of the saddlery or clothing, does it?—Yes.

3295. It represents the housing but not the clothing of the horse, I think?—I do not quite follow why you say that.

*Chairman.*

3296. Under the heading "Receipt from other Army Departments" you will see items 26 and 27 "Permanent equipment received during the year" and "Minor equipment received during the year"; does that mean cloths and saddlery?—Yes, I think everything is charged.

*Mr. Leif Jones.*

3297. Then I may take it that the 17s. is the whole of the cost of the horses while they are there?—Yes, if you divide it up among all the horses it comes to 17s. for each horse. I think perhaps where I misunderstood you was that I understood you to take the £5,000 as representing the forage item, but that is not the forage item only.

3298. What I am dealing with is the debit balance on the year of £5,017 which I understand is the cost of the horses?—That is the cost of the horses; it includes whatever the horse costs. The value of the rations is nearly half; so you have to put it in. It is like the  
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[Continued]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Remount Farm Balance Sheet—continued.Mr. *Ieif Jones*—continued.

Factory Accounts; you charge everything to the cost of production.

3299. I see you have an item here of "Rent of land"; do you pay rent for the whole of the land there, or is any part of it War Office land?—We rent the whole of it.

3300. So that we have here really the total cost?—What I have endeavoured to do is to give in the Account everything we spend upon the farm and everything we receive from the farm. Of course, if you try to make deductions as to what the farm cost, you are met with the same difficulty that you have to meet with in the case of a private estate on which you have a small sewage farm—if you approach that farm from the standpoint of whether the farm is paying or not, or if you approach it from the standpoint of its being an appanage of the cost of the drainage of the house, you can work out your results differently according to the way in which you look at it: and we are met with the same difficulty here.

3301. I was rather putting it to you that you have got a profitable undertaking here?—I think we have.

3302. Is it an annual tenancy at present, or have you a lease?—I think we have a lease, but how long it still has to run I do not remember. It was a lease of 21 years from the start.

3303. You could not expect to write off your buildings in 21 years?—I have already said that if we went on the lease basis, I thought that would be too low a rate to take and if we continued the lease we should certainly alter it; but we did not think it worth while altering the percentage until it was decided whether we bought or not.

3304. If you gave it up, would not you get compensation for your buildings?—I really cannot tell you what would happen under conditions which have not arisen.

*Chairman.*

3305. Before we pass away from that Account I see you buy a certain amount of manure for this farm; but of course, as you know, the keeping of nothing but horses upon land deteriorates the land a good deal?—I know that there are some cows upon it, because they have been seen there by my private Secretary.

3306. You are taking care that you are not unduly depreciating the value of the land by keeping only horses upon it?—That point was raised before the Committee last year or the year before, and General Benson explained to the Committee for upwards of an hour the relative merits of the two dressings for land. I do not know whether you heard that evidence.

3307. I was not present when that was gone into?—I should have to refer to the technical side of the office if any further information were wanted upon that point.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

COST OF TRANSPORT ON MILITARY WORKS LOAN  
SERVICES IN SOUTH AFRICA.*Chairman.*

3308. (To Mr. *Kempe*.) As regards paragraph 33 I gather that the charges have been examined by your officers and they are all correct?—Yes. That paragraph is merely to show that the recommendations of the Committee have been carried out.

ON VOTE 6.

## QUARTERINGS TRANSPORT AND REMOUNTS.

*Chairman.*

3309. (To Mr. *Harman*.) I observe there is a new sub-head to this Vote, Sub-head BB, "Expenses of Delegates to Geneva Convention." The Treasury gave their sanction for the opening of that special sub-head, I understand?—Yes.

VOTE 7.

## SUB-HEAD A.

## COST OF PROVISIONS AND ALLOWANCES IN LIEU.

*Chairman.*

3310. (To Mr. *Kempe*.) Paragraph 34 is merely recording what has been done?—Yes.

3311. (To Mr. *Harman*.) The sanction of the Treasury was given to this course being adopted?—It was. (Sir *Guy Fleetwood-Wilson*.) We considered it an extremely satisfactory proceeding. Sir James Sivewright left a cheque in my room for £4,255 before he went out.

## ARBITRATION AWARD.

*Chairman.*

3312. (To Mr. *Kempe*.) In paragraph 35 you draw attention to the fact that the Treasury have practically thrown the settlement of this matter upon the Committee and confined their sanction to the inclusion of the item in the Account?—Yes; I assume that the Treasury by giving their sanction to the inclusion of the item in the Appropriation Account have practically given their sanction.

3313. (To Mr. *Harman*.) Is that the view of the Treasury? I observe the wording of the last sentence in this paragraph is rather curious. It says that the Treasury "have commended their sanction to the inclusion of the item in the Appropriation Account." Does that mean that the Treasury wish this Committee to say whether it ought to stay there or not?—It means that the Treasury wish the matter to be submitted to this Committee in order that they may have an opportunity of expressing their opinion upon it.

3314. What

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[Continued.]

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Arbitration Award—continued.*Chairman*—continued.

3314. What is your opinion upon it?—The Treasury opinion on it was that going to arbitration in opposition to legal advice was wrong and as that has resulted in a very heavy payment against the Army Funds, the Treasury did not think it proper to authorise the expenditure without, as I said just now, bringing it to the notice of this Committee. Nothing, of course, can be done. The arbitration went against the Crown and the money was paid, but the view taken was that arbitration ought not to have been resorted to against legal advice.

3315. But I understand that the arbitration was taken in consequence of the representations of the High Commissioner rather as a matter of policy in South Africa and not so much as a matter of War Office policy?—That was so.

*Sir Robert Hobart.*

3316. (To Sir Guy Fleetwood-Wilson.) Was the legal advice taken in this country or out in South Africa?—It was, in point of fact, the advice of the legal officers in South Africa. You will find the whole of the case set out at page 155 in our letter to the Treasury. You will see there it says: "The general officer commanding South Africa reported that the Crown Law Officer advised the military authorities to decline to entertain the claim, and also to decline to submit to the jurisdiction of the South African Courts. Mr. Gillingham was so informed, and the matter was considered at an end so far as this Department (that is, the War Office) was concerned." The arbitration was the result of policy, not of departmental action.

*Mr. Leif Jones.*

3317. Was there any reason to suppose that Mr. Gillingham was going to take legal proceedings of some kind?—I do not remember at the moment. We had closed the incident and left him to do what he liked.

3318. It was re-opened as a matter of policy?—Entirely as a matter of policy. It was re-opened and referred to arbitration at the request of Lord Selborne and that request was acquiesced in by the present Secretary of State on grounds of policy. Both the request and the acquiescence were on grounds of policy, not on War Office views or action at all. I should like to correct the answer I gave to your last question. I ought to have remembered that in Lord Selborne's telegram he states that Mr. Gillingham either had proceeded, or was about to proceed, to bring an action for the recovery of his debt in the Court. We barred his action upon the prerogative of the Crown.

3319. I wondered what had put in motion the action of the High Commissioner?—That was how it came about—I ought to have remembered.

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Arbitration Award—continued.*Mr. Bowles.*

3320. You say that this was not the action of the War Office but that it was re-opened as a matter of policy. But surely it could not be re-opened except with the consent of the Secretary of State who is the War Office?—The Secretary of State acquiesced in the re-opening of the question and referring it to arbitration as a matter of general policy—not of War Office policy.

3321. I am only trying to understand exactly how the matter stood. No doubt he acquiesced because he conceived that it was the best thing he could do in the interests of his department?—The Secretary of State for War is also a Member of the Cabinet and a matter may be viewed from a larger standpoint by the Cabinet than it would necessarily be Departmentally.

3322. (To Mr. Harman.) I gather the position of the Treasury to be that they wish this matter should come before this Committee?—I take it that the object of the Treasury is that the Committee should be put in possession of the facts. They express no opinion upon the point of policy. The Military Authorities had gone to arbitration contrary to legal advice and therefore the Treasury did not feel in a position to give their covering sanction.

3323. The Treasury was not satisfied with the facts as they stood?—They were not satisfied. It was not understood at the time why it was done. The War Office wrote to the Treasury to ask sanction for the payment of these large sums given against them, and the Treasury said they would not sanction them—that the War Office could take their own course and include the item in the Appropriation Account, and then the matter would come before the Committee.

3324. If the Treasury was not satisfied, as it was not, and as I quite agree it really could not be, by the circumstances it seems to become a proper subject for this Committee to consider whether we ought to be satisfied. I gather that the object was to bring it before this Committee?—Yes.

*Mr. McCrae.*

3325. (To Sir Guy Fleetwood-Wilson.) When this matter arose and you got legal advice not to go to arbitration, having regard to the fact that as a matter of policy it was considered by the High Commissioner to be the right thing (in spite of the legal advice) to go to arbitration, do not you think that the War Office should at that stage have consulted the Treasury?—The Secretary of State agreed to going to arbitration. I have no doubt that if the matter had been a question of paying the claim at once, he would have referred it to the Treasury, but the preliminary step was accepting the principle of arbitration.

3326. (To Mr. Harman.) Then do I understand that the Treasury make it a grievance that



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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Arbitration Award—*continued.*Mr. McCrae—*continued.*

that the War Office did not at this stage consult them upon the matter—is that really the whole point with regard to their sanction?—Yes. They considered that the War Office were wrong in not coming to the Treasury before resorting to arbitration contrary to legal advice. The result was unfortunate financially. (Sir Guy Fleetwood-Wilson.) It was very unfortunate financially. (Mr. Harman.) If the War Office had come to the Treasury before going to arbitration, the Treasury presumably would have pointed out that they were going contrary to legal advice. The War Office might then have represented the question of policy which was held to overrule the question of legal opinion, and the Treasury might or might not, but presumably would have said under the circumstances, very well, you must go to arbitration and accept the consequences. As it was, the Treasury had no opportunity of saying anything about it, and in those circumstances they did not feel it necessary to sanction the expenditure.

3327. (To Sir Guy Fleetwood-Wilson.) Then may I take it that on looking back you think it might have been advisable if the War Office had consulted the Treasury at this stage?—I think the only action that was taken was taken by the Secretary of State in conjunction with Lord Selborne upon grounds of policy and policy only. If you will kindly refer to our letter to the Treasury you will see that we informed the Treasury; it says, "Mr. Gillingham was so informed, and the matter was considered at an end so far as the War Office was concerned." The subsequent proceedings were really not Departmental, but Governmental, if I may so put it, on the grounds of policy.

3328. (To Mr. Harman.) Then I may take it that apart from that particular point, upon which I suppose the Treasury still hold their own view, there is no objection now to this being passed?—Subject to that there is no objection.

Mr. Bowles.

3329. (To Sir Guy Fleetwood-Wilson.) This arrangement, which resulted badly financially, was come to purely by the Secretary of State for War and the High Commissioner for South Africa?—The result was come to by the Judgment given by Sir Richard Solomon, but the decision to go to arbitration was entirely a matter between the Secretary of State for War and the High Commissioner, and not a Departmental action, in the ordinary sense of the word at all.

Chairman.

3330. And never came before the Army Council?—I do not know whether it did or not; I really do not know what took place.

B

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Arbitration Award—*continued.*

Mr. Bowles.

3331. There were expenses no doubt in this arbitration?—There was more than expenses; there was the interest on the money, which is a most extraordinary decision to have given against us, but we had to acquiesce and pay as there was nothing else for it.

3332. May I ask whether you, as Accounting Officer, knew about the decision to go to arbitration at the time it was taken?—Yes. I was made aware of the fact that on grounds of policy, and not at all on grounds of finance or of administration, the matter was going to be referred to arbitration, and that being the case I had no *locus standi* to do more than await the result of the arbitration.

## SUB-HEAD B.

## COST OF FORAGE, ETC.

Chairman.

3333. (To Mr. Kempe.) With regard to paragraph 36, as to the right of purchase of portion of supplies in South Africa reserved under contract, the new forms of tender have resulted in a saving, and are likely to result in a still larger saving apparently?—Yes.

3334. You report favourably upon them?—Yes.

## SUB-HEAD B.

## WATER SUPPLY.

3335. With regard to paragraph 37 as to the Standerton Water Supply, this practically closes up that vexed question?—Yes, the new proposals appear to be quite satisfactory. The agreement is not finally settled, but the new proposal is satisfactory if the War Office is satisfied with it. There is negotiation still going on. (Sir Guy Fleetwood-Wilson.) I think I ought to tell the Committee that quite recently when the question of reducing the garrison came to the front Standerton absolutely refused to go on with the negotiation, so that the matter is at present at a standstill. I did not wish to leave the Committee under the impression that it was all going comfortably.

Mr. Bowles.

3336. And in the meantime we are bound by the original contract?—Yes.

Mr. Leif Jones.

3337. May we, for curiosity's sake, know what the new proposal is?—It really is not much use going into it because it is absolutely hung up, and possibly we might have to approach it under different conditions. At present they refuse absolutely to consider it.

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3338. (To

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## SUB-HEAD G.

## APPROPRIATIONS IN AID.

*Chairman.*

3338. (To Mr. Kempe.) With regard to paragraph 38: "Natal Claims and Counterclaims." That is historical, I take it?—That is purely formal.

## CONTRIBUTIONS TO CIVIL GOVERNMENT OF TRANSVAAL AND ORANGE RIVER COLONY FOR GOODS REQUISITIONED DURING THE WAR, ETC.

3339. (To Mr. Harman.) As to paragraph 39: "Administration Expenses finally charged to Fund," the Treasury think that matter must be closed?—They do; they were committed to pay the sum.

*Mr. Ashton.*

3340. (To Sir Guy Fleetwood-Wilson.) I should like to ask how it was that the High Commissioner was not fully informed of these affairs, if he ought to have been?—I think that this is a paragraph which the Treasury would wish to deal with.

3341. (To Mr. Harman.) Perhaps I might ask you the question?—I think there was a misunderstanding in the Colonial Office; the matter was placed before the Treasury, who were in correspondence with the War Office, and the Colonial Office did not keep Lord Selborne informed as to what was going on. In the meantime he committed himself with the local government to the statement that the Home Government would bear the Administration Charge of £41,000. That really is what occurred. The High Commissioner's dispatch was to this effect: "As I received no reply to my Dispatch of the 24th September last, I hope I may take it that His Majesty's Government accept my view with regard to the incidence of the costs of the Administration;" in other words, that it should be charged to the Army Funds. It was found a little later on that Lord Selborne had committed himself to the Transvaal Government to that effect, and the Treasury said that they must ask that the money should be surrendered out of the balance of a further Grant. There were several big Grants in Aid about which there has been a good deal of correspondence, and Lord Elgin had some discussion with the late Chancellor of the Exchequer on the subject, and the ultimate decision was that the Colonies should not be asked to surrender the money, and it was agreed that the Imperial Exchequer should bear this charge of £41,000. It was a concession to the feeling in the Colony.

3342. It was again a question of policy?—It was.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Sub-head G—Contributions to Civil Government of Transvaal and Orange River Colony for Goods requisitioned during the War, etc —  
*continued.*

*Mr. McCrae.*

3343. Was there any doubt as to the liability with regard to this?—Yes; I think there was. The Treasury seemed to have thought there was no doubt at all, but I think Lord Selborne must have felt very strongly, taking the view of the Colonies, as he naturally would, that the Home Government should bear the Administration Charge. I cannot account otherwise for the action he took. He assumed that we should agree to bear it, no doubt, and he committed himself. He was not justified in doing it, because he had no authority, but he must have assumed it would be agreed to, and the result is that the thing was done. The fault the Treasury was inclined to find was with the Colonial Office for not keeping the High Commissioner informed that the matter was *sub judice* at home.

*Mr. Laif Jones.*

3344. I do not quite understand what justified the High Commissioner in acting?—I do not think he was justified in acting; but apparently he assumed as there was no answer to his dispatch from the Colonial Office that silence meant consent.

3345. Of course one does not want to place the late Colonial Governments and others in positions of difficulty, but if under local stress and in ignorance of the circumstances they make grants of money to Colonies the financial control of the House of Commons seems rather in danger.

*Mr. McCrae.*

3346. But I suppose it was really admitted to be a blunder or mistake on the part of the High Commissioner in proceeding without authority?—I think the Colonial Office must take the blame to some extent, as they failed to keep in communication with the High Commissioner—I think there is no doubt about that.

*Mr. Laif Jones.*

3347. The decision was only taken I suppose from a desire to back up the High Commissioner's decision; there is no pretence that he had any power to come to this arrangement?—No, he had no power but he did it, and he did it because he got no answer to a certain dispatch for some reason or another from the Colonial Office. I suppose they probably took the same view—that there was no question the Treasury would agree to this charge being borne against Imperial funds, and they did not keep him informed as to what was going on, and as I say I suppose he felt so certain that it would be agreed to that he told the Colonial Government that under no circumstances would they be called upon to make any payment in respect of the administration.

3348. I just

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Sub-head G—Contributions to Civil Government of Transvaal and Orange River Colony for Goods requisitioned during the War, etc.—  
*continued.*

Mr. Leif Jones—continued.

3348. I just want to understand it. It was his view that this ought to be done: Did he so represent it?—Yes, his view was that it ought to be done.

3349. He represented it to the Colonial Office who did not answer his dispatch?—Yes, I think that was it (Sir Guy Fleetwood-Wilson.) It is only fair to Lord Selborne to say that what happened was that the Colonial Office did not inform him of the view which was taken by the War Office and the Treasury of this matter, and failing the possession of that information he gave the guarantee on behalf of His Majesty's Government, and therefore the Treasury seem to me to have done the only thing they could do, namely, decide that they should pay the money.

3350. Do you know why the Colonial Office did not answer this important dispatch?—I do not know what influences the action of the Colonial Office.

3351. (To Mr. Harman.) Do you know why the Colonial Office delayed answering?—I can only conclude from reading the papers that they were so certain that the Government at home would take Lord Selborne's view that they allowed the matter to drift. I suppose they had other things to think about at that time too. I cannot suppose for a moment that it was intentional with the object of forcing the hand of the Government at home, but it had that effect.

3352. In the ordinary course of business why did they not bring it before the Government?—(Sir Guy Fleetwood-Wilson.) It is only the Colonial Office who can answer that.

3353. I am sorry to be troublesome to the Committee, but it does seem to me a matter of considerable importance if an unanswered dispatch is to involve an expenditure of £41,000?—(Mr. Harman.) I think perhaps I can satisfy the Honourable Member by saying that looking to the various steps which have been taken later with regard to outstanding balances in South Africa, even if Lord Selborne had not committed the Government as he did, this payment would have been accepted as a charge against the British Exchequer. I feel sure that would have been the case, but at the time the Treasury was not at all disposed to accept it—in fact, they made an effort to get the money back by saying that as the payment had been relinquished, a deduction must be made from an outstanding balance on another grant which has later been adjusted. They said that the Colonies must be charged with this £41,000 on another account—that is practically what was suggested, and then Lord Selborne represented to the Chancellor of the Exchequer that the condition of affairs in South Africa rendered it rather desirable that that course should not be taken, and the Transvaal Government were allowed to retain the whole balance on that

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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Sub-head G—Contributions to Civil Government of Transvaal and Orange River Colony for Goods requisitioned during the War, etc.—  
*continued.*

Mr. Leif Jones—continued.

Grant in Aid, and that will come before the Committee next year. I only allude to that in support of my view that, although this incident was unfortunate, on the other hand if it had not occurred I think the ultimate decision would have been to accept the charge.

3354. Anyway it has now been brought before Parliament and voted?—Yes.

## “CUSTOMS REBATES ON SUPPLIES PURCHASED AND ON CREATED SURPLUSES.”

Chairman.

3355. (To Mr. Kempe.) With regard to paragraph 40 as to “recovery of sum withheld,” that is a mere statement of fact again?—Yes.

## “CONTRACTS CANCELLED OWING TO BRIBERY.”

3356. (To Sir Guy Fleetwood-Wilson.) With regard to paragraph 41 as to Messrs. Cowie and Houston, has a compromise been effected?—Yes, it has, and we have effected the compromise by paying £1,500 instead of £1,900 as it appeared at first we should have to do. We have reduced it, and, I think, closed it fairly satisfactorily.

Mr. McCrae.

3357. I notice in the last paragraph of 41 that when the question was considered by the legal advisers at home and in South Africa, and in accordance with their suggestion, the War Office proposed to endeavour to effect a compromise with the bank referred to on lines which have been submitted to the Treasury; you are taking the Treasury along with you on this matter?—Yes. We received the Treasury sanction to effect the best compromise we could, and it looked as if the only compromise we could effect would be on the basis of £1,900, but I am glad to say we have reduced it to £1,500, and that paragraph I think need not be kept alive any longer.

Chairman.

3358. (To Mr. Kempe.) With regard to paragraph 42 proceedings have been dropped apparently against Mr. Meyer and Messrs. Stepney, but against Mr. Richards they are still pending?—Yes.

3359. (To Sir Guy Fleetwood-Wilson.) Are there legal proceedings against Mr. Richard still pending or have they been concluded?—We cannot go on with the Richards case I am afraid, because of the difficulty of obtaining reliable

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

"Contracts Cancelled Owing to Bribery"—  
*continued.**Chairman*—continued.

reliable witnesses. The witnesses are out there and as to one gentleman the only information we can get is that he was once seen at the railway station with some golf clubs in his hand and since then he has not been able to be found.

3360. Have the Army Council dropped that prosecution?—Yes, we have legal advice that it is no use. There was another witness seen at the races at Johannesburg, and he has not been seen since, and another one committed suicide. There is still another one, and all we know about him is that he has deserted his wife and expressed his intention of not returning to Pretoria, and so it goes on with most of these gentlemen.

3361. So that Mr. Richards' case is dropped?—Yes

3362. What about Messrs. May & Co.?—On legal advice we have abandoned that case also. We are going entirely on legal advice. I may say that Meyer and Stepney are bankrupt and there is no good proceeding with any of these cases really. It would cost a great deal of money to find these different gentlemen.

3363. With regard to the last sentence of that paragraph "The question as to the officer responsible for the oversight of the bribery clause of the contract in this instance has been considered and decided by the Army Council," may I ask what you have to say about that?—He had not been long at this work. He is a distinguished officer, and he is otherwise in every way up to the mark. In this case there is no doubt that there was a regrettable oversight, and the Army Council have expressed very severely their displeasure at what was really only an oversight and no more.

3364. Was this the case of an officer accustomed to one set of duties suddenly being put to others?—No. I could say who he was and what his rank was, but I would prefer not to because it was a genuine *bona fide* oversight and nothing more. It was his duty to see that this bribery clause was enforced and it escaped him.

3365. You think that such a dereliction of duty, even although only momentary, has been sufficiently dealt with by the War Office by reprimand?—I think an expression of displeasure, such as I know went to him, because I saw it, which was in very grave terms, would be an extremely painful one to receive.

3366. Would it also injure his future prospects?—I hope it will not.

3367. But it might do so?—It might do so.

3368. It is of a character that might prejudice his future prospects?—Certainly, it will always remain against him; it is a formal expression of opinion of the Council sent to him through the General Officer Commanding-in-Chief, and I am afraid it will always remain on record.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

"Contracts Cancelled Owing to Bribery"—  
*continued.**Chairman*—continued.

3369. It is a real matter?—It is a perfectly serious disciplinary action.

*Mr. Bowles.*

3370. Was this officer engaged at the War Office?—No, he was in an important position in South Africa.

*Sir Robert Hobart.*

3371. Are these contracts on a form?—Yes.

3372. Then this bribery clause would be in the form?—Yes, it was standing in the clauses but the contract form is four sheets of closely printed blue paper, and one of the many conditions, as you know, was this bribery clause that escaped his notice. He did not realise fully what he ought to do upon it—that is the real truth

3373. Is the form satisfactory to you to be used in future?—I think so.

3374. Is it beyond a doubt from the document that this is the bribery clause?—I think you yourself would see that there is a great objection to indicating specially any one particular condition in a contract because it leads to the other ones being ignored, or might do so. I think there was nothing wrong with the form; it was a *bona fide* oversight and nothing else.

## SOUTH AFRICAN WAR STORES.

*Chairman.*

3375. (To Mr. Kempe.) With regard to paragraph 43 as to "Royal Commission cases still under consideration," in this question a compromise has been effected?—Yes, the whole of these claims have been settled now.

3376. (To Mr. Harman.) The Treasury was satisfied with the compromise which was made?—Yes.

*Mr. Ashton.*

3377. (To Sir Guy Fleetwood-Wilson.) These cases of South African War Stores are gradually being wound up?—I hoped they were wound up, but they recur in the Report of the Comptroller and Auditor General and I am obliged to deal with them. I had hoped they would have disappeared long ago.

3378. They seem to be hardy annuals?—They are perennials I am afraid.

## SUPPLIES PURCHASED.

## CUSTOMS AND RAILAGE REBATES.

*Chairman.*

3379. (To Mr. Kempe.) With regard to paragraph 44 dealing with the "Claim against the Orange River Colony," do you want to say anything

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[Continued.]

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Supplies Purchased—Customs and Railage  
Rebates—continued.

Chairman—continued.

thing about this paragraph?—I think these are the only small items left outstanding now, and of those No. II Railage Rebates in which it says "Correspondence is proceeding," that is not settled I understand. The Railway Companies have repudiated the fine. (Sir Guy Fleetwood-Wilson.) I may mention that these claims relate to a period going back to 1903.

Mr. Bowles.

3380. Is that considered a satisfactory settlement?—It is a normal one.

Mr. Leif Jones.

3381. "Cape Colony, £788"—I understand that the Cape Government preferred a counter-claim for £440. Are we free to consider that counter-claim, or must we pay it?—I refuse to pay any of them, but sometimes the claim is included in some large settlement which is made by the Treasury or, as the case may be, and that particular item might be taken up in it.

3382. But we have given up any hope of recovering the £788?—We have always done our best to the hilt I think to get the money; in some cases we have succeeded and in some cases we have obtained Treasury sanction to a compromise, which was better than getting nothing, and in some cases our claim has been included as I say, in some other general claim, in which the Colonial interests were affected and the Colonial Office interests were affected, and in many cases we do not get anything at all.

3383. Are all these settled now?—You see the difficulty in many of these cases is that where the claim is not paid and not abandoned it is kept alive year after year, and I suppose it will recur year after year, but there is nothing more to be said on it. We cannot write off a bad debt as we can in business. Of course if the Treasury will give us that right, yes, but they have not given it altogether in every case yet. I am alluding to the cases where we have not got it.

Sir Robert Hobart.

3384. (To Mr. Kempe.) You have officers of your Department out at the Cape investigating these things?—Yes.

3385. And I suppose it is in consequence of their Reports you bring up these questions year by year?—Yes, we find them in War Office papers and they are reported upon by our officers out there, and we have to keep them going until they are settled.

3386. Do they lead you to think they are winding up?—I cannot say; I cannot judge of what is going on inside the War Office.

3387. But from your own officers' Reports?—Yes, they do not report on the policy of these matters; they only report on how they are proceeding from the Accounts and papers.

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Supplies Purchased—Customs and Railage  
Rebates—continued.

Mr. Ashton.

3388. (To Sir Guy Fleetwood-Wilson.) Does the army in South Africa get any Customs or Railage Rebates now?—I think we have met this constantly recurring difficulty by buying in bond.

3389. These little disputes are not likely to arise again?—I hope not. I may say that the whole of these questions which are before you now cover a period from 1903 to 1905. Subsequent to 1905 I am not aware that there has been any particular difficulty of any sort.

Chairman.

3390. (To Mr. Harman.) With regard to paragraph 45, dealing with "Cape Government, claims and counter-claims and Treasury views," the Treasury have left this matter in the hands of the Colony altogether apparently, and washed their hands of it?—In January of this year they made a further representation through the Colonial Office to the Colony in which it did come to that, that it was useless to continue the correspondence, and they have received a reply through the Colonial Office from the Cape Ministers naturally acquiescing in that course.

3391. Would the Treasury submit the whole of the correspondence to this Committee?—Part of the correspondence was handed in in 1906 and has already been printed. It is rather long. I do not know whether the Committee would wish me to read this letter, as they had the former letter handed in, or would they wish that I should hand it in to complete the correspondence?

3392. You can hand it in to complete the correspondence?—It amounts to that—that the Cape would not meet us and we came to the conclusion that it was useless to continue the correspondence, and the Cape Ministers acquiesced in that position. (See Appendix No. 5.)

CUSTOMS DUTIES ON SALES TO REPATRIATION  
DEPARTMENT, ORANGE RIVER COLONY.

3393. (To Sir Guy Fleetwood-Wilson.) With reference to paragraph 46 is the claim of £1,170 7s. 5d. settled or not?—It has been written off with Treasury sanction.

Mr. Bowles.

3394. As I understand this claim for £1,170, it is money erroneously paid to the Colony. Is there any doubt that it was erroneously paid?—(Mr. Harman.) This £1,170 is a debt. The War Office represented to the Treasury that "Their Lordships will observe the Secretary of State for the Colonies admits that the War Office is entitled to a refund, but considers it useless to press the claim." It is again a matter of policy. (Sir Guy Fleetwood-Wilson.) That is the situation. (Mr. Harman.) Under those circumstances the  
Treasury

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Customs Duties on Sales to Repatriation Department, Orange River Colony—*continued*.Mr. Bowles—*continued*.

Treasury wrote that as there was no option in the matter they must agree to abandon the claim.

3395. The Treasury have no doubt about it?—In this case the Treasury had no doubt, or very little doubt, that the Colony should have refunded the money.

3396. No application was made for a refund by the Treasury; it was purely done by the War Office through the Colonial Office?—Yes; the Governor of the Orange River Colony said it would be very difficult for him to press his Ministers for the money, and the political situation being as it was it was thought better to leave it alone.

## VOTES 7 AND 8.

PAYMENTS IN 1906-7 WHICH IN ORDINARY COURSE  
WOULD HAVE BEEN MADE IN 1907-8.

Chairman.

3397. (To Mr. Kempe.) With regard to paragraph 47 as to "Payments made before usual date," special Treasury sanction had to be obtained for this estimated excess expenditure on three Votes?—That is so.

3398. At your request?—The expenditure was rather larger. (Sir Guy Fleetwood-Wilson.) We asked for the Treasury sanction.

3399. What was the reason for the large expenditure of the £22,000, for instance?—I should like to point out that this question is not quite on the same footing as the point you raised last time about the Sinking Fund and that the £22,000 and various other large figures were for clothing for the Reservists in consequence of the rapid growth of the Army Reserve. There was likely to be a shortage of clothing for the Reserve. I think it was a case where it was proper to spend the money in meeting the necessity of filling up these very important articles for war, viz., the clothing of Reservists, in case they were called up.

3400. This was not a payment of money but a filling up of supplies?—Yes, but the money was paid to produce that effect; and then I might remark that with regard, for instance, to the barrack stores and equipment stores, they also stand on a different footing to what you were alluding to the other day; they were made to replace stores which were destroyed in the Portsmouth Gun Wharf fire and which were properly replaced during the year out of the money available in the Vote.

3401. (To Mr. Kempe.) In Vote 7 there are excesses on Sub-Heads C, D and E. They have all received proper Treasury sanction?—Yes.

3402. And also on L there is a very large excess indeed. That is one of those which are

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Votes 7 and 8—Payments in 1906-7 which in  
Ordinary Course would have been made in  
1907-8—*continued*.Chairman—*continued*.

matters for supplementary estimates?—(Sir Guy Fleetwood-Wilson.) That is one you had before you the last time.

Mr. Ashton.

3403. As to Sub-Head K, I notice that certain orders were not placed owing to a change of pattern. I should have thought that would have increased the expenditure rather than not. Why did it reduce the expenditure? There is less than granted £19,805?—It is a question of not paying for an article you do not buy.

3404. But you would have to buy other articles?—No, the change of pattern would probably operate in this way, that you would cease to get the provision which you would want to make, because you would otherwise be buying obsolete articles. Supposing you have a frock, or whatever it may be, and you realise that you must change it because of the new method of carrying ammunition, you let your stock run down, and properly so, otherwise you would be buying a lot of obsolete stuff, and in the interregnum you are bound to save the money.

3405. It is through a reduction of stock?—A temporary reduction until you settle your pattern. That frequently occurs, and it is unavoidable unless you waste money buying what you know you will not want.

3406. Is there a great deal of loss owing to the change of pattern in clothing?—All changes of pattern involve a certain amount of loss.

3407. Has there not been a great deal of change of pattern of late years?—A good deal of change is attributable to the change of the arm and the ammunition. At the present moment we are getting out new equipment which is in the main among other causes owing to loading with clips of cartridges instead of single cartridges. You at once threw out the whole of the belts, pouches and everything of that sort. There is a great deal of waste and I think it is unavoidable, it is not waste in the worst sense of the word.

Sir Robert Hobart.

3408. As to Sub-head H has there been a large reduction in the staff?—That is after the War. We are dealing with the year 1906-7. We had taken on a large number of extra people during the war and we tried to come down to our normal establishment.

3409. Are you at the normal now?—I cannot tell you. You will have the factory accounts before you and you can ask with great advantage the responsible officer. I cannot tell you straight off but I should think that we were above normal.

Mr. Leif Jones.

3410. This particular reduction referred to is  
not

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Mr. KEMPE, C.B., Mr. HARMAN, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Votes 7 and 8—Payments in 1906-7 which in Ordinary Course would have been made in 1907-8—*continued.*

Mr. *Leif Jones*—*continued.*

not exactly the factory?—No, it is exclusive of the factory, but the same reason would probably apply, that the general volume of work would be reduced after the war and in the warehouses, store rooms and so forth you would have less stock. You would be taking in less stock and want fewer people to deal with it. We had a tremendously bloated Establishment during the war.

3411. Under Sub-head Q it says that rather less work was done in the factory than had been anticipated. Now the reduction following on the cessation of the war supplies would have been anticipated; was there some other cause; why was there less than was anticipated?—The work was rather in the nature of repairs than of new garments which would affect the money spent. There was a good deal of alteration and repair of garments after the war, altering sizes and that sort of thing.

*Chairman.*

3412. On the question of changes of pattern, is care taken that the changes should not be made too frequently or that the changes should be made at certain times of the year, or anything of that sort?—Of course personally the only way in which I can take cognizance of changes is this: They are referred as a rule by the military side for an estimate of cost of what the change would involve in the way of money expenditure, and we always point out in the strongest possible way that it does cost money, and very often there is re-consideration from the standpoint of cost, but there is no desire on the part of the military side to be otherwise than economical over changes.

3413. Would it not save sometimes if three or four little changes were made at once rather than at a fortnight's interval as sometimes happens?—I was alluding to the big changes involving a good deal of money, such as the change of pattern of a frock or the alteration of pockets and pouches. It is more in the officers' uniform where the change causes waste.

## VOTE 8.

## METAL FUND ACCOUNTS.

3414. (To Mr. *Kempe*.) With regard to paragraph 48 as to "Disposal of metal collected at Rifle Ranges," that is a statement of facts, I think, complying with some requirements of yours?—Yes.

3415. And you are satisfied with the form of the account; it answers your purpose?—Yes, quite satisfied.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Vote 8—Metal Fund Accounts—*continued.*

Mr. *Bowles.*

3416. Is this the first year during which you have had these accounts?—Yes; we said something about it last year and examined as far as we could.

*Chairman.*

3417. With regard to paragraph 49 as to metal from artillery ranges, that is a mere statement of fact—that it is not worth while asking for this in regard to artillery regiments?—That is so.

Mr. *Bowles.*

3418. (To Sir *Guy Fleetwood-Wilson*.) Can you say how it was that this practice grew up of dealing with the sums which were realised in this way by the sale of metal and not taking into account the appropriations?—This is from time immemorial almost, but in the case of the bullets for instance it is very difficult to know who the bullets belong to. A considerable portion of those bullets are fired by volunteers with ammunition which they themselves have bought and paid for, and I think you would find it very difficult to ear-mark a particular bullet.

3419. That no doubt would be rather hard; on the other hand the present system amounts to this—that you are taking money represented by metal bought by the volunteers and using it for general army purposes?—Not for general army purposes. I am not defending the system but I do not know what else you could do—it has been in force for a great number of years, I believe. They thought on the whole that it was better to use the money so realised in the way of prizes for good shooting at rifle meetings and so forth. I quite see your point—that you are using what may be a volunteer bullet for the general advantage of shooting in the army.

3420. All I mean is that if there is any objection to bringing the money into account as an appropriation in aid, there is equally an objection to this way of dealing with it?—Yes, it is not a very large objection and I think the tendency on the part of the volunteers would be not to question it in this way.

3421. The amount is very small, but the principle seems to me to be important?—The principle of bringing everything into account as an appropriation-in-aid nobody would controvert, and I would be the first to maintain. In the case of the artillery ranges it is only £6.

Mr. *Leif Jones.*

3422. As to the increase of the appropriations-in-aid, I see they allege that there is a surplus of £7,000 more than the estimate. That is said to be due to sales of stores consequent upon the withdrawal of troops from certain colonies and the reduction of other garrisons abroad. Is there anything unexpected there?—It was unexpected in this sense, that we could not tell exactly

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Vote 8—Metal Fund Accounts—*continued.*Mr. Leif Jones—*continued.*

exactly when the actual withdrawal would take place, and in all these cases I frankly admit I have tried to bring in the money as quickly as ever I could rather than run any risk—I mean in all cases where we have a chance of getting appropriations-in-aid I have got them in.

Sir Robert Hobart.

3423. As to Sub-head C, there is a considerable saving on barrack furniture is there not?—It is not a very large saving on a big total of over a quarter of a million.

3424. But there was a change of policy about Tidworth, was there not, which led to that saving?—I do not think that would affect it. I do not think Tidworth would come into that.

VOTES 8 AND 9, AND ORDNANCE FACTORIES VOTE.

VARIOUS SUB-HEADS.

Chairman.

3425. (To Mr. Kempe.) With regard to paragraph 50 you are not quite satisfied with these advances to Contractors?—No; they are a departure from the rule laid down by a former Public Accounts Committee.

3426. (To Sir Guy Fleetwood-Wilson.) Do you agree with that paragraph in the Report of the Comptroller and Auditor General?—I think we are in agreement that in the case where the Stores are in the hands of the Contractor we have Treasury permission to give him an advance. It seems to us that all the more ought we to be free to advance money when those very stores are in our possession although not yet inspected. Obviously we have a greater hold over them if they are handed over to us although they are not passed on charge than if they were in possession of the Contractors. Therefore the objection seems to me hardly to hold good. Our contention is that since an advance may be charged to the Vote when Stores are still in the Contractor's premises, *a fortiori* they may be charged to the Vote when the Stores have reached the Government premises.

3427. And therefore paragraph 17 of the Second Report of the Committee of 1890 has not been departed from?—No, I do not think so. The Treasury agree that the pertinent Army Votes may be charged direct with all advanced payments to Contractors, whether the Stores have been delivered direct or kept on the Contractor's premises.

3428. (To Mr. Kempe.) Do you agree with that?—We attach great importance to the inspection of the Stores. (Sir Guy Fleetwood-Wilson.) You agree to our doing it in the cases where the Stores are remaining on the Contractor's premises?—(Mr. Kempe.) After inspection; we attach great importance to inspection first before the payment is made.

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Votes 8 and 9, and Ordnance Factories Vote—  
Various Sub-heads—*continued.*

Mr. Ashton.

3429. (To Sir Guy Fleetwood-Wilson.) Do I understand that if the goods are on the Contractor's premises you charge them to the Vote if they have been inspected?—Yes.

3430. But not otherwise?—Not otherwise.

3431. And what do you say if they are on the premises belonging to the War Office?—If they have been handed over, the Treasury, I think, agree with us that the Stores have reached that point when it is reasonable and safe to make an advance upon them.

3432. Even although they may not have been inspected?—No, but a great many of them have been partially inspected in course of manufacture, and so forth; they have perhaps not passed the final inspection, and been stamped as Government goods.

3433. But it is not a certainty; they may not have been inspected?—They may not have been.

3434. Would you not agree with Mr. Kempe that if they have not been inspected they ought not to be charged to the Vote?—I do not know that I am prepared to say it would not be better. If we did not do it in that way the case would not arise; there is no advantage in making an advance unless you can make it before the thing is finally passed. It would not be an advance at all; it would be a payment.

3435. A payment to Account?—No, a full payment.

3436. These advances are payments on account, are they not?—In cases where we have not got the thing actually delivered.

3437. I confess I do not follow that?—During the process of manufacturing the article, and while it is on the Contractor's premises, we make advances to the Contractor.

3438. After it has been inspected?—Yes, but that does not mean that it is accepted as a complete article necessarily. When it has been delivered on to the Government premises we then make a further advance in many cases, not a full payment. The Treasury agree with us that we are justified in doing so. The Comptroller and Auditor-General says: "No, you must wait until you have inspected it." But that would cease to be an advance at all, because if it is inspected and passed it is the final condition of the whole thing, and we would make the full payment. Therefore the case would not arise.

3439. Do you mean that you never make a payment on account on anything on your own premises?—That is exactly what they object to.

3440. I thought you said just now that you always pay in full when it is on your own premises?—If it is finished; if it is inspected and passed you would. This is during the period when it is on our premises but not finally passed by inspection.

3441. Because it is not finished?—It is finished, but it has not been inspected.

3442. Surely



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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Votes 8 and 9, and Ordnance Factories Vote—  
Various Sub-heads—*continued.**Chairman.*

3442. Surely the question is this—not whether you are right in making the payment of the actual money, but whether you are right in charging it to the Army Votes, because the paragraph in question from the Comptroller and Auditor-General's Report lays down in connection with a similar case in 1890 that obviously they should not appear in the Appropriation Account as final payments, which is what as I take it the Comptroller and Auditor-General says has been done in this case. It is not a question of wrong advance of money, but it is charging it to the Appropriation Account as a final payment. (To Mr. Kempe.) That is your contention?—Yes. (Sir Guy Fleetwood-Wilson.) After all it would not be done without Treasury sanction, and the Treasury have agreed that this is a legitimate action—to charge it to the Vote.

3443. (To Mr. Harman.) Is that so? Do you still uphold that view in face of that ruling of the Public Accounts Committee of 1890?—Yes; I think the Treasury took the view that the advances were covered. If you have the Report of the Public Accounts Committee of 1890 before you, you will see that paragraph 6 refers to special cases; it is the Fourth Report of 1890, paragraph 6: "Work done and Materials used capable of identification on the Premises of the Contractors having ultimately become the property of the Crown"; and in such cases I think it was understood that the advances if made could be charged against Army Funds on the ground that it is extremely unlikely that the advance is not justifiable or that any question will arise; and if any question did arise, such as is referred to by the Comptroller and Auditor-General in the case of the Slotting Machine, £150, the Contractor presumably being a man of substance (otherwise he would not be employed at all) would be able to adjust the matter with the War Office. In that case the money was recovered and credited to the Ordnance Factory Votes, and no difficulty arose. It seems to me it is a very small item. There was a recovery, but it does not follow that because a recovery had to be made in an individual case of that kind, therefore the system of allowing advances to be charged against the Vote finally in anticipation of their being all right is a wrong one in these special cases. That was the view taken by the Treasury, and the Treasury did agree with the War Office that the charge should be made against the Vote.

3444. That this was a special case?—Yes, I think that was the view taken.

*Mr. Leif Jones.*

3445. (To Sir Guy Fleetwood-Wilson.) In regard to those payments I do not quite understand the system. You pay on account as the work is done?—Yes, when it is on the Con-

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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Votes 8 and 9, and Ordnance Factories Vote—  
Various Sub-heads—*continued.**Mr. Leif Jones—continued.*

tractor's premises, but it does not follow that although you have inspected that amount of work for which you are paying the whole thing will not be rejected at the end of the time, and so really your risk is the same in both cases.

3446. But in such cases do you not keep the Contractor's account and not charge it against the Vote?—We want to bring into payment the money which has been voted for the payments of that year.

3447. Why?—Because it properly should fall upon that year if possible.

3448. It is because it does not fall upon that year, the money not having been expended in that year, that it puts us wrong. As a matter of fact if you pay in advance to Contractors for certain work as it goes along, and you afterwards find that is not the work you supposed you were paying for, but defective work which you ought not to pay for, you have not really spent the money during the year?—Yes, you have; you have paid for what was good, but perhaps the building up of the whole of the component parts may still land you in a loss.

3449. If the thing were settled up quickly, if the Contractor recognised your claim, he would refund the money at once, and you would have it in hand. It would not have been spent during the year?—That is not questioned at all, I think.

3450. Coming to the work on your own premises how is that different?—My contention is that there is no difference.

3451. You do not pay before inspection to the Contractor. If you make an advance on account you inspect to see that that amount of work has been done which covers the advance. Similarly on your own premises if you make payments on account, I suppose you see that the work has been done up to the amount you advance on account. As I understand, this difficulty has arisen by making the final payment before the inspection. Is that the case? You make a final payment before inspection takes place?—No, the whole question is advance; it is a question of charging it to the Vote, and it is not necessarily a final payment.

3452. (To Mr. Harman.) I noticed you said it was a small amount, but it might equally have been a large amount?—It might, but I was looking at the illustration given; it seemed to me that the illustration was not one which went to show that the system of treating an advance as a final payment was a bad one, because the money in that case was recovered. Of course it is quite true that it might have been a larger sum and might not have been recovered, but until an instance of that kind arises I should have thought that the presumption was that the system is working well. It is a great convenience to charge the money finally to the Vote in the year.

3453. It is somewhat inconvenient to have it,

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as

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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Votes 8 and 9, and Ordnance Factories Vote—  
Various Sub-heads—*continued.*Mr. Leif Jones—*continued.*

as it were, expended in 1906-7, and we find it in 1907-8?—I admit that in that case, but I submit that if that sort of thing were to happen frequently, it would be a case for inquiry, and it might indicate that the system was wrong, but this particular illustration seems to me hardly to justify the presumption that the system is wrong.

3454. Does not that happen frequently?—I am not aware that it does. I should have thought not. (Sir Guy Fleetwood-Wilson.) It is only when a glut of goods comes in in the end of the financial year in March, and the money is there to pay for them and we pass it through.

3455. Are not these payments really made in order to avoid surrendering a sum to the Treasury?—No, I do not think you need necessarily take that view. The things bear on the face of them the imprint of being all right; it is a reliable Contractor they come from and they will very likely be inspected and passed soon after the end of the financial year; the money allotted for their payment is there; we have paid it, and we have done so with the concurrence of the Treasury. I do not think there is more to be said.

3456. I call attention to the Report of the Public Accounts Committee. You notice a sentence in the Report of 1890; they quote from an earlier one and quote those expressions by the Treasury: "Subject to the exception already made in special cases your Committee strongly disapproves of the advances not payable on the particular Contract. They are irregular in themselves, and are only made to avoid the surrender of a surplus to the Exchequer." I understand you do not admit the correctness of that view?—I do not say that; apparently the Treasury have modified their views. (Mr. Harman.) I think not. I think the cases we are considering are, as indicated by paragraph 6, special cases. These are special cases.

3457. Are they?—I understand them to be so. "Special cases of work done and material used capable of identification on the premises of the Contractor."

3458. I do not see that they are covered as special cases, and I would point out that the system has extended itself from the special cases to general cases wherever it is convenient so to do. (To Sir Guy Fleetwood-Wilson.) At any rate, you do not admit that they are made to avoid surrendering money to the Exchequer?—I admit obviously that if money was not paid during that year it would be surrendered to the Exchequer. It is a convenient method of dealing with the situation created by great pressure of inspection just near the end of the financial year.

3459. Still it must involve a risk of the Accounts being upset by refunding, and so on,

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Votes 8 and 9, and Ordnance Factories Vote—  
Various Sub-heads—*continued.*Mr. Leif Jones—*continued.*

going on?—Probably not as much as surrender and re-voting would be.

3460. You have in no case advanced the total sum?—No.

Mr. Bowles.

3461. Might I just take, in order to make the thing quite clear, the illustration in the last paragraph of paragraph 50 of the Comptroller and Auditor-General's Report about the Slotting Machine? What was it exactly that happened there? As I understand, on the 28th March, 1907, you paid £150 of an advance to the manufacturers of a slotting machine. Did you pay anything more than that as an advance, or was that the only one?—(Sir Guy Fleetwood-Wilson.) We recovered in that case where there was not a balance on the slotting machine by withholding payments on other articles on which we owed the Contractor money.

3462. On the 28th March, 1907, you paid this £150 as an advance. Had you upon that date inspected this slotting machine?—No, it is an advance.

3463. An advance without inspection?—Previous to inspection.

3464. And in the result that £150 was found to have been misspent, or at any rate to have been improperly issued, and had to be recovered?—Yes.

3465. Surely the effect of that transaction was, so far as the accounting to Parliament is concerned, that in the first place the Appropriation Account into which the charge fell was false by the amount of £150, if you are to regard the Appropriation Account as a final and true account, and also that the Appropriations-in-Aid in the next year were swollen by that amount?—That is so.

3466. Therefore looking at the thing, not from the point of view of the convenience of the Department, but from the point of view of the truth—the accuracy of the information supplied to Parliament by the Appropriation Account—is it not clear that that £150 had better not have been carried into that Account, but carried to some other Account?—From that standpoint I think I agree with you, if no other consideration were brought to bear.

Chairman.

3467. In this particular case was the £150 the whole value of the slotting machine?—It was the 80 per cent.; I think that is the fundamental principle; we never go beyond the 80 per cent.

Mr. Ashton.

3468. I want to clear up one point. Where you make a contract, except in such cases as where part of your contract stipulates that you shall

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Votes 8 and 9, and Ordnance Factories Vote—  
Various Sub-heads—*continued.**Mr. Ashton—continued.*

shall pay money on account to the Contractor, does the War Office pay money on account except in what are called special cases?—I think in the cases where the work has been inspected they would not be special cases; it would be the ordinary normal procedure to advance on inspected work, and that I think is not taken exception to at all.

3469. That appears to me to be contrary to the wish of this Committee in 1890, because it says: "For the future therefore it is understood that the exercise of the power of making advances to Contractors which are not claimable under the specific conditions of their contracts is as far as possible confined to what have technically come to be known as special cases." Is it done in most cases now?—I will not say most, but it is done in many cases.

3470. It looks as if there had been a back-sliding from the 1890 Report?—Of course we save on the inspected material, but I see your point.

3471. It is against the ruling of the Committee?—Yes.

*Chairman.*

3472. In the War Office letter in the correspondence given on page 222, Sir E. B. W. Ward says: "As soon as the various points

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Votes 8 and 9, and Ordnance Factories Vote—  
Various Sub-heads—*continued.**Chairman—continued.*

under discussion have been settled the necessary amendments will be made in the forms: "Are these forms in course of preparation?—Yes, they are being altered. When these alterations have been made that will of course solve the question to a great extent; it will improve the situation.

3473. Could you let the Committee see the forms?—Yes. Would you like the draft clause?

3374. (To Mr. Kempe.) Had we not better see the draft clause and see if it carries out the conditions?—(Sir Guy Fleetwood-Wilson.) The Comptroller and Auditor-General will see it.

VOTES 8 AND 9.

EXPENDITURE ON EXTRAORDINARY SERVICES  
(REARMAMENT OF HORSE AND FIELD ARTILLERY).

3475. I take it that paragraph 51 is merely historical?—(Mr. Kempe.) It is merely carrying on the three years' figures.

3476. And as to paragraph 52 it is the same thing?—Yes.

3477. And the same with paragraph 53?—Yes.

*(The Witnesses withdrew)*

Friday, 8th May, 1908.

## MEMBERS PRESENT:

Mr. Ashton.  
Mr. Bowles.  
Sir Daniel Goddard.  
Sir Robert Hobart.  
Mr. Hobhouse.

Mr. Leif Jones.  
Sir George Kekewich.  
Mr. Parker.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM, called in; and Examined.

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

*Chairman.*

3478. (To Mr. Headlam.) I understand you will answer on behalf of the Treasury to-day in the absence of Mr. Harman, who, I am sorry to hear, is ill?—That is so.

3479. I believe you wish to make a statement  
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*Chairman—continued.*

with regard to a point that was discussed at the last sitting?—Mr. Harman wishes me to read a short statement on a subject which arose at the last meeting, if I may do so.

3480. Will you please read it?—He says:  
31\* "I

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

*Chairman*—continued.

“I desire by permission of the Committee to correct the statement I made in my evidence at the last sitting with regard to the submission to the Treasury by the War Office and the Admiralty of estimated savings in detail under sub-heads, when it is sought to incur new expenditure. I stated that on such occasions the Treasury usually had before them the details; but this is not the case. I was speaking from recollection, and with only a few months' experience of this branch of work, and what I had in mind were certain statements of estimated savings under sub-heads which are submitted to the Treasury in connection with the probable surpluses and excesses under Votes shortly before the close of the financial year. In the case of the Supplementary Estimate of 1906-7, which the Committee was considering, I find that, while the Treasury decided in January, 1907, that a Token Supplementary should be presented to Parliament, they were satisfied with the draft Estimate in the form in which it was submitted by the War Office and presented to Parliament, showing the surpluses only under Votes, and the Treasury did not ask for the allocation of such surpluses under sub-heads. The reason, no doubt, is that which I have already placed before the Committee: that at that period of the year the precise allocation of such surpluses in detail could not be accurate, and would serve no useful purpose. In point of fact, the question was not raised, and I do not think any question of principle is involved. With regard to the sanction of the Treasury, which is given from time to time during the year to variations in expenditure, the same considerations apply. What the Treasury is then concerned with is the merits of the proposal, and they are content with the assurance of the Department that savings generally are available on the Vote. It is true that there are occasions when it can be definitely stated that there will be savings on a sub-head to meet expenditure proposed under another sub-head in the Vote. This, however, occurs where the sub-heads are large, and it is not necessary to go beyond one particular sub-head for the money which is required, as in the case of the sub-heads under Works and Shipbuilding. The minor and scattered variations between sub-heads cannot be ascertained until the accounts come in from various parts of the world. Hence any estimate with regard to them in January or February would probably prove fallacious.”

3481. I believe you also have a paper which you wish to hand in?—Yes, I wish to hand in an appendix paper in continuation of Appendix Paper No. 18 of the Public Accounts Committee Papers of 1906. (*The same was handed in, vide Appendix.*)

3482. (To Sir Guy Fleetwood-Wilson.) I understand you have a paper which you wish to hand in?—I wish to hand to Mr. Leif Jones a memorandum which at a previous sitting he asked me to prepare on Hirings and Rentals (*handing the same to the Honourable Member*).

ON VOTE 10.

COST OF STAFF.

*Chairman.*

3483. (To Mr. Headlam.) Do you know whether the Treasury have sent an answer to the communication from the War Office which is referred to in paragraph 54 of the Report?—The Treasury has not sent an answer, but it has had the letter of the War Office before it, and I may say that the Treasury is generally in accord with the views of the War Office. There are two questions, the first being the ratio of the cost of the staff to the amount of the works, and the second question being the preparation of a return annually showing such ratio. The Treasury, I think, is of opinion that the War Office have shown that the cost of staff must be larger than could be expected in the case of a private firm, and even larger than in the case of the Admiralty. So far the Treasury is in accord with the War Office. As regards the question of the preparation of a return, the Treasury recognise the view of the War Office that this would be expensive, and while of course if the Committee insisted upon having such a return prepared, the Treasury would be glad to have it, they would not be prepared to insist upon its production if it would be expensive and unnecessary.

3484. The correspondence is not closed yet, I understand? We shall get it, I presume, when it is closed?—The correspondence is not yet closed. (Sir Guy Fleetwood-Wilson.) Might I ask the Treasury if they have any objection to the War Office Memorandum being put in? (Mr. Headlam.) None at all. (Sir Guy Fleetwood-Wilson.) I do not know whether the Committee would like to have this memorandum put in now. I think it states the whole case more fully than I could attempt to do in evidence.

3485. It might perhaps be better to wait till we get the whole correspondence?—(Sir Guy Fleetwood-Wilson.) I am ready to hand in the memorandum at any time. I understand the Treasury have no objection to its being put in at this stage. (Mr. Headlam.) The Treasury have no objection to its being put in at this stage if the Committee wish it. As I say, we are in accord with the War Office.

Sir Robert Hobart.

3486. Does the memorandum go back to previous years, showing how the cost has either increased or diminished?—It seems to start with 1905-6. It gives the figures for 1905-6 and 1906-7, and an estimate for 1907-8.

3487. It does not show the previous years?—(Sir Guy Fleetwood-Wilson.) The point in question is the desire on the part of the Committee for a statement which would show the relation between the cost of staff and the cost of the work, rather than any increase or decrease on the general cost caused on either head. The difficulty of producing that

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[Continued.]

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On Vote 10—Cost of Staff—*continued.*ARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Cost of Staff—*continued.*Sir Robert Hobart—*continued.*

that result is indicated in this memorandum. That is how the matter stands now.

Mr. Leif Jones.

3488. Has no calculation been made this year as to the cost?—My answer to that question is practically contained in this memorandum in these three pages of close print, and that was why I was proposing to put it in, but I gather the suggestion of the Chairman to be that when you are in possession of the whole thing, even if it should have to be postponed to next year, you would be in a better position to discuss it.

3489. I see that last year a calculation was made and it came out at 11·74 per cent., and I wondered whether any similar calculation had been made by the War Office for their own guidance this year?—I think it would be more than that.

Mr. Bowles.

3490. (To Mr. *Headlam.*) I imagine there is no suggestion on the part of the Treasury that this memorandum is inaccurate or should be reconsidered or altered in any particular?—No, I think the Treasury regard the matter as practically closed.

3491. (To Sir *Guy D. A. Fleetwood-Wilson.*) I gather that memorandum represents the considered view of your Department upon this matter?—Yes. The only thing that is wanting to complete the correspondence is the expression of opinion which Mr. *Headlam* has just given now on behalf of the Treasury, as far as I understand, which is a general concurrence with the views which are put forward in the memorandum, and I presume a letter to that effect could be sent in a couple of days, or possibly even in one.

3492. (To Mr. *Headlam.*) Under those circumstances I gather there is really nothing more to come?—Looking at paragraph 20 of the Second Report of the Public Accounts Committee last year, the question that arose was whether it would be advisable to put in this return annually. We are satisfied with the ratio of the cost of staff, as shown in this memorandum. We do not see that any good purpose would be served by putting in this account annually, but as the Public Accounts Committee has expressed that opinion as regards the annual rendering of a return, I imagine what was thought was that it was desirable that the Committee should have an opportunity of expressing its opinion upon the point.

3493. So far as the information given in that return is concerned, the Treasury has nothing to add?—Nothing to add.

Mr. Leif Jones.

3494. (To Sir *Guy Fleetwood-Wilson.*) I should like to ask you one question in regard to the proportion of the cost of staff to the works, because as I understand, with regard to Vote 10, there

Mr. Leif Jones—*continued.*

are practically two departments of it?—Yes. That, if I may say so, is not the point which arises on this, but perhaps, if the Chairman is agreeable to my doing so, I may tell you at once the difficulty which arises in connection with giving this return. It would necessitate the opening of a sort of Expense Account against each individual officer and man of the Royal Engineers. That is the difficulty: You want really to have an account of when he was devoting a portion of his time to this particular work, instead of drilling for instance, or firing at the butts. It could be done, but it would mean opening an Expense Account against every individual if you are to get it at all accurate; and that I think would be out of all proportion to any advantage that you would get out of it. That is the real difficulty; but with a desire to treat the suggestion, or I may almost call it the demand, of the Public Accounts Committee with the respect that it deserves, we have endeavoured to state the whole case very fully, and it is stated in this memorandum. That was my only object in asking that the memorandum might be put in before we discussed the point; but briefly speaking the difficulty is that an Expense Account would have to be opened against every individual before you could come to any result, as to the work he was engaged upon and what proportion of his pay attached to that particular work. I ought to add that last year we made a rough calculation of what the percentage would be and if I recollect rightly it was 11·74. I think that would have to be raised. It was only a very approximate percentage and I think that could not be taken as a final answer on that point. I think it would be more than that. That is the situation so far as I am able to state it; unless I am allowed to read my memorandum *in extenso*, I am afraid briefly that is all I can say.

Chairman.

3495. (To Mr. *Headlam.*) Is the answer from the Treasury likely to be sent soon?—I think they will be able to send an answer approving of the substance of this memorandum quite soon, within the next two or three days, if the Committee is satisfied about the production of the annual return which I think was the only point the Committee had any doubt about.

Sir Daniel Goddard.

3496. I gather the answer of the Treasury is simply an affirmative answer; will the answer of the Treasury be in the affirmative?—Yes, certainly, as regards the question of the ratio of the cost of staff to works.

Chairman.

3497. (To Sir *Guy Fleetwood-Wilson.*) That being so I think it will be better to have the memorandum handed in at once?—I will hand it in (*handing in the same*).

3498. Vote

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Mr. KEMPE, C.B., Mr. HARMAN, and  
Sir GUY D. A. LITTLEWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Cost of Staff—*continued.*ARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Triennial Contracts—*continued.**Mr. Leif Jones.*

3498. Vote 10 is divided into two parts, "Barrack Construction Department" and "Fortifications and Works," which is under the Engineers?—Yes.

3499. Do your figures touch that division at all?—Yes, they would—they are separate.

## TRIENNIAL CONTRACTS.

*Chairman.*

3500. (To Sir Guy Fleetwood-Wilson). It is stated in paragraph 55 that the result of the War Office deliberations on the subject of extending the limit of triennial contracts had not at that date been furnished to the Treasury; has it yet been furnished?—The question of doing without triennial contracts at all has been considered by the War Office and especially by the Master-General of Ordnance, who is mainly concerned, and who has been good enough to allow me to share in his deliberations. It is considered from an administrative standpoint that it is practically impossible to do away with triennial contracts altogether. The triennial contractor is really in the position of an estate carpenter, or somebody whom you want to do anything at a moment's notice. I think a clear case has been made out that it would be practically impossible to abolish triennial contracts as a system, but the Master-General of Ordnance was very much impressed by the objections which had been raised before this Committee and by this Committee, and I think the Committee will have realised that I myself was not very favourable to the system until it was shown to my satisfaction that it would be nearly impossible to do without it. The Master-General of Ordnance has suggested that the following alterations should be made in the system, of course they will not operate until the present contracts which are running have run out, but he proposes that as regards the ordnance factories, the limit up to which the triennial contractor can claim services should be reduced to £400. It was mainly, I think, in regard to the excess sums that have been spent that the Committee took exception. He proposes that the limit to which the triennial contractor can claim services in the districts should be £300. That seems to me, if I may be allowed to say so, to reduce the matter to a reasonable compass.

3501. Then is £400 the limit in London?—£400 would be the limit at the ordnance factories at Woolwich, and £300 would be the limit at the out-stations and districts. At the same time, the Master-General of Ordnance proposes to add an additional condition in each case which will have the effect, I think, of bringing any excess immediately to notice, because he proposes that if anything arises which should render it advisable that the £400 or the £300 respectively should be exceeded, the Army Council—the War Office—should be the authority to call upon the triennial contractor to do the more expensive work, so

*Chairman—continued.*

that any deviation from the rule of the £400 or £300 respectively would have to be authorised at Head-quarters, and it would in that way be brought naturally to notice, and shown and very carefully considered, and I should be on my defence when the case came before you if it had been done.

3502. With regard to that point, many of the new triennial contracts had been entered into before that decision was to come to, I take it?—Yes; this decision has only been arrived at quite recently, and some of the triennial contracts had been placed—in fact, I think most of them had been placed comparatively recently before that decision was arrived at; so that they will naturally have to run their three years, or whatever the period may be, before the new system can come into operation. But I think even in connection with those existing contracts the great attention which has been devoted to the subject by this Committee will probably be not without effect.

3503. Would it have been impossible to hasten the fixing of the limit before those contracts were entered into?—I think it would have been possible had we not all of us (I am in the same position myself) been so completely wrapped up in this Territorial finance and Territorial organisation during the whole of this year. It has really been all-absorbing. I am very glad that you asked me the question, because I should be very sorry if any impression had been created that these contracts had been rushed just before the change by the Master-General of Ordnance. I am sure you will accept my assurance that nothing of that kind was intended.

*Sir Daniel Goddard.*

3504. Can you tell us how many fresh contracts have been entered into since the meeting of this Committee last year?—All those that fell in have been renewed. I cannot tell you the number.

3505. Have they all been entered into upon the basis of the £1,000 limit?—They have been entered into on the basis of the old terms—I think on a revised schedule of prices. The ordnance factories contract, which is the important one, which goes up to £1,000, was entered into last year.

3506. Prior to the discussion of the matter in this Committee?—Yes, I think it was in April last year, which would have been prior to the discussion of the matter in this Committee.

3507. The decision now is practically to go back to what it was before?—The decision now is to reduce the sum for which triennial contract work is admissible, and also that in the case where we go up to the larger figure authority can only be given at headquarters by the Council.

3508. What I mean is that the decision now is to go back to the original figure, which is £400?—We go lower in the case of services outside.

3509. I understand there is to be a power on

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7  
On Vote 10—Triennial Contracts—*continued.*ARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Triennial Contracts—*continued.*Sir Daniel Goddard—*continued.*

on occasion of increasing the £400 to an unlimited amount with the authority of the Army Council?—Not an unlimited amount. I have given the figure—it is £1,000 in the case of Woolwich and £500 in the case of the districts.

3510. That is an absolute limit?—An absolute limit.

3511. I noticed you said just now that all the contracts that had been made would have to run for three years, or whatever the period might be. Do you mean that there are some periods that are more than three years?—No; I mean for the remaining period that they have to run. If you have a contract made two years ago, for instance, it will only have one year to run.

3512. I understand that. I only wish to be clear that there is no period longer than three years?—I am not aware of any. The whole point is the triennial contracts.

3513. Arising out of the examination last year in regard to this subject, I suppose there has not been any consultation with the Treasury upon this matter?—Yes, there has been. I think I may say that Mr. Chalmers, who lately represented the Treasury, considered the matter, and agreed with me that it was practically impossible to abolish the system of triennial contracts. I forget whether it was an official statement, but I know we had an interview about it, and he shared my view. I cannot pledge him officially, because I do not think it was an official interview.

3514. Is my memory right when I say that the War Office last year took up the position that the Treasury had nothing whatever to do with this matter?—Yes, I think I mentioned that incidentally, and I should say that the responsibility for it rests entirely with the War Office. It is an administrative question.

3515. But it is put into the regulations now, I suppose—has it always been in the regulations?—It has always been in the contract.

3516. But it is now in the regulations, is it not?—I do not know of any particular regulation about it, but whatever regulation or contract form it has to go into, it always goes into.

3517. But there are regulations which set out these determinations of the War Office?—Very well, then the regulations will be modified to accord with the decision arrived at.

3518. I understand that the decision now arrived at is that these regulations, upon occasion, may be upset by the dictum of the Army Council?—I think I have fully and clearly stated what the condition is, but if you wish I will repeat it. It is that in the case of Woolwich the limit is £400, and if for very special reasons it is considered advisable in exceptional cases to go up to a thousand pounds, the only authority that can sanction that proceeding is the Army Council. In the case of the districts, the limit is £300, and an increase is permissible only by the Army Council up to £500.

Sir Daniel Goddard—*continued.*

3519. I quite understand that, but that does not answer my point. My point is that there is this method of getting out of the regulation?—Obviously.

3520. That is so?—Certainly.

3521. Then surely this is not any check, because these are the very people who extended the limit before?—No, now it is the Army Council. Formerly it was the local officers.

3522. Formerly it was the War Office, and I understood you to say last time that the War Office and the Army Council were synonymous?—I beg your pardon, you are quite right: it was the War Office. The only thing is that now it comes up to the Army Council.

Mr. Bowles.

3523. I suppose we may take it that under this proposed new arrangement no sanction for an increased amount under any of these contracts will be given without the thing being brought directly to your notice as Accounting Officer?—It would be brought to the notice of the Director of Contracts, who is in the Finance Department. I think that we should watch it.

Mr. Leif Jones.

3524. The change from the £400 to the £1,000 was made without consulting the Treasury?—I think it was, if I rightly remember.

3525. Would any fresh change be made without consulting the Treasury? This change, I understand, was made after consulting with the Treasury?—No, only informally. We did not put it officially to the Treasury.

3526. If at any time you thought well to raise the limits, would you not consult the Treasury?—We notified them that we had done it, but we contend that it is an administrative question, and that it is not necessary to obtain the sanction of the Treasury.

3527. Is that admitted by the Treasury?—I do not know. (Mr. Headlam.) I do not think the Treasury has ever explicitly admitted anything of the sort, but the correspondence has been carried on on the basis of urging the War Office to reduce the figures in the triennial contracts, and we have received a letter dated the 4th May containing the information which Sir Guy Fleetwood-Wilson has given to the Committee; but I do not think that the War Office holds that the Treasury has any status. I am not in a position to say that the Treasury agrees with that view. (Sir Guy Fleetwood-Wilson.) I think the position is rather that the War Office considers that they ought properly to take the responsibility for the administration of the contracts, they alone being really in a position to judge what is the sound and satisfactory way of working them.

3528. (To Mr. Headlam.) As the Treasury made representations as to the desirability of reducing the contracts, I suppose the Treasury felt

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felt they had some standing in the matter?—Certainly; the Treasury, in fact, urged this very reduction. They urged that the limit should not in future exceed the £300 which they say in their letter of the 8th April, 1907, has been found sufficient by the First Commissioner of Works—that is to say, the Treasury was acting as a co-ordinating department, which is a usual function of the Treasury. Whether there is any explicit right to deal with War Office contracts I do not know.

3529. The question of the right has not been discussed between the War Office and the Treasury?—No, that has not been discussed officially that I am aware of.

*Mr. Hobhouse.*

3530. You have received this letter from the War Office, I understand, quite recently?—Only quite recently. We have not considered it at all.

*Sir Daniel Goddard.*

3531. But the Treasury, as appeared in the evidence last year in regard to the question of extending the triennial contracts, submitted to the War Office that the scheme of extension should not continue when the matter was brought to our notice by the Audit Office, so that they claimed to have some right in the matter?—Yes, I think they did. I thought the question put to me was whether they had explicitly stated that. I think the mere fact of their writing that letter shows that they took that position.

*Chairman.*

3532. (To Mr. Kempe). In the second part of paragraph 55 you call attention to four cases where the contracts appear to have been divided, so bringing them within the limited amount?—Yes; as the question was still under discussion at the time this Report was written I thought it necessary to call attention to the cases in which there seemed to be some irregularity in the way of splitting up the amounts. None of the cases are of themselves of great importance, but they are intended to illustrate the possibility of the regulation being worked in this way.

3533. (To Sir Guy Fleetwood-Wilson.) With regard to the first of these cases, that of the ordnance buildings at Woolwich Arsenal, are the War Office and the Army Council entirely satisfied in regard to what was done?—The services which were necessitated by the explosion of February 11th were very widely spread over the Arsenal, and were of the nature of heavy incidental repairs. It would have been I am told impossible to prepare the particulars necessary for putting the work out as a whole to competitive tender. Moreover it was essential that the repairs should be commenced at once, and if they had not been entrusted to the triennial contractor much delay must have occurred. That was the outcome of the explosion

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at Woolwich—it was a very exceptional case altogether.

*Mr. Hobhouse.*

3534. What delay would have occurred if you had placed all the contracts as you would have done in normal circumstances?—We should have had to get out bills of quantity and specifications in regard to the whole thing. Some of this work was repairs after the explosion, and we were advised to have it done at once.

3535. I am afraid that does not answer my question, which was, what delay would have occurred had you placed the contracts out in the ordinary way?—I am told it would have involved a delay of seven or eight weeks.

*Mr. Ashton.*

3536. May I ask whether any steps are being taken under this regulation to lower the amount from £1,000 to £500, to check the system of dividing up contracts so as to bring them within the £500 limit?—I do not know that any regulations have been issued upon the point, but I do not think that more has been done or can be done than watchfulness on the part of the Finance Branch over what is done; of course it is perfectly well known what the intention is, and if that is not carried out we should endeavour to find it out at once and stop it.

3537. Before these jobs are given out to the triennial contractor, who is it that sanctions them? Is it one man merely, or are they sanctioned in different places?—They are sanctioned wherever the work has to be done.

3538. By whom?—By the military if it is in a district, and, I think, by the head of the Arsenal if it is at Woolwich.

3539. They are sanctioned by different people in various places, I understand. Would it not be a good thing to draw the attention of these various people to the fact of this practice of dividing the sums up?—The whole question has been very strongly brought to the notice of the Master-General of Ordnance and the Director of Fortifications and Works, who control all this work; so no doubt they are fully alive to the objection which is felt to anything involving the practice which you were alluding to.

3540. But it appears to be done by subsidiary officers. These contracts are sanctioned, as I understand, by subsidiary officers?—We have triennial contractors at work all over the world.

3541. But, as I understand, this is sanctioned, not by the two individuals whom you mentioned, but by subsidiary officers again?—Yes.

3542. Have those two officers who are responsible expressed to their subsidiary officers the opinion that these things should not go on?—With regard to the Arsenal, I cannot tell you what action has been taken; any information I could give you would, of course, be at second-hand; but you will have Mr. Donaldson up before you on



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on the Factory Account, if you would like to ask him what steps he has taken in regard to this matter.

3543. I would rather get the information from you, because you deal with all the Departments. He would only deal with his own Department?—They would come under my observation if they were wrong. They are not supposed to do it, and they know they ought not to do it; and if we find it out, steps are taken to express disapproval through the head of whatever branch it is. These cases are all Arsenal cases, and it would really be for Mr. Donaldson to say what steps he had taken to prevent their occurrence, if they are wrong. But he is satisfied that this explanation is sufficient, and it seems to be a very reasonable explanation in each of these four cases. But that, of course, is a matter for the Committee to decide.

3544. Quite so. Would it not be possible for you to impress more strongly than you have done yet upon these various officials the necessity of not splitting up the jobs?—If this Committee express an opinion to the effect that they wished me to do that, it would be for me to draw the attention of the Master-General of Ordnance to the view taken by the Committee, and I have no doubt he would consider it very seriously, and probably—although, of course, I cannot speak for him—he might think it necessary to issue a circular letter or something of that sort. You will understand that I am not empowered to deal with that matter, but I am perfectly certain that any desire expressed by the Committee to that effect would receive the greatest possible attention, and probably would be met.

3545. There were two officials, I think, whom you mentioned who would be responsible?—It would all be under the Master-General of Ordnance.

Mr. Bowles.

3546. Of course it is quite obvious, is it not, that this practice of splitting works up into amounts that bring the sums within the limit does really entirely defeat any rules one can make upon this point?—I think I have expressed almost too strong an opinion upon the point last year in regard to triennial contracts, but I am confident you cannot do without them. I think I said last year that you ought to safeguard them against anything that tended to make them more than what they were meant to be.

3547. The adoption of this plan in any particular case no doubt saves a good deal of trouble to the officers concerned. It is more convenient to put the work out to the triennial contractor, but it is more expensive in the end?—I think the objection is that the triennial contractor is not there to do that work; that the triennial contractors are not meant to do that work, and therefore they ought not to have it.

3548. What is the temptation to the officers  
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to put out this work to the triennial contractors?—You are asking me to explain what actuates somebody else. I do not think I can speak to that.

3549. Take, for instance, the case given in paragraph 2, where there was a certain amount of work to be done at Woolwich?—That is just a case in point. If, when Mr. Donaldson comes before you on the Factory Account, you would like to ask him about these four cases, he would be able to give you a better explanation than I can. I can give you an explanation, but it would be at second-hand.

3550. What I wanted to know is quite general. Taking this case in the second paragraph, they discovered at Woolwich that they wanted a packing-case store and I take it they estimated beforehand that it would cost £2,350; what was the reason why they divided that up into two contracts so as to bring it within the amount of the limit?—It is not an uncommon thing, not only at Woolwich, but in civil life, to make your contract for the foundations separate from the contract for the building, especially where you have shifting ground. It is sometimes done by the Office of Works, or to bring an illustration closer home, the whole of the new War Office building foundations were done separately in that way. Where you have shifting ground, or where the foundation is insecure or likely to give special trouble, it is not an unusual thing to have a special contract for that part of the work. I think the paragraph is written under a little misapprehension in that respect.

3551. That may be, but just take the general case; suppose they find there is work to be done that would cost £2,000 or £3,000, why should they wish to break it into several contracts, because if there is no advantage in it, I think the Committee ought to know that?—I think it is fair to the officers concerned to say that they have in each case advanced their explanations, and I presume that explanation is the reason why they have done it.

3552. I suppose before the contract is put out an estimate is framed of what the work will amount to; is an estimate always made of the probable total cost of the work?—An estimate is always made of everything before it is put out.

3553. Therefore they know what they are dealing with presumably?—I do not think the explanation is that the thing so far exceeded what was anticipated. There may be cases of that sort, but I do not think that defence has ever been put forward. That may be so in some cases, but, generally speaking, there is a special reason advanced as there is in these four cases mentioned in this paragraph—these are typical cases.

3554. I observe that in each of these four cases, which as you say are typical cases, in which the regulations of the War Office and the opinions of the War Office were over-ridden in practice, the War Office rather defends that over-riding than  
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than objects to it. I suppose that is because each of these cases is, in the opinion of the War Office, a very special case?—The answer of the War Office must be taken as the answer of the whole Department. It is put before the Committee as the answer of the Department, but the branch of the office concerned alone can state the exact details. It must be so in every case.

3555. What I mean is this: where, under these circumstances, the regulations or the considered opinion of the Department have been over-ridden, the Department does not seem to be very much disturbed by that over-riding, but it rather defends what has been done?—That, I take it, would depend entirely upon whether the higher authorities at head-quarters accepted the explanation given, as reasonable, and I think in these four cases (I am only, of course, speaking my own view) the explanations seem to be reasonable. The first case was that of the explosion at Woolwich, which one knows caused widespread havoc, and one certainly would take the earliest possible opportunity of effecting repair of the damage caused by the explosion. In the second case to which the Honourable Member referred, of the erection of a packing-case store at Woolwich, the contract was sub-divided. They have to deal with shifting grounds at Woolwich, and it is the custom there to carry out foundations as independent works.

Sir Daniel Goddard.

3556. The dividing of a contract was no reason for giving it to the triennial contractors. That was the case of a new building as far as I understand. There was no distinct urgency about it?—The effect of dividing it was that it came within the limit. In the third case, that of the locomotive shed, it was found impossible to do the reconstruction of the roof by departmental labour owing to the pressure of other work, and therefore it was handed over to the triennial contractor. In the fourth case, which was the case of the roof of the brass foundry and overhead crane, it was necessary for the roof work to be completed before the second service could be commenced, and owing to the circumstances under which this had to be carried out it could not be foreseen with certainty that the second item would be included at all in the Estimates for that year. If the Committee is not satisfied with these explanations, I cannot help thinking they might perhaps ask Mr. Donaldson when he comes before them whether he can explain the case more clearly to you.

Mr. Bowles.

3557. There may be circumstances in which the War Office may think the explanation is satisfactory. What strikes one is that the War Office does not seem to take a very serious view on principle of over-riding the regulation in regard to these contracts, and that would probably

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have an effect, I imagine, upon the minds of persons who are subject to this temptation?—I do not know that I should quite agree with that, if I may say so. I think I cannot do more at any rate than put before you in cases of this sort the explanation which is advanced by the officer concerned, and which has been accepted by the Member of the Council to whom he is responsible. I think, if that explanation is not altogether satisfactory, the next step is for you to ask the officer himself. I do not think I can go further.

Mr. Leif Jones.

3558. Who is it that makes these contracts. Take the first case in this paragraph?—Mr. Donaldson, who will come before you on the Factories Vote.

3559. Are they made at head-quarters?—They are made at the Arsenal.

3560. Who first drew the attention of the War Office to these cases in which the triennial contracts rules had been set aside, or at least had been got round. I will take the first case in this paragraph. When did you first get to know about Case No. 1?—I cannot tell you straight off whether attention was first drawn to it by the Comptroller and Auditor-General or whether we had taken it up in the office.

3561. (To Mr. Kempe.) Do you know whether it was your officials who first drew the attention of the War Office to this case?—So far as I can tell, the originating query seems to have been the first thing to call attention to it.

3562. (To Sir Guy Fleetwood-Wilson.) Then, subject to anything you may be able to add, I take it the Comptroller and Auditor-General first drew attention to that case?—Yes.

3563. Then I understood you to say that when these cases came to the knowledge of the War Office, steps would be taken to express disapproval or to ask for an explanation of such a transaction as this?—Yes, unless the reason stated on the papers for doing whatever had been done were considered sufficient.

3564. In this case I assume you got to know of it from the Comptroller and the Auditor-General?—Yes.

3565. When you got to know of it were any steps taken by the War Office to make inquiries into the matter?—Yes, we at once called for an explanation.

3566. And then you received the explanation which is given here?—Yes, we received the explanation advanced by the Department.

3567. And you accepted this explanation?—I accepted it as the explanation afforded me, as the best explanation which I could place before the Committee, which of course would have to adjudicate upon the question from the moment the Comptroller and Auditor-General took it up.

3568. I understand you to say that if the War Office were not satisfied that the right thing had been

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been done, disapproval would be expressed of what had been done without waiting for this Committee?—Do you mean in a case that had not been taken up by the Comptroller and Auditor-General?

3569. In a case that came to your knowledge from any cause?—Yes.

3570. In this Case No. 1 of the Woolwich explosion, may I take it you were satisfied with the explanation given?—When you say “you,” do you mean me personally?

3571. No, I mean the War Office?—I think I may say that the War Office was satisfied.

3572. But you also have to be satisfied as Director-General of Army Finance?—Yes, I think that is a reasonable explanation.

3573. You are satisfied?—Yes, I think so. I think in the case of an explosion time would be the first essential.

3574. I am not inclined to disagree with you as to that; where I really feel some difficulty is why this work was allowed to be divided up into four contracts instead of being given in a lump sum. It was in spirit a violation, and that being so, why did not the Master-General of Ordnance violate the letter of the rule also directly, instead of getting round it in this way. Why did he not say: “This is an exceptional case and I have called in the triennial contractor to do the work because it must be done immediately.” Would not that be better than getting round it by, I will not say a subterfuge, for that is too strong a word, but by a device?—I do not like breaking up the services myself, very much.

3575. Would it not seem more straightforward in that case to say that you were going to give work to the amount of £2,935 to one triennial contractor, and to have given it straight away in one job and not to have divided it up?—You could not do that?

3576. Who could not do that. That brings me to the point?—We were pledged not to go beyond £1,000—that is to say the Master-General of Ordnance could not do it.

3577. Could not the War Office have done it?—There is an understanding that it should not go beyond £1,000.

3578. But I understood you to say that time was of the essence of the matter in that case. There was long enough time for communication with the War Office by telegram if necessary from the Master-General of Ordnance, saying: “Here is a specially urgent case; the work must be done by the triennial contractor. I ask for leave to give him a contract for £2,935”?—I am reminded that the items here were small items; but I think your point is that in the aggregate they came to that big figure, and therefore I do not think we can very well argue that because they were split up on small repairs on various works the objection you raise does not apply.

3579. The suggestion of the paragraph 31-  
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Mr. Leif Jones—continued.

parently is that they were divided into four items in order to get round the £1,000 limit; or if that is not the suggestion there is nothing in the paragraph?—It is not for me to interpret the report of the Comptroller and Auditor-General, but I will be quite frank with you: I think it would be better not to break them up in this way. That is my point of view.

3580. You yourself told me that you—that is the War Office—would have the power to raise the limit without consulting the Treasury?—That is the arrangement.

3581. Would it not be better in cases where, for urgent reasons, you want to get round the regulations of the Department that the highest authority should be consulted, and leave given for a breach of the usual regulations? It seems to me that there would not necessarily be much delay, and then the officials concerned would not have landed themselves in the position in which I think they now stand?—You wish to know what my opinion is upon that point?

3582. Yes?—I agree with you.

Sir Robert Hobart.

3583. (To Mr. Kempe.) I want to take you back to the second paragraph of paragraph 55. You say there: “In referring to the subject last year, I drew attention to a case in which work had apparently been divided up so as to bring each order within the extended limit of £1,000,” and now you draw attention to four cases?—Yes.

3584. The custom, then, would appear to be growing; it is four times as many this year as you drew attention to last year?—It does not necessarily follow that there are more cases. We discovered one case last year, and that would put us on the alert in future. Our staff have special directions to be on the look-out for such cases.

3585. It might also be a warning to the Department?—Quite so.

3586. Have you contemplated any plan to prevent this?—No, it is not for me to do that.

3587. (To Sir Guy Fleetwood-Wilson.) May I ask you a question in regard to Case No. 1? You used an expression which I think, perhaps, you would be glad to modify. You said it was impossible not to use the triennial contractor. You probably meant that it was rather difficult not to use him?—We do use the triennial contractor.

3588. You said it was impossible to have any other?—If the honourable member's point is that “impossible” is a bad word to use, I quite agree that “impossible” is an unfortunate word to use at any time.

3589. And as regards this particular case?—I think it was considered by Mr. Donaldson, who had to deal with the case, that it was advisable from every point of view to deal with the repairs of this chemical research department in the way in which they have been dealt with.

3590. The work was estimated to amount  
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to £2,935—I suppose the estimate was for £2,935. At what period was it thought desirable to split it up into four contracts?—When the work was put out. Instead of being given out as one job, it was given out as four jobs.

3591. But it came in as one estimate. Where did the proposal to split it up into four items come from, so that it should come within the limit?—The allocation and splitting up of the order would be done at Woolwich. I cannot tell you straight off whether the £2,935 was the total amount at first, and that that was deliberately broken up into four. I do not think that was what took place. I think four contracts were placed for practically analogous or the same work, and then the aggregate represented that figure—which, I think, is a different matter.

3592. You think the estimate was sent up in four quarters?—Yes, I think so. I think the result of it was that when you put the four together you got that amount of orders in the aggregate, so to speak.

3593. Then I understand from you that if you had not had triennial contracts you contemplate the possibility of a delay of seven or eight weeks?—Yes, there is a long delay always in going to contract. You have to put out tenders and all the rest of it and wait till they come in.

3594. When the triennial contractor was called in did you give a limit of time?—I have nothing to do with the technical detail of the work, and I could not answer that question. I know nothing about the actual work which took place in regard to repairing the buildings, and so forth.

3595. The whole question is whether it was advisable or whether there was any material advantage in employing the triennial contractor?—I quite recognise that, and it was for that reason that I ventured to make the suggestion that possibly this Committee would get much more satisfactory answers to their questions from Mr. Donaldson.

3596. Can you answer the question which I put to Mr. Kempe just now, as to whether you have contemplated any arrangement to prevent this sort of thing happening again?—I have already told Mr. Bowles that, if this Committee wish it, I would suggest for the consideration of the Master-General of Ordnance that a circular or something of that sort should be sent out to all those who are likely to place work with triennial contractors, indicative of the importance of not doing what you imply has been done here.

3597. Would it be possible for you to tell this Committee at some future date whether the Master-General of Ordnance agrees with you as to that?—I am not empowered at present to do what I suggested, because I have not received from the Chairman any indication of his wishes in the matter.

Sir George Kekewich.

3598. The efficiency of this new regulation,

Sir George Kekewich—*continued.*

that is the reduction of the £1,000 to the £400, depends entirely upon the spirit in which it is carried out, does it not?—The efficiency of every regulation, of course, is dependent upon its being observed.

3599. But if you extend the limit at the will of the Army Council to a thousand pounds, and split up the contracts as you do now, you are no better off than you were before?—I quite agree that if it is done with the desire to evade the intention to limit the triennial contracts to the smaller figures, that would be defeating the object.

3600. As in the instance apparently of Case No. 2 in this paragraph, where the foundations and superstructure were divided into two contracts. It is said here that “In explanation it is stated by the War Office that the nature of the subsoil at Woolwich Arsenal is such as to require that the foundations of all buildings should be completed before the work of erecting the superstructure is undertaken.” Are not the foundations of all buildings put in before the superstructure is put up?—I daresay; but that is not my wording. I think you are reading from the Report of the Comptroller and Auditor-General. (Mr. Kempe.) I am quoting there the answer sent to me from the War Office (Sir Guy Fleetwood-Wilson.) Then I will accept the words as mine; I will take the responsibility for the actual wording of the answer.

3601. It is a queer explanation, is it not?—It is.

3602. Supposing, to put an extreme case, you had one job of £4,000 and you cut it up into 10 of £400 each, and then the Army Council extended them to £1,000 each, you would get a job of £10,000 in the hands of the triennial contractor?—Yes.

3603. I do not say that that has ever been done, but that is a possibility. There are infinite possibilities in this arrangement; therefore I want to put it to you whether, as Mr. Leif Jones said, it would not be far better in every case of extension beyond the £400, where it was thought desirable that the job should be placed in the hands of the triennial contractor for certain reasons, that a clean breast should be made of it, and that it should be placed in the hands of the triennial contractor, and sanction should be given for it by either the Army Council or under the hand of the Secretary of State, I do not know which. There are precedents for that sort of course, I think, in other offices where regulations, even regulations presented to Parliament, have been infringed, and then the Comptroller and Auditor-General has accepted the reasons for that infringement, under the hand of the Minister in charge of the Department. (To Mr. Kempe.) Is not that so?—Yes.

3604. (To Sir Guy Fleetwood-Wilson.) I put it to you whether that would not be a much more open and above-board course, than this arrangement

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ment, which is always open to the suspicion of jobbery?—I do not think any jobbery arises.

3605. I did not say it did, but I suggest it was open to suspicion or imputation?—I do not know that I can say more than I said in answer to Mr. Leif Jones. The intention obviously is to limit the work given to the triennial contractor, to adhere to the lower figure; that is the rule. I take it the real question in which this Committee is interested is whether an extension to the higher figures which I have mentioned would be properly safeguarded by its being necessary to obtain the approval of the Master-General of Ordnance in combination, for instance, if I may make the suggestion, with the Financial Member of Council, to get a guarantee of that sort that it would not be exceeded, and that the Master-General of Ordnance would perhaps be willing to indicate to his officers, and all those concerned might be informed that no breaking up of a large work into three or four smaller ones merely to give it to a triennial contractor, was considered proper. I think if that were done you would get a very good guarantee that there would not be a recurrence of it.

3606. Of course I do not doubt the intention, but you will agree with me I suppose, that there are often great temptations to split up a job in this way?—Undoubtedly.

3607. And the ease with which it can be done, and the quickness with which you can run it through, and so forth, afford a temptation to do it?—Yes, one knows the tendency in one's own house to employ the man who comes in to attend to the kitchen boiler to do other things. I am quite sure that any expression of opinion on the part of the Committee would be very seriously considered, and every desire would be shown to meet the views of the Committee. At the same time the Committee will appreciate that a certain amount of elasticity must be left in a very large administration like the War Department, with buildings all over the world and machinery involved in those buildings, and so forth.

3608. I understand that, but my suggestion, and I take it Mr. Leif Jones' suggestion, was meant not in the direction of less, but in the direction of great elasticity, only real elasticity?—Yes, your point is whether, if we got a guarantee of that kind, we should not avoid a repetition of what you consider had better not have been done in the past.

Sir *Daniel Goddard*.

3609. These triennial contracts were originally intended to cover the performance of small jobs, were they not?—They were intended originally to cover any job which did not exceed in value the amount of the limit.

3610. I prefer my own expression. These triennial contracts are on the basis of prices, are they not—a schedule of prices?—Yes.

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3611. Made triennially?—Yes.

3612. The intention was that any small job, instead of having to be put out to contract, should go to the triennial contractor?—Certainly.

3613. Is not the idea becoming very much enlarged by giving these triennial contractors a lot of new work?—I am not aware that there has been any recognised departure from the original intention.

3614. But take this Case No. 2; that is distinctly a new building. If there was ever a case that ought to have gone to tender, surely No. 2 is a case that should have gone to tender. You would agree with me there, would you not?—It is very difficult for me to agree or disagree in regard to work which I do not control, and which might be better defended by somebody who is thoroughly conversant with the technical details or the special circumstances of the case. I will give you my own opinion, if you want it, as I gave it to Mr. Leif Jones.

3615. I do not ask you for more than your own opinion. This Case No. 2 shows a distinct departure, does it not, from what was manifestly the idea of triennial contracts? This is a new contract for the building of a store. What is the object at all of giving a contract for a new building to the triennial contractor?—I personally see no very great reason why that packing-case store should not have been put out to contract.

3616. I think we were agreed when the subject came before the Committee last year that the cost of buildings under triennial contracts came out higher than under ordinary contracts?—I think it did.

3617. Naturally, being under a schedule of prices, it came out higher, and therefore they were not doing the work in the most economical way in giving it to the triennial contractor in the case of a job like that. You would agree with that, I take it? I do not go into the question of dividing up the contract as between foundations and superstructure, because that may be done—that may be a perfectly legitimate and proper thing to do; but if it was done for the purpose of bringing the work within the limits prevailing as regards triennial contracts, I think that was an improper thing to do?—I do not admit that it was that.

3618. I do not say that it was, but it looks like that on the Report. I suggest that your new regulation does not really afford a safeguard that there would be less work given to the triennial contractor than under the old rule?—Yes, surely it does if the figure is smaller.

3619. To the extent that the figure may be smaller; but even there there is no safeguard, because there is still power to the War Office to sanction an extension. This is a regulation made by the War Office?—This is a proposal which was put forward by the Master-General of Ordnance. Most of this work comes under  
him

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him—in fact, all these cases are within his jurisdiction, and I agreed to it on behalf of the Finance Member (I think it was during an interregnum), or, at all events, I agreed on behalf of the Finance Member, as it seemed to me a distinct improvement upon the late system.

3620. This is a regulation of the War Office?—Yes, we administer contracts.

3621. Which limits the amount to £400, except where sanction is obtained from the Army Council, or the War Office, or I do not know what you prefer to call it—call it what you like—to extend it to £1,000?—That is so.

3622. That is a regulation of the War Office?—Certainly.

3623. Did you not contend last year that the original limit of £400 was also a regulation of the War Office, and could be altered by the War Office?—Yes.

3624. And this can be altered too?—Yes, of course it can.

3625. Then would you agree that this is really no safeguard at all?—On the contrary, I say that the contention of the War Office is that the responsibility for the administration of contracts rests with the War Office.

3626. I am only pointing out that I do not see where the extra safeguard comes in, because although they may now fix the limit at £1,000 there is no earthly power to prevent them fixing it at £5,000 if they choose?—If everybody at the War Office agreed that it would be better to take it to £5,000, I conceive it could be done.

3627. There is no suggestion of obtaining the sanction of the Treasury—there is no safeguard of that kind suggested, I understand?—There is the safeguard of informing the Treasury, which I have done this year.

3628. May I ask you this further question. As regards the proposed safeguard, does it mean that no extension of the £400 will be allowed until the fact has been laid before the Army Council—is that what it means?—It must come up to headquarters because it has been ordered by headquarters. It is not so much a question of sanctioning it; it is a case of instructions from headquarters.

3629. There is such a thing as doing work and getting it sanctioned afterwards; would that comply with the regulation?—No, I do not think that could arise.

3630. There is nothing to prevent a contract of £1,200 being divided up into three contracts, is there?—I do not think so.

3631. Then there is no greater safeguard than there was before with regard to that?—Not from that standpoint, except for the serious attention which has been drawn to the matter by the evidence which was given last year, and the attention which the Committee devoted to it.

3632. Now I should like to ask you one other question: You yourself, I remember, gave a very distinct opinion about triennial contracts generally;

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you did not think they were advisable except in extreme cases; can you suggest to me any reason why there should be such a determination to put these contracts under the triennial contractor instead of putting them up to tenders?—I do not quite follow what you mean. Do you mean the breaking up of big contracts and turning them into small ones, so that they should go to the triennial contractor.

3633. Yes?—I really cannot tell you.

3634. I hope you will not think that I am going to suggest that this is done with the desire to evade the regulations; I do not wish to suggest that, although it is a natural conclusion that any man reading the Report would come to, but I want to know why you should go out of your way to give work to the triennial contractor; is there any reason for it? You admit it is more expensive?—I do not think I can answer that question; it is only the person who puts it out who could answer the question.

3635. There must be some reason for it, I take it?—I can imagine that the work is done quicker for one thing. That would be so, no doubt, and it is a considerable convenience to be able to turn to a man who has got his workmen and his material upon the spot and say to him: Do this, and do that, and be sharp about it.

Chairman.

3636. In fact it saves a good deal of trouble?—Yes.

Sir Daniel Goddard.

3637. It saves trouble and it saves time in beginning the work, but I should doubt whether you could go any further than that, because with a triennial contractor there is greater subdivision of the work, and you cannot get the same clause for completion as you can do with a new tender?—I agree.

3638. I am only asking the question in order to see what the reason is, for I cannot account for the fondness which seems to exist for these triennial contracts?—I do not know that I can give you any further reason.

Mr. Bowles.

3639. Might I ask whether the regulation embodying the Master-General of Ordnance's new proposals has been drafted?—No.

3640. I ask because a good deal will depend upon the wording of it?—I do not think the proposals have been drafted yet. I think this proposal has been quite recently made, as recently as the 13th of last month, and I do not think it has gone beyond the stage of what I read out to you.

Mr. Leif Jones.

3641. May I ask whether you remember Regulation No. 559 of the regulations for engineer services issued by the War Office?—I am afraid I do not.

3642. In that regulation there is a reference to

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to these triennial contracts, and it says at the end: "But whenever exceptional cases arise, rendering a different course necessary, the circumstances will be represented to the War Office." That only applies to a particular case of the triennial contractors. What I would suggest is, would it not be a good thing that the rule should apply all through in relation to triennial contracts, and that whenever exceptional cases arise the circumstances should be represented to the War Office, and that they should take whatever action they think fit?—I think it would be.

*Chairman.*

3643. (To Mr. *Kempe*.) Before we pass away from this paragraph, Mr. Hobhouse, who has had to go away, wanted me to ask you a question in regard to the last sentence in this paragraph as regards Case No. 2. You say there: "I have noticed, however, that foundations and super-structure are usually included in a single contract." Mr. Hobhouse wanted to know whether you had ever known two contracts for them?—I could only say that the cases we have seen have mostly been under one contract.

3644. Have you seen others in two contracts?—No, I do not think so. (Sir *Guy Fleetwood-Wilson*.) In the case of the present War Office building they were in two contracts.

*Sir George Kekewich.*

3645. Are you of opinion that, in connection with this work coming under these triennial contracts, there is no suspicion of corruption? I venture to ask that question because I do not like to leave a shadow of imputation?—I have not the slightest reason to suppose that there is anything of the kind in connection with it.

3646. You are of opinion that there is not anything of the sort?—I have not the slightest reason to suppose that there is.

EXISTING TRIENNIAL CONTRACTS PROVISIONALLY  
PROLONGED.Mr. *Bowles*.

3647. (To Sir *Guy Fleetwood-Wilson*.) I suppose you are satisfied with the extension of these contracts, although the schedule remained unrevised?—I think it must be admitted that the provisional extensions of the 1903 triennial contracts were not satisfactory, but I think it was the only possible course while the new system was still under review. We had nothing else to go upon. I think it was essential to extend them temporarily.

3648. The unsatisfactory condition of affairs lasted six months?—Yes.

3649. Not longer?—In some cases two years.

3650. You think it would be impossible to make any arrangement that would have curtailed

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that period?—It has been suggested that we had better not use the word "impossible," and therefore I will say impracticable.

3651. You think that this was the best arrangement that could be made?—I think while the future system was under consideration it was very difficult to do anything else.

3652. But did you think that the consideration of the whole of this contract system would take you two years?—No, I did not think so; it lasted that time—they were shorter extensions repeated.

3653. But they were repeated because your consideration of the whole system had not been completed; therefore it took two years?—That was the practical effect of it. As soon as the Director of Contracts was appointed, we pressed for a decision; but I must say that the matter had been approached with a desire to consider the possibility of doing away with triennial contracts, and that opened up a very large question for investigation.

3654. During the two years, of course, we were paying for all the work at enhanced rates?—Yes.

3655. Therefore it was rather a costly investigation?—It was from that standpoint.

Mr. *Leif Jones*.

3656. Arising out of that paragraph, I should like to ask why, having extended the time four times for six months at a time provisionally, they suddenly came to the conclusion when you were nearing the end of your investigations, that it was desirable to enter into new contracts? I should like to have it on evidence why they took that step, having waited two years and incurred the full disadvantage of not renewing the contracts on, perhaps, an improved schedule of prices, they suddenly within a few months or weeks of your decision in the matter took a step which is irrevocable for the future?—The previous contracts had been already extended, and were governed by a schedule based on higher prices than those actually current in the last few months. As soon, therefore, as the Army Council had settled the question of principle, and decided to retain the principle of triennial contracts, they thought it imperative in the public interest to take advantage of the fall in rates, and conclude fresh contracts based on the new and cheaper schedule. It was an opportunity to get a lower schedule, and that was the reason why it was considered advisable to place the contracts.

3657. That is to say, you gained by getting a cheaper schedule?—10 per cent. cheaper.

Sir *Robert Hobart*.

3658. With regard to the second part of paragraph 56, it says that the district schedules of prices had remained without revision during this period. May I ask did the revision of the schedule of prices hang upon the question as to whether

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whether the triennial contracts were to be extended?—Yes.

3659. You extended the contracts, but you did not revise the schedule of prices?—No.

3660. They are two different things, are they not?—No, because the question was to renew the contracts—the schedule of prices and the contracts are the same. It would be a new contract if you had a new schedule of prices. The contract is based upon the schedule of prices. We renewed the condition of affairs for six months at a time.

3661. Is there a different schedule of prices to each contract, or is there a general schedule?—There is a schedule of prices and the contract is to carry out any items that may be wanted at the rate laid down in that schedule of prices.

3662. Therefore you practically could not revise the schedule?—The contract is to carry out that schedule rate, therefore you cannot alter the rate unless you have a new contract. When we saw an opportunity later of getting a 10 per cent. reduction, we altered the scheduled prices and had a new contract.

#### EXAMINATION OF CONTRACTOR'S CLAIMS.

*Chairman.*

3663. (To Mr. Kempe.) With regard to paragraph 57, have you received any further communication on the subject from the War Office, as was promised?—I have had no letter upon the subject, but I understand from a verbal communication that the position is being altered, and that in future the chief engineer's examination will always be made prior to payment.

3664. That meets the observation you make upon the point?—Yes.

3665. That satisfies your requirement?—Yes. No doubt we shall have an official communication about it in due course. (Sir Guy Fleetwood-Wilson.) I may say that we are sending out a circular letter upon the subject. The draft is already prepared, and the thing will be carried out at once.

*Mr. Bowles.*

3666. That circular letter, I suppose, simply asks these officers to comply with the Comptroller and Auditor-General's requirement?—What I mean is there will be no delay in communicating the order to them.

#### OVER-PAYMENTS THROUGH MISAPPLICATION OF SCHEDULE ITEMS.

*Chairman.*

3667. (To Mr. Kempe.) Has the special consideration of the War Office been given to the matter referred to in paragraph 58?—I understand Treasury sanction either has been or is

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*Chairman*—*continued.*

going to be sought for writing off the irregular payments which are mentioned in this paragraph. (Sir Guy Fleetwood-Wilson.) I may mention that the necessary amendment to the conditions of the contract will be taken in hand in conjunction with the Treasury Solicitor in the branches concerned.

3668. (To Mr. Kempe.) That will satisfy your requirement?—Yes.

#### TECHNICAL EXAMINATION BY LOCAL OFFICERS.

*Chairman.*

3669. (To Sir Guy Fleetwood-Wilson.) As regards paragraph 59, has the question of modifying the existing system of signatures to bills been considered or any further step taken?—I should like to say that as Accounting Officer I naturally attach the greatest importance to the accuracy of the certificates of fact on which the audit is dependent. The question of the number and nature of the certificates has been considered and new forms defining the responsibility of whoever signs, and making it more definite, will shortly be issued. I may add that there is no loss in either of the two cases referred to in the paragraph. Case 1 (A) was an interim payment, and the accounts were subsequently adjusted. In the second case (B), the irregularity was formal and no over-payment was made. But the change that is called for will be effected at once.

3670. I see that in the first case it is stated that the officers signing the bill were *locum tenentes* and that they acted under misapprehension as to the nature of the payment?—Yes; that is one thing that will be defined. The actual responsibility that attaches to anyone signing, and who is to sign, will be made quite clear and definite.

3671. Supposing it is signed by a *locum tenens*, are steps taken to see that the *locum tenens* understands what he is doing and that a wrong man is not appointed as a *locum tenens*?—The moment you make it clear and definite what the signatory is to do and what his responsibility is in signing, you meet that difficulty.

3672. Will you avoid the excuse which is here given that the officers signing the bill were *locum tenentes*, and therefore it is implied they did not know fully what their duties were? I suppose that misapprehension would not have existed in the case of regular officers?—I cannot tell you exactly, but in future no one will be able to sign in ignorance of what he is rendering himself responsible for.

*Sir George Kekewich.*

3673. What was the total of the bill in this first case (A)? I see there is a very large over-payment of £58; was the total payment a large sum?—The whole interim payment was £485.

3674. It



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Officers—*continued*.Sir George Kekewich—*continued*.

3674. It is a considerable over-payment in that case?—As I said, there was no loss.

3675. You recovered the money?—There was no loss of money in either case. In that case it was an interim payment, and it was made good at the final payment.

3676. It was put straight at the end of the year?—Yes, it would come right when the whole payment was made.

Sir Robert Hobart.

3677. Do you take any steps to assure yourself that an officer who is a *locum tenens* understands his work, or do you merely give him very strict regulations which he may or may not understand?—The point is not whether he understands his work; the point is whether he realises or whether it has been made clear to him that he is signing a document in which he certifies a certain thing.

3678. When he takes up the position, and has to sign these certificates, is he thoroughly aware of all the circumstances and the regulations?—If he is not, he is very foolish to sign. That is what we are going to make clear to whoever signs. We are endeavouring to make the responsibility of the person who signs absolutely definite and clear.

3679. But you throw the whole of the onus on the unfortunate officer—what about the Department?—A person who signs must be answerable for his signature; that seems to be the normal course everywhere. As long as you make it clear to the man what it is that he is signing and what he is making himself responsible for, I do not know how you can go beyond that.

3680. Do you think that the officers did understand that in the past?—I think it is possible that some of the officers who signed did not understand their responsibility in the past. That is why we propose to make it absolutely clear in the form what he is signing and what he is making himself responsible for.

3681. In future you think that will be quite clear?—I think it will be quite clear. As I say, I attach the greatest importance to the accuracy of these certificates, because everything depends upon them.

Mr. Bowles.

3682. I quite agree with you that the matter is very important. I understand you are sending out a circular letter. What does that circular letter tell these persons?—The circular letter of which I spoke was in regard to the previous paragraph.

3683. Did I understand you to say you were sending out some letter?—In this case it would be made clear and definite by the form. It would be on the face of the form that he is signing.

3684. Is it conceivable that these officers, or any officers, should have signed a bill of this sort without realising what they are signing?—  
BARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Technical Examination by Local  
Officers—*continued*.Mr. Bowles—*continued*.

think it was considered that it was not made sufficiently definite on the face of the bill what the purport of the signature was. It is extraordinary how many people will sign casually.

3685. Of course, the responsibility of men signing one of these bills is complete personally, I take it?—I believe I am right in stating that one form took several signatures, and in those cases I think there is rather a tendency to consider that one covers the other. We propose to make every man severally and distinctly responsible, to make it quite clear that he is responsible and what he is responsible for. I have not seen the actual forms, but every care will be taken that the form does bring that about.

3686. I should like to know, as a matter of interest, in this second case (B), how does it appear that the value of the work completed had been overstated?—I suppose that appeared when the final measurements were taken. This case hangs with the other. It was a case of paying before the measurements were taken.

3687. It was ascertained when you came to the final measurements?—Yes. That first case, I think, is simply a slip. I do not think there is anything in it. We picked up the over-payment on the next Account.

## BRENNAN TORPEDO ESTABLISHMENT.

Chairman.

3688. Referring to paragraph 60, can you explain that remark of the Comptroller and Auditor-General that the cost of the staff of the Brennan Torpedo Factory is included under Sub-head G? Why has the amount not been reduced under Sub-head G, while the other parts of the Establishment have been reduced under Sub-heads M and O in the other Votes? If you turn to the pages mentioned in the paragraph, you will find the explanation that the Brennan Torpedo Establishment had been given up. But under Sub-head G there always has been included, and is included, the staff for the Brennan Torpedo Factory, and we are not told under that sub-head whether the staff has been diminished or given up?—I am afraid I cannot answer that question; the Brennan Torpedo Factory is closed as an Army Establishment altogether.

3689. Is any part of that reduction on that sub-head of the Vote represented by the closing of the Brennan Torpedo Factory?—I should think the whole of it, but perhaps you would not mind postponing that until next time, as I cannot answer it straight away. Of course, the staff would not be much reduced, because it was closed subsequently to this.

(Further consideration of this paragraph was  
postponed.)

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3690. (To

8 May, 1908.]

MR. KEMPE, C.B., MR. HEADLAM, and  
SIR GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## LOAN OF FACTORY TO INDIA OFFICE.

*Chairman.*

3690. (To Mr. Kempe.) As to paragraph 61, that is a mere record of fact, is it not?—That is so.

## BALLOON FACTORY.

*Chairman.*

3691. With regard to paragraph 62, "Cost of Balloons, &c.," I understand that in consequence of an oversight the cost of production of Balloons in 1906-7 is not quite accurate?—That is the case.

3692. The Item of "Depreciation" was missed out?—Yes, that was the only weak point I called attention to in the Account. On page 151, the cost of production should be increased by £125 11s. (Sir Guy Fleetwood-Wilson.) I should like to mention that the omission of this charge for Depreciation was detected by our own Audit Section in the War Office at once, but it was too late to make the correction without delaying the Appropriation Account, so I thought it best to hold it over for the 1907-8 year, when it could be adjusted. It would have entailed reworking the whole of the Appropriation Account Statement, and it was allowed to go with the intention of correcting it next year.

3693. The high cost of hydrogen gas is stated to be due to the small quantity of gas made and to the considerable expenditure incurred in the overhaul of the plant. Is that a satisfactory statement, to your mind?—I do not know; I have no technical knowledge, and I must accept the explanation which has been given to us. I do not think there is any reason to suppose that that is not quite accurate.

3694. Are you satisfied, as far as you can be, that the explanation is correct?—I see no reason to doubt the explanation; nothing has come before me to lead me to suppose that it was not the correct explanation.

*Sir Robert Hobart.*

3695. I do not know whether I might ask whether the Swan Plateau Establishment is complete and in working order now?—I do not know whether it is completed.

3696. Has the transfer been carried out entirely?—I think it is all gone; I do not think there is anything left to move.

*Mr. Leif Jones.*

3697. I see there has been no stock taken at the Balloon Factory since 1902?—It has taken place in February, but the Report is still under discussion with the Superintendent. We have raised some points.

3698. The increase in cost of production in balloons is very noticeable?—I daresay.

3699. I see they have increased in cost from 24 to 30 per cent., and hydrogen gas is now £10 5s. 4d. per 1,000 cubic feet instead of £2 11s. 3d.?—I think obviously if you are making

ARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Balloon Factory—continued.*Mr. Leif Jones—continued.*

a very small quantity of hydrogen gas it will be more expensive than a large quantity, but I know nothing about it.

3700. Is considerable expenditure incurred in the overhaul of the plant? Does not that explain the item?—It seems to me quite reasonable that if you move any factory from one place to another you will have to spend money in overhauling the plant.

3701. I was only wondering what our hydrogen gas was to cost us in future; you do not know?—I cannot tell you. It seems to me quite reasonable that you should have an increase of cost when you are moving a factory. Next time will be the proper time to ask about it when it is in full swing in the new place.

## MODIFICATION OF TERMS OF CONTRACT.

*Chairman.*

3702. (To Mr. Kempe.) Referring to paragraph 63: "Concession to Contractor," have you yet got an answer from the War Office upon this question of the modification of the terms of the contract?—Yes, the Treasury have now approved of the expenditure.

3703. Your requirements are satisfied there?—Yes.

*Mr. Leif Jones.*

3704. (To Sir Guy Fleetwood-Wilson.) Who gave this work to the triennial contractor in this case?—It was given by the local Commanding Officer of Royal Engineers to the contractor. I understand it was very slightly in excess of £400; or might I eliminate the "very" and say it was slightly in excess of £400? He was conscious of having been in error in placing it, and he at once expressed his regret and reported the matter.

3705. He knew it was a violation of the regulations?—Yes; directly he had done it he said: "I admit I was wrong in this, and I wish to draw attention to the fact that I have done it."

3706. How did he come to say that? Was he asked for an explanation?—No; I think he volunteered that.

3707. Do I understand that he realised that he had violated the regulation, and wrote up to say: "I have violated the regulation, and I am sorry I did it"?—I think so; or, at any rate, he represented it to his Commanding Officer. I am now informed that we pulled him up for it, but I might mention that the excess was 4s.

3708. As to the concession made, did he apply to you in regard to that concession, or was that done at the same time as the contract was made?—Which concession?

3709. There was a two-fold breach of the regulations apparently; it was over £400, and the schedule of prices was not adhered to?—You are right.

3710. He

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Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Modification of Terms of Contract  
—continued.

Mr. Leif Jones—continued.

3710. He did not obtain Treasury sanction for that?—Both breaches were committed locally.

3711. By a subordinate officer?—By the Commanding Royal Engineer; in our letter to the Treasury we admitted that in the one case Treasury sanction ought to have been obtained, and in the other case, of course, he ought to have got authority from us at head-quarters.

3712. Treasury sanction was necessary for the alteration of the schedule of prices?—Yes; they have now given their covering sanction; the letter from the Treasury is as follows: "I am to state for the information of the Army Council that in the exceptional circumstances represented in your letter of 6th ultimo the Lords Commissioners of His Majesty's Treasury give their covering sanction for the payment of £104 10s. 2d. in excess of contract rates made to the triennial contractor in respect of work executed by him in connection with the construction of a road from Pond Farm."

3713. The Treasury were satisfied it was a concession which should have been made?—Yes. (Mr. Headlam.) We were asked for covering sanction, and we were assured by the War Office that the alternative would be more expensive. At first we thought that on general grounds we might hold over our consent, but in view of the circumstances we decided to give covering sanction.

3714. (To Sir Guy Fleetwood-Wilson.) I understand that all the officers concerned have realised that a breach of the regulations was committed, and have expressed regret?—I believe he did express regret that he had gone wrong. With regard to the amount, it was only 4s.

3715. The more serious breach was the alteration of the Schedule of Fixed Prices?—I quite agree.

3716. In that case it has been approved, and there is nothing more to be said?—The whole of the circumstances were placed before the Treasury, and, on the whole, they came to the conclusion that it was a case where they could give their covering sanction. We wrote them a very long statement of the whole case, telling exactly what had happened.

## EXCESS COST OF TORPEDO SLIPWAY.

Chairman.

3717. With regard to paragraph 64, which deals with "Original Estimate Exceeded," this seems to be rather a bad case of careless work, does it not? Ought this agreement to have been entered into by the local officers merely without any further check?—Of course I cannot answer in regard to technical matters, and this is really the building of a torpedo slipway, but, as far as I am able to understand, the excess cost really arises

B

ARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Excess Cost of Torpedo Slipway  
—continued.

Chairman—continued.

from the fact that the original piles which were designed for this work were too short, and afterwards from the fact that old soundings were taken as representing the condition of the river, and the river bed had undergone alteration since then. I do not think I can enter into either a defence, if one is necessary, or even an explanation which would really satisfy this Committee in regard to this paragraph. I think the proper person to ask would be the Director of Fortifications and Works, if you wish to go into it.

3718. I see that the War Office subsequently concurred in that arrangement, but no definite estimate or forecast was made of the prospective cost. Is that a War Office custom?—That would probably be marked up to the Director of Fortifications and Works, and he would be able to tell you, no doubt, the whole details of the case.

3719. I rather want to know what has been the action of the War Office upon this, and why they have subsequently concurred in the arrangement. Have they taken any steps, from their point of view, to exercise discipline over the offending officers, or what steps have the Army Council taken? It is a very gross bit of carelessness?—I am afraid I cannot give you very full details in regard to what has taken place within the Department, and the officer would, of course, be dealt with, if there is any blame attaching to him, within his own Department.

3720. Have the Army Council taken steps to ensure that that is done, because the whole thing has evidently come before the Army Council?—I know that a letter was addressed to the officer concerned expressing disapproval, but beyond that I do not think I can really satisfy this Committee as to what has taken place in connection with this case.

3721. But the Army Council have taken notice of it?—The member of Council concerned has taken notice of it.

3722. Who do you say is responsible for this?—The officer who is immediately in charge, and in that sense responsible for this class of work, is the Director of Fortifications and Works, and it really is for him, in a case like this, to come before you, if you wish him to do so. He, again, is under the Master-General of Ordnance. What I feel about any case where the result of the technical work of an officer is in question is that I am afraid either of overdoing it and apparently fencing with the Committee, or, what I am still more afraid of, is not giving the proper, and, very often, perfectly satisfactory answer which someone in possession of the technical knowledge which is requisite might be able to give. I am afraid of being unjust to the officer. I might, perhaps, be permitted to say that paragraph 65, in my opinion, is in exactly the same position. I cannot really properly deal with what should or should not be done with a well, and it comes to that.

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3723. Before

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Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD WILSON, K.C.B.

[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

On Vote 10—Excess Cost of Torpedo Slipway  
—continued.

Mr. Ashton.

3723. Before you leave paragraph 64 there is one question I should like to ask, because I rather think this comes within your knowledge. Why was it that the modification of the terms of the contract was not submitted to the Treasury? It would come before you, would it not?—Speaking off-hand, I should be inclined to think it never came up to me.

3724. You mean that it ought to have done, and never did?—At any rate, there was neglect in not putting it to the Treasury.

Mr. Hobhouse.

3725. I want to know what machinery you have got in your office which would enable you to detect a lache of this sort?—The recreation, so to speak, of the Directorship of Contracts, which was made last year, will help very materially.

3726. Was the Directorship of Contracts in existence when this contract ought to have been made?—The difficulty is not so much as to what is done improperly, but when a thing is done improperly in a district, it only comes up with the accounts, and I think you must assume that the work is being done in accordance with the regulations.

3727. That, excuse me, is no answer to my question as to whether the Directorship of Contracts was in existence when this particular lache was committed?—There was not a Director of Contracts in existence when the contract was modified.

3728. Have you taken this question up with the Director of Contracts?—Yes.

3729. On what sort of lines?—I do not know that I can tell you that we have made any special change in the procedure to meet a case like this yet. I hope to go more closely into the question of instances like this with the Director of Contracts, whose advice would be of great assistance to everybody in elaborating, if it is possible to do so, a readier method of finding out when the regulations are not complied with in districts.

3730. When did this first come to your knowledge?—The year before we are dealing with.

3731. Between the time it came to your knowledge and the present time what steps have you taken with the Director of Contracts to ensure that a case of this sort shall not occur again?—I do not think we can take any steps right away which would find out that a man was not obeying a regulation which is laid down for him until we see the result of his work.

3732. I want to know what you have done in the course of the last eight or ten months, or whatever the time is since you first discovered this error, along with the Director of Contracts, to prevent a similar error occurring?—I have done nothing with the Director of Contracts up to the present, because I do know even now that it is with his assistance that one will be able to prevent a repetition of those occurrences. Of course, if

## ARMY APPROPRIATION ACCOUNT, 1906-7.

On Vote 10—Excess Cost of Torpedo Slipway  
—continued.

Mr. Hobhouse—continued.

a man does not obey regulations, he must bear the brunt of it.

3733. Is the Director of Contracts responsible for a contract of this sort?—No, this would be placed locally. The conditions of the contract and the placing of the contract would be superintended and safeguarded by the Director of Contracts and the Director of Fortifications and Works. The responsibility for carrying out the terms of that contract would rest with the local officer.

3734. The Director of Contracts has, as I understand, a local officer who makes these contracts?—No, it is not his officer; it is the Royal Engineer Officer who makes the contract.

3735. Where does the Director of Contracts come in, then?—In the nature of the contract, the propriety of making the contract, and the terms of the contract; but the carrying out of the contract locally, and obeying the conditions of the contract, would depend upon the officer charged with dealing with it.

3736. If the Director of Contracts is charged, not with carrying out the contract, but with making it, he was responsible for not submitting it to the Treasury, I take it, or not sending it to you to be submitted to the Treasury?—I take it that this is a breach of the contract.

3737. A new contract ought to have been made, and was not made?—Yes.

3738. I want to know who is responsible for not making it?—The local officer who did it; we must assume he has not done a thing which is wrong until we find him out.

3739. Where does the Director of Contracts come in if the local officer can make a contract without his knowledge and without your knowledge? What is the use of the Director of Contracts?—As I understand the situation, and it appears to me fairly clear, if you have a contract which is in existence, and it is modified locally without proper authority, the person who has modified that contract improperly is acting *ultra vires* by not getting sanction; and up at head-quarters we may not even have any knowledge that he has done it.

3740. May I take it that the position is this, that the local officer improperly modified one of your contracts?—I believe that is the situation.

3741. Then I want to know what steps have been taken by the War Office to deal with this officer?—I think that was precisely the point which has been raised, which I ventured to suggest might be put to someone else. I do know that a letter was written expressing displeasure.

3742. May I take it that it is not within your personal knowledge?—It is very hard, if I may so put it, for me to deal with a discipline case on regular officers, and I have said so to the Chairman already.

3743. So far as the Director of Contracts is concerned, I understand you to say that he, in your judgment, is absolved from all blame?—I think

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[Continued.]

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On Vote 10—Excess Cost of Torpedo Slipway  
—continued.

Mr. Hobhouse—continued.

think so; he cannot tell whether in the district they are going right or whether they choose to go "on their own" altogether.

3744. May I take it that on the matter of small and local contracts, the Director of Contracts does not know what is going on?—He may know there is a deviation from the instructions and rules, which deviation is an improper one, and has been improperly made.

3745. I understand, also, that you have not taken this matter up with the Director of Contracts yourself in your own Department?—He is in my Department.

3746. You in your Department have not taken this up with the Director of Contracts?—I have taken it up with the other person responsible, with the head of the Military Department where the difficulty has arisen. I use the term "difficulty" intentionally, and it is owing to his action that displeasure has been expressed in connection with what has been done.

3747. The Director of Contracts, then, has represented to you that he had no control over this matter?—It would come up on the Accounts really; if anything is wrong with the local application of the rules and regulations, it would probably show on the Accounts, and we should raise the question on the Accounts and have it out with the Military side concerned.

3748. But when there is a failure to bring a contract of this sort to book, you do not take it up with the Director of Contracts, but with the Military Department concerned?—Yes, because I should tell whoever brought it to my notice that the next step would be to draw attention to this departure from the regulation which has occurred. That would be taken notice of, and properly taken notice of, by the Department of the War Office which deals with the officer who has committed this departure from the regulations.

3749. If there is a failure with regard to a contract, is not the first and the natural supposition that the failure has occurred in connection with the Director of Contracts' Department?—No, I do not think so.

3750. I do not put this in regard to this specific case, but, speaking generally, is not the supposition, if there is a failure with regard to a contract, that the failure has occurred somewhere in connection with the Director of Contracts' Department?—I do not think that is so, because if the failure is in carrying out the conditions of that contract by another officer who has nothing whatever to do with him, he is no more connected with the failure than you are, so to speak.

Chairman.

3751. Once the contract is made under the Director of Contracts and signed, he has no more to do with it?—No.

3752. It is then committed to somebody else to carry out, and he knows no more of it after

## ARMY APPROPRIATION ACCOUNT, 1906-7.

On Vote 10—Excess Cost of Torpedo Slipway  
—continued.

Chairman—continued.

that; his sole duty is in the making of the contract, and after the sealing of the contract, so to speak, his duty ceases?—Yes, I think you may take it in that way.

3753. His duty ceases with the sealing of the contract, and anything else done afterwards is the responsibility of another Department?—Yes, that is so.

Mr. Hobhouse.

3754. The powers of the Director of Contracts are limited to the making and not to the carrying out of the contract?—It is the local contracts I am dealing with.

3755. Then his powers are limited to the making of the contract?—Yes, once the contract is floated, as it were, he is not responsible that the conditions are adhered to.

3756. He has nothing to do with the carrying out of the contract?—No, the carrying out would be done, as in this case, by the local commanding Royal Engineer Officer.

Mr. Ashton.

3757. Are these local contracts, then, always submitted to the Director of Contracts?—Only the ones over £2,000 would come up.

3758. I think this was a local contract in question?—Yes.

3759. Which would not have come before the Director of Contracts?—No.

3760. Had the local officer the power to alter the contract?—No, I think he went wrong in altering the contract.

3761. Why should not he alter the contract if he had the power to make it?—Of course, you may not alter a contract without Treasury sanction; he should have sent it up for authority.

3762. To whom would he send it?—To Headquarters at the War Office, to the Director of Fortifications and Works.

Mr. Bowles.

3763. He would not have sent it in any case, according to his proper course, to the Director of Contracts, even if he had desired to modify it?—Anyhow it would come through his own immediate Chief, the Director of Fortifications and Works.

3764. But it would go to the Director of Contracts, I take it?—The Director of Fortifications and Works on receiving the request for this modification, which he ought to have had from his local officer, would have referred it to the Director of Contracts, who would have asked the Treasury for authority. The asking of the authority from the Treasury goes through him.

Chairman.

3765. Then the local contracts do come to the Director of Contracts for variation?—For variation, if they want variation.

3766. I do

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Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

On Vote 10—Excess Cost of Torpedo Slipway  
—continued.*Chairman*—continued.

3766. I do not mean variation over £2,000, but supposing it is a variation from £1,000 to £1,200, would it still have to go to the Director of Contracts?—Any variation, I presume, would have to be referred to the Treasury, however small, and it would then go through the Director of Contracts.

3767. Although he had not made the contract and had never seen it before?—Yes, but it ought to go up to him as the agent for communicating with the Treasury.

*Mr. Hobhouse.*

3768. May I take you back again to my point? Why, if the Director of Contracts is responsible for the variation of a contract, would it not be usual to suppose that in any variation of a contract you would inquire of the Director of Contracts' Department what had taken place?—He would do that for me.

3769. Do I understand that your notice was brought to this fact eight or 10 months ago? My natural supposition would be that you would ask your Director of Contracts what had taken place; but I understand you to say that never occurred?—To be frank, I really cannot exactly remember what took place in that case. I would have to look at the papers before I could tell what took place in that case.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

On Vote 10—Excess Cost of Torpedo Slipway  
—continued.*Mr. Hobhouse*—continued.

3770. It seems to me that the channel of responsibility would be through the Director of Contracts to you, and if anything had gone wrong you would have inquired of the Director of Contracts what had gone wrong?—It might have been brought to my notice in connection with the Accounts, but I cannot tell at present.

3771. Can you let us know what the answer is?—Yes.

*Sir Robert Hobart.*

3772. I think I may take it that the Director of Contracts is the authority about all contracts?—Yes.

3773. When any variation comes up, or there is anything wrong, or any proposed modification, he is the authority to whom you must at once refer in some way or another; you cannot take a step about an alteration of a contract without referring to the Director of Contracts?—It would be referred to him under those conditions.

(Further consideration of this paragraph was postponed.)

(The Witnesses withdrew.)

Tuesday, 12th May, 1908.

## MEMBERS PRESENT:

Mr. Ashton.  
Mr. Bowles.  
Sir Daniel Goddard.  
Sir Robert Hobart.  
Mr. Hobhouse.

Mr. Leif Jones.  
Sir George Kokowich.  
Mr. Mitchell-Thomson.  
Mr. Parker.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM, called in; and Examined.

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

*Chairman.*

3774. I believe you wish in the first instance to give an answer to a question which I put on the last occasion with regard to paragraph 6, about the cost of the staff of the Brennan Torpedo Factory?—Yes; that was an outstanding question put to me on the last occasion, which I am now in a position to answer. No part of the saving on Vote 10, sub-head G., is attributable to the closing of the Brennan Torpedo Factory. The factory was closed on

*Chairman*—continued.

the 31st March, 1907, and we had Treasury sanction for retaining Mr. Brennan and his staff until that date, in view of the mono-rail experiments. The saving was attributable to other causes; I do not know whether you would wish me to go into them.

3775. No, I think not. The point is rather that there was nothing applicable to the Brennan Torpedo Factory in that saving under sub-head G.?—No.

3776. The

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Mr. KEMPE, C.B., Mr. HEADLAM,  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B., and Mr. DONALDSON.

[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## TRIENNIAL CONTRACTS.

Mr. H. F. DONALDSON, called in; and Examined.

*Chairman.*

3776. The Committee desire to ask you some questions to-day in regard to the question of triennial contracts, which is referred to in paragraph 55, especially in regard to the four cases mentioned in that paragraph, where large works were split up and thus brought within the triennial contract limit. In the first case under Part I of Vote 10, Repairs to Buildings of the Chemical Research Department, the work was estimated at £2,935, but it was divided into four items, each of them within the £1,000 limit. That seemed to the Committee to be rather a straining of the rule of the £1,000 limit to say the least of it?—Might I say that no intention of ever getting round a Regulation exists. Where there has been any division it has been aimed at economy and convenience only, and not with any ulterior motive of any sort or kind. So far as the Chemical Research Department explosion was concerned, it would have been, I think, in the first place manifestly impossible to have waited the necessary time to take out a bill of quantities, which would have meant measuring up all the damage done before we could have gone to contract at all; and, secondly, the damage was widespread, being in the Research Department, within the offices, the laboratories, and the workshops, and also all over the ordnance factories and the other departments in the Royal Arsenal. If the contention is that we should have waited before we started that work to enter into a single contract to cover the whole lot, it would have been, and must have been, months and months before we had begun even to touch the damage done. Each piece of damage was, so to speak, taken separately—that is to say, the laboratories of the Research Department were taken as an item, and that work which was less than £1,000, was given to the Triennial Contractor. The offices were taken as another item—that also was less than £1,000, and that was given to the Triennial Contractor; similarly in the case of the workshops, and similarly in the case of the storehouse, or rather storehouses, because they were scattered buildings. All of these are separate items, and except for the fact that the necessity for any action arose from the explosion, under no circumstances could they be considered as one service. I do not know if I make myself clear.

3777. I think that is quite clear as regards that case. Now, coming to case number 2,

*Chairman—continued.*

where in providing for the erection of a packing case store at Woolwich, the work was divided into two parts—Foundations and Super-structure—and they were both given to the Triennial Contractor, what have you to say as to that case?—In that case we followed what is, I think I may say, the usual custom at Woolwich, which is (owing to the difficulty of the foundations) to insure the foundations being there first and then having a general idea what the structure above is to be to design the structure in accordance with the foundations which we are able to put in.

3778. Is the soil there specially bad?—Yes, there is, I think, about 30 feet of peat about 15 feet down. It depends upon what thickness of it we come across. Consequently in the very great majority of cases our first process is to insure our foundation, so that the building shall be right afterwards.

3779. Coming to the third case the same thing occurred in regard to the renewing of the roof of the locomotive shop. There again the work was split up into two jobs?—As regards the locomotive shop the work was intended to be done by our own people when we first started it, and with that view we bought the ironwork from the Triennial Contractor, following the usual custom for structural ironwork of that sort. When the explosion, to which reference has already been made, occurred, every man we had got was diverted from everywhere in order to cope with the damage done, and we therefore were unable even to attempt to spend that money departmentally and we fell back, I think, naturally and properly, seeing that it was both economical and convenient, upon the Triennial Contractor.

3780. Having bought the ironwork from him under the impression that you were going to do the work yourselves?—Having bought the ironwork from him under the impression that we were going to do the work ourselves.

3781. Then as regards the fourth case, for raising the roof of the brass foundry and providing for a 5-ton overhead travelling crane, what have you to say as to that?—Those were two absolutely distinct services, the raising of the roof being one service. As a matter of convenience I grant you that they were estimated together because they were in one building, but the fact remains that they were two distinct services. The one had to be practically completed before the other could be begun.

3782. Was

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3782. Was not the roof raised in order that the crane might be put in?—No, it was raised for sanitary reasons, to give proper air space for the men employed and also to give light; it was very dark: it was a low roof with very low windows.

3783. It would have been done whether the crane was put in or not?—Yes it would have had to be done whether the crane was put in or not.

*Sir Daniel Goddard.*

3784. In regard to the items under Part I., of work done after the explosion, you say that each of those separate works was under £1,000?—Yes.

3785. On what did you base that, was it done on your own estimate?—Yes.

3786. You estimated for each of them separately?—Yes.

3787. Were they all carried out simultaneously?—I should say they were all started simultaneously, but they were not all necessarily carried out simultaneously—that is to say, one would be finished before the other.

3788. Were they all given to the same contractor?—We have only one Triennial Contractor, and therefore they were all given to the same man.

3789. Was it not possible for some part of the work—that particular part of it, for instance, as to which there was a hurry—to have been given to the Triennial Contractor and then for the other part as to which there was not such a hurry to have been given out to contract in the ordinary way?—But the whole of it was in a hurry to be done. I do not know whether I should take up the time of the Committee by shortly describing what there was in existence before.

3790. It is sufficient to say what you have said; I do not want you to go into more detail about it. I understand you had already formed an estimate for each of these pieces of work?—Yes.

3791. But you yourself must have formed some idea of the quantity involved or you could not have made your estimate?—Quite so, but that is quite a different thing from formulating bills of quantities upon which to invite tenders. Our estimate was based upon the tenders which we had received from the Triennial Contractor. He works on a schedule of prices.

3792. Your estimate was formed on his schedule of prices?—Quite so, so that whatever he was told to do under any order we had a price already fixed for it before he started work.

3793. Are you sure that by giving this work out to the Triennial Contractor you got it done as cheaply as you could have got it done by putting it out to tender?—I think I may safely say we got it done cheaper because the nature of the

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work was such that unless the Contractor had other jobs to which he could transfer his men when he could not be working on the particular piece, I think there would have been increased expense, that is to say the rates would have been higher for the class of work required.

3794. Do you not think that competition would have brought down the prices?—But it is in competition.

3795. It is not in competition except once in three years and then on a schedule of prices?—That is so.

3796. That is not quite the same thing, is it?—It would have been on a schedule of prices if it had been let to special contract.

3797. The contractor would have to take into account the prices of the various articles, but of course they vary?—If you mean by your question, could we have let it as a lump sum contract, I am perfectly convinced that no lump sum contract could have been let for anything like the price.

3798. Now in regard to case No. 2, the erection of a packing case store, that was a new work, was it not?—It was a new work.

3799. That was not due to any explosion or any accident of that kind?—No.

3800. Why should not that have been put out in the ordinary way to tender?—It was carried out in the ordinary way—that is to say we tackled the foundations first. We could not have got the drawings for the superstructure until we had got the foundations practically finished; then when we had those and the estimate came out at less than £1,000 it was placed as a matter of course, I think I am right in saying, in the hands of the Triennial Contractor.

3801. Is that how you read the idea of Triennial Contracts?—Certainly I think so.

3802. I understood Triennial Contracts were based on the principle that you should not give contracts of more than £1,000 to the Triennial Contractor; that the contract should not exceed that; but not that every contract that was under £1,000 should go to the Triennial Contractor?—Nor does it always, but I think if the Triennial Contractor has given you his prices upon that basis he has some grounds for complaint if you do not give him a fair share of that sort of job.

3803. I cannot help confessing it strikes me rather as putting the cart before the horse not to design your building until you have got your foundations in?—I should like to invite you to see the foundations down there, and then, I think, you would agree with me that it was the proper procedure.

3804. I have put in a good many foundations for very awkward buildings, but the usual way is to make your foundations according to the structure which you wish to erect?—I quite agree



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agree with you there, but it may be that we come across such a place that it is inadvisable to put the weight on which you originally contemplated, and therefore the building is materially altered in the scantling from what was originally contemplated.

3805. In these days of scientific engineering you can make foundations in almost any kind of subsoil, can you not?—Granted, if there is money available.

3806. And the War Office never lacks money, do they?—Do they not.

3807. I wish to ask you one question with regard to Case No. 3, the renewing of the roof of the locomotive shop—there, I think you said, you intended to do the work yourselves in the first instance?—Yes.

3808. With that view you went to the Triennial Contractor for the ironwork, the stanchions?—Yes.

3809. Why did you do that?—Because it was about the cheapest way we could do it, taking in view the current price of structural ironwork at the time.

3810. May I ask whether you take it for granted that all these contracts which are done on the triennial basis are more economical than those which are put out to tender?—I would not say "yes" to that, and I would not say "no" in all cases. My point is that we are constantly buying structural ironwork of one sort or another, and we are therefore in a position to judge what the market is. If the Triennial Contractor's schedule price is to our advantage we are surely taking the proper course to buy in accordance with that condition of things.

3811. But you have not got the prices of other people, have you?—Yes, we are buying from other people—we know what the market is.

3812. You are not buying on tender from other people, are you?—Yes.

3813. You mean for other big work?—For all sorts of works. For all sorts of ordnance work too, there is a good deal of iron and steel work to be bought which keeps us more or less in touch with structural iron work prices.

3814. Is it usually the same Contractor who gets a renewal of these contracts?—No.

3815. It is usually a different one?—Yes. This particular Triennial Contractor has had a term and a-half, that is to say he is in the second term now, but he was a new man four and a-half years ago.

3816. Is he a local man?—No, he has got a yard there, but he is not properly speaking, a local man, he is a London man, I think.

3817. You advertise for these contracts, I suppose, in some way?—They go to the people on the War Office list.

3818. But all those who are capable of doing the work are advised that you are going to enter

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into a triennial contract?—It goes through the same process as the other contracts.

3819. Have you ever considered the advisability of making them yearly contracts instead of triennial contracts?—It has been discussed, but I should be very averse from that. I think you get a greater advantage out of triennial contracts.

3820. Would it not be fairer to both sides. If the prices went up a Contractor would get the advantage of it, and if the prices went down you would get the advantage of it?—But there is such a very great advantage in continuity in building work. Supposing, for instance, we had a man at the end of the year with his job half through. Of course we run that risk at the end of the third year in a triennial contract, but if we had it to go through every year it would be a great inconvenience and a great expense.

3821. It is a very common thing in large undertakings?—Yes, but so is the triennial system, and also the quinquennial.

3822. Where it has to do with the purchase of such materials as iron and fuel and such things as that, the prices of course vary tremendously?—This has not to do with fuel.

3823. Fuel has to be taken into account, has it not?—I see what you mean; but except for the fact that there is a large amount of pumping, there is not such a great deal of fuel used in the buildings—of course there is a certain amount.

3824. Still a rise of 10s. a ton in the price of coal would make a great difference in the cost, would it not?—On a contract of £10,000 or £20,000 the amount would be comparatively small.

3825. And there are other things, of course, as to which the prices vary?—Yes, there is a certain amount of risk on both sides, no doubt.

Sir Robert Hobart.

3826. May I ask you one question in regard to the schedule of prices: how do you arrange the schedule of prices—is it arranged by the Triennial Contractor?—The usual procedure is to state a schedule of prices and the Contractor quotes so much per cent. on or off.

3827. There is a sort of standing schedule of prices?—Yes.

3828. Which you revise from time to time?—Yes.

3829. When a new contract has to be made he makes his comments upon it and you agree or not, as the case may be?—Yes.

3830. You think that is the most economical arrangement?—I think so.

3831. May I ask you how often the schedule of prices is varied. I take it it is with each contract—is that so?—With each contract.

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3832. When

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3832. When the Contractor goes on for a second term is the schedule of prices revised?—It is revised with each contract.

Sir Daniel Goddard.

3833. You mean with each three years?—Yes, but each contract is a three years' contract. I took that to be the meaning of the question.

Sir Robert Hobart.

3834. There is a revise of the schedule of prices on the renewal?—Yes, on the renewal.

3835. May I ask what the terms of the triennial contract are—how do you arrange them—is it a form?—Yes, there is a usual printed form of this sort (*handing a form to the Honourable Member*).

3836. Is that revised from time to time?—Yes, that is prepared for each triennial contract.

3837. The triennial contract is for certain services—there is only one Triennial Contractor under your department, I understand?—Yes.

3838. What services does he take under your department?—He takes anything which is given to him provided it does not exceed £1,000 on the job. He is paid by measurement. The work is measured up, and he is paid according to the schedule of prices for the amount of the work so measured.

Mr. Leif Jones.

3839. Do you give a guarantee to the Triennial Contractor that he is to have all work under £1,000?—It is not exactly a guarantee, but it is in fact a feature of the contract.

3840. He expects to get all work practically which does not amount to more than £1,000 in each case?—Yes.

3841. How much liberty have you in regard to his getting it?—I am told he is obliged to get it.

3842. That is to say if you put up a job of £900 to contract he would have a right of complaint and could claim the job?—Yes.

3843. In the case of the Woolwich explosion I think you said that the work had to be done promptly and that therefore you could not really prepare bills of quantities and so on for putting it to tender?—Yes.

3844. Supposing it had been a £20,000 job, which it might very well have been, would that still have held?—Yes, I think so. You mean a £20,000 job in one building.

3845. I mean supposing you had got £20,000 of repairs instead of only £3,000, that is, supposing the wreckage had been even greater than it was, because, as I understand, there were lots of things which were not much damaged, were there not?—Yes.

3846. Then the necessity would have been even more pressing if there had been more damage done?—Yes.

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Mr. Leif Jones—continued.

3847. And therefore, I presume, the Triennial Contractor would have got the whole of the work to do supposing he had been capable of doing it?—If I may divide it into buildings, because I think that is the fairer way of approaching the subject, supposing there was a building which had £20,000 worth of damage done to it, I think there probably it would have been in such a state that the urgency might have permitted us to re-design the whole building, and I think that probably would have been required; that necessarily must occupy time.

3848. It seemed to me that your evidence about this explosion was that the ordinary rules were set aside by the fact of the explosion requiring you to take emergency measures?—Yes.

3849. The point I wanted to ask about was this: instead of the work being divided up, as it was in this case, into four items, each under £1,000, would it not have been better frankly to recognise that an exceptional state of affairs has arisen through the explosion and to ask for leave from the War Office, with the consent of the Treasury, to set aside your rule about triennial contracts and to call in your Triennial Contractor, not to do four separate jobs each under £1,000, but to make good the damage that had been caused by the explosion?—But, with due submission they are all separate jobs—they are four separate buildings. They are merely tied together by the fact of the explosion; otherwise they are totally distinct services.

3850. Does not that rather prove too much? Is it not very easy to divide up any services that have to be performed so that you bring them each within the limit of the triennial contract?—I do not think so.

3851. You may say, as you say here, that the foundations are one thing, and the superstructure another; in the same way you might say that the floor is one thing and the ceiling is another?—I think I should find it very hard to meet this Committee if I did divide the floor from the ceiling in that way.

3852. That is so, no doubt; there is this Committee; but the real point I have in mind, is the division of the work?—If I might repeat what I opened with, there has never been, and I think I may say there never will be, any division of work simply to get over Regulation.

3853. No, I did not suggest that; that is putting the thing very crudely?—But it is putting it in the way which really underlies the question.

3854. The real position, as I understand it, is this: The War Office has the power, or at any rate claims the power, of raising the amount which may be given to the Triennial Contractor?—Yes.

3855. The amount was raised, as a matter of fact, without the consent of the Treasury, from £400 to £1,000?—Yes.

3856. I

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3856. I understand it is now lowered again to the £400?—I was not aware of that. (Sir Guy Fleetwood-Wilson.) That has not been promulgated yet.

3857. (To Mr. Donaldson.) It is still standing at £1,000?—Yes.

3858. That being so it does affect you very much what the limit is?—Yes, it does, of course.

3859. It affects the arrangement of your work. Is very much less work done by the Triennial Contractor with the £400 limit than with the £1,000 limit?—Yes, I think so. The prices rule very much higher.

3860. I think I remember an answer given by you last year to me which pointed to the fact that the increase to £1,000 had not resulted in much more work being done by the Triennial Contractor?—I think Colonel Bagnold gave an answer on that point last year. He is present now if you would like him to answer the question.

3861. (To Colonel Bagnold.) When the limit was increased to £1,000 was there any great increase of the work given to Triennial Contractors?—Yes, there was. I think you will find that in the evidence of last year.

Mr. Donaldson.

3862. At the beginning of your evidence you used a word which rather struck me; you spoke of the "convenience" of this work?—Yes.

3863. It is very handy of course to call in the Triennial Contractor?—Yes, but what I meant was convenience, if I may so call it, as a factor of economy; it is not personal convenience; it is not the convenience of the staff but it is the convenience to the State because it is cheap.

3864. It often means the saving of time?—It does, and that means the saving of money.

3865. But I rather think that taking into account the fact that giving it to the Triennial Contractor saves time, a limit was imposed upon it for other reasons?—Do you mean as regards the limit of £1,000 or the limit of £400.

3866. Whatever the limit may be. It was recognised that giving it to the Triennial Contractor saved time, and the imposition of a limit shows that other considerations have to be taken into account?—Yes.

3867. You told us that you could not remember a case in which the work had been divided up with a view to giving it to the Triennial Contractor?—No, I am perfectly clear in saying that no such case has occurred; that is to say simply in order to bring it below the £1,000.

3868. That is an answer to me; I rather took it, and I submit that that is rather the implication of the paragraph of the Comptroller and Auditor-General, that the work had been divided up artificially into four items in this

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Mr. Donaldson—continued.

Woolwich case?—If I may I would repeat again what I said at the beginning.

3869. It is not necessary to repeat it. In this first case of the explosion in the Chemical Research Department where the amount of £2,953 was divided into four items, each within the £1,000 limit, were there four buildings?—There were more than four buildings.

3870. Then what about the debris in between the buildings—was that all cleared away by your people or did the Triennial Contractor assist in that?—The buildings were widely apart; they were not even contiguous, or at least two of them were contiguous—the laboratory and the offices were contiguous.

3871. Are they under one roof?—I would not say that they were under one roof exactly. They are in one block, and perhaps from your point of view they would be considered as under one roof. They are like houses in a street.

3872. Were all the buildings destroyed?—No, they were not all destroyed, there was damage done, for instance, to the ceiling in one place; the whole of one side of the laboratories was disturbed and more or less blown in; the roof of the laboratory was lifted bodily and moved some inches. Then when you come to the offices, which were situated mainly on the other side of the building on one side of the offices, there was a block of concrete driven through the upper floor window which came through the floor and ceiling of the office below.

3873. You do not think you would more naturally have called that one piece of work?—No, I should not, because they were more or less under different supervision.

3874. I see. You would recognise with this Committee that sub-division of work in order to bring it within your triennial contract would be a breach of the intentions of the Regulation?—Certainly, I think so.

Mr. Bowles.

3875. As I understand the allocation of the contracts in connection with the ordnance factories as between the Triennial Contractor and public tender rests with you?—Yes, of course I depute and delegate.

3876. Quite so; but the War Office would hold you responsible?—Certainly.

3877. They do not all go to the Director of Contracts?—No, except in the first instance. The letting of the original triennial contract would go to him.

3878. Exactly, but as regards the allocation of contracts the question whether or not a particular job should go to the Triennial Contractor or be put to public tender is a question for you to decide?—Certainly.

3879. Now you have told us that there is no intention in your Department to evade the Regulations, and that your object is to keep to them no doubt in spirit as well as in letter, and you will agree

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agree, I imagine, that the Regulations are based upon the view (whether it is right or wrong) that the prices of work put out to tender for large jobs are likely to be cheaper than those under the schedule of the Triennial Contractor?—I am a little bit inclined to question that, because with the £1,000 limit the triennial contract becomes a contract worth having by a big man.

3880. That is the first thing I wanted to make clear. Do I understand that your view is that for many, or indeed for most, of the sort of jobs that you have the thing can be done cheaper by the Triennial Contractor?—Yes.

3881. Irrespective of the size of the job?—No I would not like to say that, because if you get into very much larger work there may be all sorts of other conditions attaching which would possibly tend to cheapening; that is to say, the Contractor is able to concentrate the whole of his supervision for one thing if it is a larger job, but the Triennial Contractor cannot do that.

3882. No doubt that is the view of it, otherwise there would be no advantage in having a limit at all?—No.

3883. Now let me ask you about this Case No. 2—the erection of the Packing Case Store at Woolwich. You came to the conclusion that you wanted at Woolwich a new store which would cost altogether £2,390?—I think, as a matter of fact, the amount was £2,209—that was the actual cost.

3884. I am putting to you the estimated cost. You came to the conclusion that you wanted this work done and that it would probably cost £2,390?—I cannot say that I came to the conclusion that it was wanted because it was not for me or for my Department—it was for the Army Department. It was done by me for the Army Department; it was not done for the Arsenal.

3885. It became, at any rate, your duty to provide for the erection of this store at Woolwich in some way or another?—Yes.

3886. And you knew or you estimated in the first place, that it would probably cost £2,390?—Yes.

3887. What I do not quite understand is how, in view of the Regulation, you should have considered it open to you to divide it into two and to hand it to the Triennial Contractor; you would not say, would you, that the foundation of a building and the building itself are two separate and distinct services?—As a matter of fact it was divided into five items.

3888. Would you tell us what those five items were?—The foundations were the first, the agreement with the Triennial Contractor was the second, the work done by departmental labour was the third, the glazing was the fourth (that was done by a special Contractor), and the asphaltting was the fifth, which was also done by a special Contractor.

3889. I think that is very important; just let

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me understand that. The foundations you say were the first item?—Yes.

3890. And the agreement with the Triennial Contractor was the second?—That is a special agreement under the triennial contract terms. That is merely ear-marking a certain amount of the work to the Triennial Contractor.

3891. But the whole thing was given to a Triennial Contractor?—No; the foundation was given to him as one item and the shell of the building was given to him as another; then there were these special services apart from the foundation and the shell. Part of that was done by our own labour and the other two parts were done by special contracts, the glazing contract and the asphaltting contract, both of which are running contracts but not the same people.

3892. But each of them was a Triennial Contractor?—No, the glazing contract is only an annual one, I think—it is a running contract at any rate for a period.

3893. But, at any rate, this is clear, you did regard and hold yourself free to regard the foundation of this building as being one service and the building itself as another service?—Yes; following the very usual custom at Woolwich.

3894. But how usual is that custom; has that division always been made in all buildings?—At Woolwich that is done in nine cases out of ten.

3895. I ask because I really find it difficult to understand how it can be suggested that the foundation of a building is one thing and the building itself another?—Let me describe what happens; supposing a building of a certain size and capacity is required for certain purposes, a sketch of what it is desired to have above ground is made; then you come to deal with the foundation which it is thought or in fact by calculation, it is known will be required; a drawing is got out, the foundations are then proceeded with, and then to keep within the money that we hope to do the whole work for, we have to insure that the foundations, if possible, shall not cost more than we have allowed for them in the original estimate, which original estimate, mind you, has to be prepared before the final drawings, because it has to be voted by Parliament. Then supposing any difficulties arise or become apparent as the foundations proceed, the superstructure may be, and frequently is, altered. Consequently we have rather got into the habit of insuring our foundations before we finally settle upon the superstructure.

3896. But surely all those considerations apply really more or less to any building in the world?—I grant you; but then every building in the world is subject to very great fluctuations and claims for extra payment.

3897. But in this particular case your estimate

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Mr. Bowles—continued.

mate was very good; there was not very much fluctuation in fact here?—No.

3898. You take the view at Woolwich, at any rate, that the foundation is one thing and the building another, and that you cannot regard the whole building that is required as one job?—The foundations are required for the building I admit, but that they have to be provided before the building can be set upon them I think you will admit.

3899. I admit that fully. It seems to me to be quite clear, and to apply to any building in the world?—Yes. What one does not like to have is big bills for extra payments afterwards. What we would have to do in every single case would be to sink trial holes if we worked upon what you call the usual procedure, and complete the whole of our drawings and enter into one contract for the whole.

3900. I fully recognise that you may come across circumstances in the course of putting up a building which may necessitate a change of plan, but my point is, what is there at Woolwich that makes it necessary to start out on the assumption that the building is not to be regarded as one with its foundations, but that they are in some strange way to be regarded as two distinct works?—My answer to that question was 30 feet of peat.

3901. That is really your answer?—Yes.

Mr. Ashton.

3902. I quite understand why you put the contract out into two parts: I understand the difficulty about the foundations; but what I do not quite understand yet is why you did not put the contract for building out into one instead of into four different contracts. Do I understand you to say that you feel bound to give every contract under £1,000 to the Triennial Contractor?—If it is, so to speak, a complete job falling within his schedule I think we are more or less bound.

3903. Even a new building?—Even a new building.

3904. You say that this contract was given out in five different parts—could you give me the cost of the different items?—The foundations cost £222. The Triennial Contractor's piece for what I may call the shell cost £968; the departmental work, that is the work done with departmental labour, cost £438; the glazing contract £145, the asphaltting contract £223, and then the indirect expenditure (that is the administrative charges and so forth) £213.

3905. Then the foundations cost only £200 or £300?—£222.

3906. I understand you anticipated that the rest that is above ground was going to cost £2,000?—That is all told.

3907. But your foundations you say only cost a little over £200, therefore the rest above ground was, roughly speaking, £2,000?—Yes, that is so.

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Triennial Contracts—continued.

Mr. Ashton—continued.

3908. Under those circumstances I do not see why the superstructure was not given out as a contract?—It might have been, perhaps.

3909. Have you any right to give anything that is over £1,000 to the Triennial Contractor?—We did not give him over £1,000—we only gave him £968.

3910. But apart from your own work, which came to £400, the rest was given to contractors—the glazing man, for instance, was a contractor, was he not?—He was a contractor.

3911. As I understand here, you had a job that was going to cost, roughly speaking, £2,000 above ground, and you gave it out to Triennial Contractors, none of whom ought to receive more than £1,000. What I mean is this: It is, roughly speaking, a £2,000 job and you give it out to Triennial Contractors; how do you justify that. Remember it is a new building?—We justify it by its being the most economical way under the circumstances.

3912. I understand the Regulations are that you shall not give to a Triennial Contractor any job over £1,000?—But we have not given any man over £1,000.

3913. But you have given this job which is, roughly speaking, £2,000, to Triennial Contractors. Let me put my question in this way. You have a job which is going to cost, roughly speaking, £2,000 above ground, and you have not got a contract for it?—The way that I have looked at the £1,000 limit is that any contract I give to an individual Contractor must be under £1,000.

3914. Surely if the job is going to cost, and you know it is going to cost, more than £1,000, you ought, according to the Regulation, to ask for a contract for it?—I am not quite sure.

3915. Surely there can be no question about that. I thought that was a well-known rule of the Service. (To Sir Guy Fleetwood-Wilson.) I do not know whether I ought to put the question to you; is it not the case that any job over £1,000 ought to be done by tender?—The difficulty seems to be to know what this contract was. Speaking subject to correction, because I really do not know in what way the Regulation is interpreted at Woolwich—that is a matter for Mr. Donaldson to speak to, but if I had to interpret it I should consider that no service of over £1,000 should be put otherwise than to open tender.

3916. So far as you know there is no reason why the same system should not prevail at Woolwich as elsewhere?—That I cannot say. I know nothing about the internal economy at Woolwich.

3917. Is it a question of internal economy—is it not rather a question of the Regulation? (To Mr. Headlam): This Regulation that any job of more than £1,000 should be tendered for is not confined to the War Office, is it, but applies to all the Departments?—I think the £1,000 limit only applies to the War Office. The Office of Works

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[Continued.]

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## Triennial Contracts—continued.

Mr. Ashton—continued.

Works, as regards their triennial contracts, are limited to £300, and the rule as to contracts generally is that competition should be resorted to. (Mr. Donaldson): I am not by any means clear that in work of this sort the other running contracts do not carry their obligations too. The glazing Contractor, I think, would have claims if we did not employ him on jobs of this particular sort, and similarly with the asphalt contractor. I would like to look into it again, but I think they have got their rights as well.

3918. If you have a job, a new building, and you think it is going to cost more than £1,000, do you not feel it your duty to put it up to contract?—I think it would not necessarily be so—it depends upon how the £2,000 is made up.

3919. But then what is the meaning of the £1,000 limit as to triennial contracts?—That no contract with the Triennial Contractor is to be of more than £1,000.

3920. You mean it does not limit the total job—you may divide it up amongst the various Triennial Contractors?—There is only one Triennial Contractor for this class of work.

3921. I mean the various Contractors with running contracts, triennial or otherwise: You think you can divide up the job among the various Contractors so long as the individual jobs will not come up to £1,000?—Yes, I think so, certainly.

3922. To any extent?—I think so. By "any extent," you mean as regards the number of jobs?

3923. Yes?—But not on the same work.

3924. On the same building?—No. I do not mean on the same building.

3925. What I mean is this: In this case by dividing it up amongst various running contracts you have brought the £2,000 down below the £1,000 limit?—Yes.

3926. That you think you can do to any extent?—Yes, I think so.

Mr. Parker.

3927. I have listened attentively to your evidence, and what I am anxious about is this: You have stated in answer to Mr. Lief Jones that in your opinion it was a more economical way to give these contracts to the Triennial Contractor, but I did not gather that you gave any proof of that statement; could you give any proof that it was more economical to give work of this character to the Triennial Contractor than it would be to put it to tender?—You mean, can I give you any examples?

3928. Yes?—In last year's evidence more than one case was given.

3929. Would you suggest that as a general thing work is done cheaper from your department by Contractors working as the Triennial Contractor does on a schedule of prices, rather

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## Triennial Contracts—continued.

Mr. Parker—continued.

than by the issuing of open tenders?—When you take all the expenses into account, yes.

3930. That is very unusual. I have had the opportunity of dealing with very large contracts, and that is contrary to all the experience I have had before?—Perhaps the work you are referring to is not quite on all fours, or on similar lines to ours.

3931. I am thinking of big buildings and the construction of large reservoirs and things of that kind, where the work is very complicated. No big Corporation, for instance, would ever think of giving such work as that to a small man in the way you do here with work of this kind?—But these are not necessarily small men.

3932. I should like to have some evidence in support of the statement that this was the most economical way of doing it?—Perhaps I might supply you with a reference to it in the evidence of last year.

3933. I was not on the Committee last year, but if it is in the evidence I can look at it there?—You will find it referred to on page 391 of the evidence given by Colonel Bagnold.

3934. It seems to me that your evidence really amounts to this, that so far as the Woolwich department of the War Office is concerned, it is cheaper for you to buy retail than to buy wholesale?—In certain cases it is.

3935. That is most unusual?—I daresay it is, but the fact remains. I should be pleased to prepare a statement bearing that out in figures from past experience of the results of working and put it in if you wish.

Chairman.

3936. We should be glad if you would put in such a statement?—I will prepare it and put it in.

3937. I want to ask you a question about splitting up these contracts. Was the glazing of this particular building a special sort of glazing which was required to be done by one contractor?—The roof glazing was patent glazing.

3938. So that even if you had built the whole of the rest, the foundation and all the other jobs, you would still probably have employed this patent glazing Contractor just as a railway company may do?—Yes, it would be something of that sort, only we employed the glazing Contractor who had the current contract.

3939. You take up this position that where you have got a job, say, of £1,000 to do, if you have got running contracts which deal with any one part of that contract you are bound to give it to your running Contractors so long as the amount given to one Contractor does not exceed £1,000. I think you said that they would have a just cause of complaint if you did not give it to them so long as each part does not exceed £1,000?—I do not think I could give you a definite yes to that

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that question because I think other circumstances might come in.

3940. I ask the question for this reason. I think it was given in evidence last year that the running Contractors would have a claim upon a job if it was under £1,000?—Yes.

3941. And I think you have used the same phrase with regard to the glazing Contractor in this particular case?—Yes.

3942. Therefore if he has got a claim it is the case that if you have got running contracts for four or five services all of which have to be combined, or some of which have to be combined in one particular building, you are bound to employ the running Contractors for these works?—I think so.

3943. Even although under the particular circumstances of the building it might be cheaper to go to tender for one job, yet you are so bound by your triennial contracts that you cannot very well get one big tender for the whole of the job, but you are bound to go to the several contractors because they have a claim to the work, is that so?—I think that is so, if I understand the question, but it was rather a long one and I am not quite sure that I followed it.

3944. There was only one other point that I wanted to have elucidated. You spoke about jobs running at the end of triennial contracts, but surely the Triennial Contractor is bound to finish any job that he is doing—his contract does not expire on a certain day whether the building is finished or not—he is bound to finish it?—Yes, but it might mean a delay in beginning a new contract. In our own interest it would be undesirable to have two sets of Contractors working on the ground at the same time.

3945. But they cannot work on the same building?—No, but they would be working in the same area.

*Sir Daniel Goddard.*

3946. I would like to ask you whether you will not reconsider that answer which you gave just now—I can scarcely think that you have tied your hands to the extent that your answer implied?—As I said the question was rather a long one, and I am not sure that I quite followed it, I should like to look at it again.

*Chairman.*

3947. Perhaps you would bring the Committee your considered answer when you come up again on your Vote?—I should be glad to do so.

*Sir Daniel Goddard.*

3948. And perhaps you will also state what is the minimum amount for which you are pledged to these Triennial Contractors. I understood you to say that when you entered into

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Triennial Contracts—*continued.**Sir Daniel Goddard—continued.*

triennial contracts you pledged yourself to a certain amount of work to be given to them?—We pledge ourselves for what work there may be up to a certain limit—up to £1,000 if that is the limit, or up to £400 if that is the limit.

3949. That is, to give them all work up to £1,000 or £400 as the case may be?—Yes, all work that we do not do ourselves.

3950. I do not understand it at all I should have thought it was most unnecessary to tie your hands in that way?—Our safeguard is our own departmental labour.

3951. I do not want to press you upon it now. I understand you will bring us your considered answer when you come up on your own Vote?—Yes.

*Mr. Donaldson withdrew.*

## EXCESS COST OF TORPEDO SLIPWAY.

*Chairman.*

3952. (To *Sir Guy Fleetwood-Wilson.*) I think you wish to refer to a point on Paragraph 64 which we were considering when we adjourned on the last occasion?—Yes. With your permission I would like to clear up a point which arose on that paragraph. It was at the end of the day, and I was rather tired and I did not understand the point which was put to me by Mr. Hobhouse. (I am sorry he is not present now to hear my answer.) I think it raised the question of whether any action had been taken by the finance side in regard to the torpedo slipway. Before you take the evidence of the Director of Fortifications and Works, I should like to mention that this claim was sent by the district to the War Office in 1905 and was dealt with in October, 1905. At that time there was no Director of Contracts (I think that bears on the point); the Administration of Contracts rested in the Master General of the Ordnance. I think I left the Committee under the impression that nothing had been done on the Finance side in connection with this case; but on the 17th October, 1905, I drew the attention of the Financial Secretary of the War Office to this case. The Finance Member then minuted his views to the Master General of the Ordnance in regard to the case, and then we got the explanation of the Master General of the Ordnance in regard to it, and his view was that on the whole what had been done was the best that could be done. It was then suggested that the charges made by the Contractor were excessive, and it was proposed to ask for a settlement, to go to arbitration if necessary, but to settle it for £2,000. We then wrote to the Treasury. We did not attempt this settlement without their sanction; we wrote to the Treasury and obtained their sanction to offer £2,000 in settlement. The Contractor refused. We went to arbitration, and

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and the arbitrator awarded very nearly the full amount claimed by the Contractor, which was over £3,000.

That is the history of the case in so far as we were concerned on the Finance side after it was brought to notice within the War Office. I wanted to make that point clear. Now as regards what I may call the defence for the action if one is necessary (I do

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not, of course, use the term in any offensive sense) I think you wish to have the evidence of the Director of Fortifications and Works who would be responsible for the technical side of it altogether. General Ruck has just given up the appointment, but as he is thoroughly conversant with the work, I think he wishes to deal with the case instead of his successor, who has only just been appointed.

• General R. M. RUCK, called in; and Examined.

*Chairman*.

3953. Perhaps you will tell us the story and give your explanation of this case before we ask you any questions about it?—The story is a simple one in itself. We wished to make a slipway for the Brennan torpedoes at Cliffe, which is on the Thames marshes. We asked the Brennan Torpedo Factory to get out a design for that slipway. We asked the Brennan Torpedo Factory for the reason that they had been in the habit of making similar slipways elsewhere—in fact, they were the only authorities on the subject whom we could consult. They submitted a design which was approved by the War Office. We made a rough estimate. Of course all these piers and slipways, anything in the nature of under-water work and pile work is always difficult to estimate. I think our original estimate was between £1,500 and £1,600. Then we went to contract. I think there were about eight Contractors tendered. We accepted the lowest tender, which I think was between £1,100 and £1,200, which was considerably below what we anticipated. I think I might say that the best Contractor, at least the contractors whom we had hitherto found to be the best, sent in considerably higher tenders. I may, for instance, mention the name of Mr. Hill, who is a very well-known under water Contractor and who has built a great many breakwaters. I think his tender was about £1,750. I only mention that because I think the accepted tender was a very low one. Then when we commenced to work, after we had put down a certain number of piles, I may say they were 10 feet piles, on the shore side, it was found that the mud was much softer than was anticipated, or rather the mud was much softer than we had had any previous experience of. In consequence the officers on the spot, and also the officers of the Brennan Torpedo Factory who designed it, thought that it was not quite sufficiently secure, and they agreed together that the best plan would be to lengthen the piles. An order was then given to get out lengthening pieces. That had to go to contract again, and that, of course, entailed delay. I think the delay was from about March to July, something like four months. Then they did a certain amount of

*Chairman*—continued.

work—they were able to continue the work to a certain extent, but the Contractor had to keep on a certain number of men and a certain number of boats, though they were lying idle to a certain extent; therefore he had a claim to compensation. That is the essential part of the story to my mind. But as a matter of fact, when they got a little further on, they found that the bed of the river had shifted—that is to say, the soundings which had been taken three years before were not the actual soundings at the time. Perhaps I might explain that this is very unusual. Personally, I know these rivers pretty well myself. I have been for many years at work on them, and I have no doubt the local officers knew the river, and it is unusual for the bed of the river at that particular part to alter so rapidly. But I do not think that has much bearing upon the actual expense that we were put to in the long run. It only necessitated a certain amount of delay in making some alterations in the plans. I do not think it ought to have increased the cost otherwise because it was really in our favour, as we did not want quite so many piles to go out into the deep water, but I wanted to tell you the whole story, and I mention that as being part of it. They said there was some slight delay due to having to change the plan. \*Then the Contractor said that, owing to all these delays, he was not in a position to continue the contract on that line, and we, on our side, felt that some compensation was due to him, and so the local officers and the officers from the Brennan Torpedo Factory decided between them that the best course would be to accept the Contractor's offer to continue the work, and that he was to be paid the actual cost of the work. The local officers, I may say, were placed in a very difficult position. If the contract had been broken, of course we should have had a largish claim for compensation, and it was very hard to estimate which would have been the best for the War Department—to break the contract, or to accept this offer of the Contractors. There was another element, too, that of course all defence works are urgent, because we wish to push on the defence works as rapidly

\* NOTE.—This statement is somewhat modified by accompanying memo after re-perusing correspondence. The Contractor does not appear to have declined to continue Contract, an understanding being come to that he should subsequently put forward a claim based on his actual expenses.



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as we can, and therefore it would have been very undesirable either to get another contract, or to have attempted to do the works ourselves by day labour; because we should have had to get a lot of plant, and in that case there would have been a lot of delay. So the local officers thought it would be much better to accept the offer of the Contractor that we should pay in accordance with the exact amount of labour and materials he put into the job. Afterwards, when it came to the payment the Contractor sent in a very heavy bill—at least we thought it was a very heavy one. Instead of £1,050, the contract amounted to a little over £3,000. Then we had to consider at the War Office whether this should be paid straight off, or whether we should have an enquiry and an arbitrator appointed. It came to me about that period, and as far as I was concerned I thought the best plan was to have a further investigation and enquiry. I sent down independent officers, they made an estimate of the amount they thought it ought to have cost, and their estimate was very similar to our first estimate—that is, between £1,500 and £1,600. Personally, I thought that estimate was a bit small, because I did not think it made sufficient allowance for what I should call a claim for demurrage—that is the boats and the men that had to be kept on; but, at the same time, my impression was, on going into the whole story, that the Contractor would have been very well paid if he got £2,000 or rather over that. That was my impression. Then by the approval of the Treasury we were authorised to offer the Contractor £2,000, which he refused. Then the only thing left to us was, either to pay the whole sum, or go to arbitration under the conditions of the contract; and the Authorities of the War Office considered eventually that it was desirable to go to arbitration. An Arbitrator was selected through the Institute of Surveyors—Mr. Stoward, I think his name was, and he held a two days meeting. The conditions of the arbitration were that we should have one representative on our side, and the Contractors should have one representative on their side. The whole thing was over in two days, and the Arbitrator, I must say, much to my surprise, gave them nearly a full award. (Sir Guy Fleetwood-Wilson.) He only took off £12.

*General Ruck.*

3954. I think that is as shortly as I can state it, what actually took place.

3955. Did the piles of the Brennan Torpedo Factory prove to be too short because the river bed had shifted?—No.

3956. It was a mistake on the part of the Contractor?—The shifting of the bed had nothing to do with the short piles.

3957. Had there been no indications at all of the shifting of the bed within four years?—

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I do not think the shifting of the bed had very much to do with it. It was the error of the piles being too short which was the difficulty.

3958. In the Report of the Comptroller and Auditor General on the top of page 209 he says the local officers made this new agreement with the Contractors. Was it not *ultra vires* for the men on the spot to do that?—I do not think there were any instructions that they should not. Of course they did send it up within two months.

3959. When they had done it?—Yes, when they had done it.

3960. What office does the local officer hold who did this?—The local officer is C.R.E.

3961. C.R.E. where?—At Gravesend. He held a consultation with the Brennan Torpedo Officers who had designed it.

3962. Is it in the power of C.R.E.'s to vary contracts or to add to contracts?—Of course what he says is that he did actually acquaint the War Office.

3963. Within two months?—Yes.

3964. Is it in the power of the C.R.E.'s to do it without first acquainting the War Office or getting their consent?—I am not prepared to give a definite reply. I do not think there is any instruction against it.

3965. Except the Treasury ruling that no contract may be varied without the Treasury's authority. It is laid down by the Regulations that he cannot deviate from the contract?—The point on that was whether in reporting to the War Office he got the War Office approval.

3966. He had made a contract first of all, and altered it within two months of making it. It is quite clear he exceeded his instructions. May I ask, has he been suitably dealt with for a very grave breach of the Regulations?—As a matter of fact the officer has retired.

3967. Was he to have been dealt with before he retired immediately after this wrong was committed?—This is a very unusual case, and my position is somewhat unusual, because this officer was my brother. I want the Committee to know that. I felt the position was awkward at the time, and therefore I at once reported it to my superior officer.

3968. For him to deal with it?—Yes, with that view. I wrote to the Master-General of the Ordnance on the 11th of December, 1905, practically as soon as I had completed my inquiry. I first of all made as detailed an inquiry into the subject as I possibly could; and you will understand from my position in this matter that I should make more careful inquiry than otherwise. In fact, I rather reproached my Assistant, who was carrying out the work, for not telling me about it at an earlier stage. In my letter to the Master-General of Ordnance I said: "There has been some delay in this matter, as I thought it desirable to make another careful inquiry

NOTE.—Answers 3962—3968 require to be considered in connection with accompanying memo. The C.R.E. evidently considered that the contract was not deviated from by his agreeing to forward a claim of the Contractors based upon actual expenses.

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into the matter, and I directed Colonel Cleve, A.D.F.W." (that is the Assistant Deputy under whom the work was carried out), "and Mr. Jerome, Chief Surveyor, to proceed to Gravesend to investigate the case. The results of this further examination are indicated in Minutes 1 and 2 of branch memo. attached. The main, if not the only, cause of the excess was due to the design of the piles being unsatisfactory. These piles were designed at the Brennan Torpedo Factory, where considerable experience had been acquired in like cases at other stations where, in fact, the only valuable advice was likely to be had, but it turned out that the mud at Cliffe Fort, Gravesend, was much less tenacious than we had previously experienced, so the design had to be altered during the execution, with the usual result of increased cost. Such results are not uncommon in all pier and waterworks where actual experience on the spot is frequently the only reliable guide. As regards the amount of the claim I cannot but regard it as excessive, and I think we should resist it. The understanding was (and I do not think the local officer could have well taken any other action under the circumstances) that the Contractor should complete the work, making a claim based on the actual cost of the work for extra work and expense entailed owing to the alterations of the contract design, and to the delay necessitated thereby. But this does not mean that we should pay him any claim he likes to put forward, although based upon his actual expenses, for he might so mismanage his work that the cost would be very much higher than it should have been." Then, if I might read the reply of the Master General of Ordnance, he directs it to the Finance Member, and says: "I have read this case carefully, and I have conferred personally with D. T. W., who has made exhaustive enquiry into it. I do not think blame can be attached to anyone for the alterations in design which became necessary and the steps which were taken by the Local Authorities when those alterations became necessary were the best to be taken under the circumstances." That is signed by Sir James Wolfe Murray.

3969. What is the date of that?—That is the 8th January, 1906. (Sir Guy Fleetwood-Wilson.) That was in answer to a minute addressed by the Finance Member to the Master General of the Ordnance, which was the outcome of the minute addressed by me to the Finance Member, and which was addressed to him as soon as ever this case was brought under my notice in October, 1905. I think that rather deals with the point the hon. member was referring to on the last occasion.

3970. Perhaps you can tell us how this breach of regulations would be dealt with?—That would not come before me. If it was considered necessary to deal with it from a disciplinary stand-

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General Ruck—continued.

point it would be entirely within the department of the Master General of the Ordnance. The functions of the Finance member would be limited to drawing attention to the case; and the disciplinary action, if any were necessary, would be taken by the Master General. But I understand from his Minute in this case he did not think there was any blame attaching.

3971. That was the view of the Master General of the Ordnance?—Yes. (General Ruck.) I specially brought it to his notice. In an ordinary case I should not have done so; but owing to the peculiar circumstances I brought it to his notice, and asked him for his decision.

3972. The second paragraph of the Comptroller and Auditor-General's report at the top of page 209 mentions that "no definite statement or forecast was made of the prospective cost, nor was the modification of the terms submitted at the time to the Treasury." Apparently both those precautions ought to have been taken?—I think it would have been impossible to have made an estimate.

3973. It says that "no modification of the terms of the contract was submitted at the time to the Treasury." That ought to have been done, I take it, as well as the leave of the War Office obtained?—I am afraid I cannot answer that. I do not think it would have been my duty to point that out personally.

3974. (To Mr. Kempe.) Perhaps I might ask you what regulation you have in your mind when you make that remark, that there was "no modification of the terms of the contract submitted at the time to the Treasury"?—I refer to the ordinary rule that contracts may not be altered without reference to the Treasury.

3975. That rule is laid down somewhere I suppose?—There is no doubt about the rule, but I am afraid I cannot quote chapter and verse.

3976. (To General Ruck.) Whose duty is it at the War Office to see that that rule is carried out?—Sir Guy thinks at that time it was our duty; but it certainly is not now. It is the Finance side. This correspondence was sent to the Finance side; and if it ought to have gone to the Treasury I should rather have expected (I do not want to say anything Sir Guy does not agree with) that they would have brought it to your notice. (Sir Guy Fleetwood-Wilson.) We went to the Treasury directly we knew about it directly it was brought to our notice.

3977. Apparently there is a little haziness of view as to where the responsibility for the carrying out of this Order lies?—(General Ruck.) I do not think there is any now.

3978. There was a little haziness of view at all events?—Yes, but I do not think there is now. (Sir Guy Fleetwood-Wilson.) I am afraid I cannot quite admit it was so. (General Ruck.) I felt it to a certain extent.

3979. (To Sir Guy Fleetwood-Wilson): You agree that has been obviated now, and that the new

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new Regulations of Finance working will throw upon you the responsibility of these things?—Yes, I think we shall be in a better position, but of course we cannot safeguard against an officer locally not adhering to Regulations. If he sent up and said I want to make this alteration in the Contract, it would go to the Director of Contracts and be put by him to the Treasury.

3980. And if he failed in his duty it is the responsibility of your office, I understand, to drop upon him properly?—Yes, of the Director General of Finance, because the Director of Contracts is under him—he is part of his Staff. If it were brought to my notice that it was desired on the Military side to make a change in the Contracts and for that reason, they asked me to go to the Treasury which is the form it would take, I should go.

3981. I want to ascertain whose responsibility it is to see that the officer in question, whoever he may be, is punished for this breach of Regulation?—It depends upon who the officer is. If he is a Royal Engineer officer, any disciplinary action with regard to him would devolve upon the Master-General of Ordnance.

3982. How does he know anything about it?—Nobody can know anything about it unless it is found out in the examination of the accounts, or something of that sort.

3983. You do not see my point. Your office is responsible for seeing that the Master-General of the Ordnance is informed of the breach of Regulations, and that the officer is suitably dealt with? If in the course of the examination of the accounts it came to light that an alteration had been made in the Contract, and that proper sanction had not been obtained for that, it would devolve on me to call for an explanation, and, if I did not get a satisfactory explanation, to draw the attention of my Member of Council to the fact, who would require an explanation from the head of the other side.

3984. Supposing that he was dissatisfied with the explanation, but satisfied that disciplinary action ought to be taken, has he the power to see that that disciplinary action has been taken, or to report if it has not been taken?—If there is any difference of opinion between the two Members of Council it would be brought before the Council as a whole. At that time the whole responsibility for contracts vested in the Master-General.

3985. You see my point, that I do not want one branch to neglect to administer a reprimand which another branch of the Council thinks ought to be administered?—Yes, but I must point out in this case you have the Master-General of the Ordnance going carefully into the whole case himself. He is the member of the Council answerable for the work and the technical side of the work, and in his opinion no blame attaches, as I read his Minute, to anybody.

3986. I am not on this particular case now?

B

ARMY APPROPRIATION ACCOUNT, 1906-7.  
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—No, but that is what it hangs on. If he had said, "I think that so and so is to blame and I will deal suitably with the case," that would have met the views of the Finance Member.

3987. But supposing the Finance Member had said, "I think so and so is to blame, if you do not; and I wish that the blame for what is a financial mistake should be brought home to him." May the Finance Member say that in spite of the opinion of the Master-General of the Ordnance?—Yes, he may take that up to the Secretary of State.

3988. Therefore the Master-General of the Ordnance is not to express an opinion upon a breach of financial regulations if the Finance Branch say a breach has been committed?—He cannot close the matter. If the Finance Member wishes to take it further, he can do it, and, I think, would do it.

Sir Daniel Goddard.

3989. You used the expression that if you were not satisfied with the explanation, that is, as to the variation of contract, you would take the question up; but do I understand that the Regulation is that all variations of contract ought to be submitted to the Treasury?—Yes, certainly, they ought to be submitted to the Treasury.

3990. You gave me the impression that it was only those you were dissatisfied with?—No; I said if the explanation given for not going to the Treasury for any deviation of the contract was considered quite satisfactory, we should go no further; and then it would be for the Comptroller and Auditor General to draw attention to it if he thought fit, and for this Committee to deal with it. But if there were a clear departure from the Regulations and it came to our notice we should ask for a reason.

3991. The Regulation is that all deviations of contract should be reported to the Treasury?—Yes.

3992. There is no question of whether there is a satisfactory explanation of the variation or not?—That is so. You see this article says: "Or in any other way alter the condition of the contract, without the consent of both parties to it"—one of whom, as has been pointed out, is the Secretary of State for War. So that that shows that no local officer is at liberty "to grant an extension of time except for extra work; to remit a fine for delay, or in any other way alter the conditions of the contract." It is perfectly clear.

3993. (To General Ruck.) Who was responsible for fixing the length of these piles?—The design was got out by the Brennan Torpedo Factory.

3994. Did they take sample borings?—I think they based their design upon previous experience. For instance they had a slipway not very far off down at Sheerness, where the conditions were somewhat the same.

35\*

3995 Surely

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Sir Daniel Goddard—continued.

3995. Surely you would agree they were greatly to blame for not at least putting down a trial boring to see what the nature of the soil was?—I am not certain that they did not do so; I should not like to give an answer straight off that they did not without looking up the papers again. I only had notice yesterday afternoon, and I had no time to look through the whole file.

3996. The point I am on is this. It sometimes happens that the authority giving out the contract makes these borings and tests themselves, and on those asks for a contract?—Yes.

3997. But I understand clearly this was not done by the War Office; it was only done by the Contractor who entered into the contract, or rather it was not done by him?—As regards the piles, I think the Superintendent of the Brennan Torpedo Factory took the whole responsibility. He knew the position, and he knew what was required, and he had to get out the design.

3998. If he did not choose to make trial borings, as every ordinary Contractor would, but said: "My experience is sufficient," it does not absolve him from responsibility?—I do not like to answer you straight off that he did not do so.

3999. The fact that it rests with him to do it makes him responsible. As I understand, there were two factors: one the change of the bed of the river, which you do not think affected it at all?—No, I think it only caused a small delay.

4000. And the other one was the softness of the mud?—Yes.

4001. That was then the one question?—Yes, and I think it was a rather doubtful point; whether they ought to have gone on or not when the piles were found to be too short.

4002. Do you know what extra length they had to put in?—They had to lengthen from 10 to 16 feet. They were 6 feet lengths, I think.

4003. When the contract was varied, I understood you to say that it was impossible to make an estimate?—I should say it was. I should have been very hard pushed to have made an estimate of the exact position of every detail.

4004. As I understand, what you did was to extend the contract on the basis of the cost of materials and labour?—Yes. I think, as far as the local officer is concerned, this is the way it was put: "A meeting took place between them"—that is, the Contractors—"and the responsible officers, at which it was agreed that the Contractors should complete the work, making a claim based on the actual cost of the work." That is to say they went straight on: subsequently found to be 2 months. Then I think it was about 5 or 6 weeks afterwards that it was reported to the War Office that they were going on in that way.

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Sir Daniel Goddard—continued.

4005. You could not get a definite estimate on the total amount?—No.

4006. But it was done on the basis that they were to charge you for extra material and labour employed, were they not?—Yes.

4007. A percentage on it of course?—No—that they would send in a bill for the whole cost. That is what they did do eventually. They sent in the cost of so many divers, so many carpenters, so many boatmen, and so on.

4008. Plus a certain sum for profit?—Yes.

4009. What was the percentage for profit?—I cannot answer that straight off. It was not part of the agreement.

4010. The usual practice, I suppose, would be for the War Office to prepare the form of contract, and for the Contractor to accept it or otherwise?—Yes, that is so.

4011. But in this case I understand they asked the Brennan Factory to take the whole thing over, to give them a price for doing the work and everything?—No. The Brennan Factory made the design only. Then the design was sent to the Contractor with the specification.

4012. The Brennan Factory were not the Contractors?—No. (Sir Guy Fleetwood-Wilson.) The Brennan Torpedo Factory is a Government Factory.

4013. (To General Ruck.) Then it would have been the duty of the Government to have known about the depth of these piles?—Yes.

4014. And they did not?—They apparently failed in getting the right length. There is no doubt about that. I did not mean to say for one moment that there was not a mistake made. The only reasons I can give for it are the usual reasons which any engineer would give, that under-water work is very treacherous very often, and you cannot be certain of it.

Sir George Kekewich.

4015. I suppose you will agree with me that there was an absolute waste of £1,941 of public money?—May I ask you how do you make the £1,941?

4016. The difference between £1,135, the amount of the contract, and £3,076 awarded to the Contractor. That was the amount of the waste?—Yes, that is so.

4017. Now what was the fault was it?—I think the design was wrong to begin with. I look upon the design as the origin of the whole thing—the design was faulty.

4018. By whom was the design made?—By the Superintendent of the Brennan Torpedo Factory.

4019. A design for the piles on information furnished by the Government?—No.

4020. On information furnished by whom?—On information that he had derived from previous experience of a similar nature.

4021. Did

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Sir George Kekewich—continued.

4021. Did he then take the soundings himself?—The soundings I must tell you had nothing to do with that part of it. This was the work above low water.

4022. He did not ascertain what the existing force of the mud was?—Not sufficiently, I suppose.

4023. And you say that the fact that there was a discrepancy between the actual depth of the river and the depth shown in the drawing did not matter?—It mattered in this degree, that there was a little waste of time because they had to re-design part of the slipway. But that was, I think, a very minor thing. On the other hand, the Contractor did not put so many piles as he would have done otherwise; so that I do not think that really had any important bearing on it.

4024. That, as I understand, was below high-water mark?—That was below high-water mark.

4025. What I want to know is, who was responsible for the soundings?—I do not think the soundings had anything to do with this waste of money.

4026. Further delay occurred?—Yes.

4027. That delay had to be paid for, I suppose?—Yes, but that delay was not serious. It was not a long delay.

4028. But some part of the money was due to the delay?—Yes, it was to a certain extent—to a minor extent.

4029. Not to a large extent, but still some part of it was?—Yes, that is so.

4030. The drawings having been based upon soundings which had been taken no less than four years before the commencement of the work, why did not they take fresh ones?—I suppose if there is a responsibility about it it would be the local officers who execute the work. But personally, from my own experience, and from what I know of the river there, I should not have thought that would have been necessary. There is one theory which I think might have been quite correct, that they moored barges off the pier and the scouring under the barges increased the depth of the water.

4031. My point was, Why were not soundings taken immediately before the contract was made?—I think the answer would be that the local officers did not consider it to be necessary.

4032. The local officers surely ought not to rely upon soundings taken four years before. As you say, there might have been scours or anything else. It is not usual that the bed of the river should change in that way; but you never can trust the bed of a river; it does change in the most extraordinary manner?—It is, of course, easy to be wise after the event; but from one's knowledge of the river, I do not think I should blame the local officer for that particularly, though I agree he might have been more far-sighted.

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Chairman.

4033. Were these soundings on Admiralty charts?—No, these were special soundings taken for this slipway.

Mr. Leif Jones.

4034. Who originally advised the making of this torpedo slipway; I want to get at the earlier processes of this transaction?—I do not really know, but what would naturally happen would be this: This was the second slipway; it was not the first one that they had there, and, presumably, the first slipway was defective, or they thought they could improve it.

4035. Who are "they" in this case—the local officers?—Probably there was a Report from the officer in immediate charge of the torpedo installation down there. Then that would go to the War Office.

4036. He would report that to the War Office?—He would report it to the Local Authority—to the C.R.E., and so on, and it would find its way to the War Office. Then it would be sent down to the Brennan Torpedo Factory for their advice, because they were always asked for advice on these slipways—they have had so much experience. Then they would probably be asked to submit a Plan for improving matters.

4037. To whom?—That would probably then go to the Local Officer to criticise from his point of view.

4038. To the Local Officer at Gravesend?—Yes.

4039. The C.R.E.?—Yes, the C.R.E. Then, having agreed between the two, the C.R.E. and the Superintendent of the Torpedo Factory, as to what was desirable to be done, it would go to the War Office, and either be put in the Estimates or it would be a charge against the Military Works Loan.

4040. Was it put into the Estimates?—Yes.

4041. Then you would advertise for tenders in the ordinary way?—Yes.

4042. By whom—by the officer on the spot?—Yes, the local officers.

4043. And who would conclude the contract?—The contract would come up to London if above £2,000.

4044. It is under £2,000?—Yes.

4045. But it was concluded on the spot, they having power to make a contract up to £2,000?—Yes.

4046. Having done that, there is no power to vary that contract on his part?—No.

4047. Because, although he makes the contract on the spot, it is really a contract between the Secretary of State for War and the Contractor?—That is right.

4048. And it cannot, therefore, be varied without the consent of the Secretary of State for War?—That is right. It must go to the Treasury then.

4049. It may go to the Treasury, but it must go

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Mr. Leif Jones—continued.

go to the Secretary of State for War, because he takes the responsibility?—Yes. In practice he requires Treasury sanction to vary it.

4050. You said at the beginning that the Local Officer was in a difficult position, because the contract might have come to an end, and there would have been heavy compensation to pay?—Yes.

4051. But that need not have prevented him from consulting the War Office?—That is the weak part of his case, I think.

4052. I only wanted to be quite clear. There would have been time for him to consult?—I think he ought to have consulted the War Office at that stage.

4053. There is no doubt as to the procedure which ought to have been pursued?—Yes, what no doubt he wished to do was to go on without stopping the work at all. He wanted to go on as quick as he could. There is no question but that he ought to have consulted the War Office at that stage. Two months later he did.

4054. One of the points we have had with several other witnesses has been the necessity for consulting with the War Office before deciding upon variations of the Regulations?—Yes. Since the date of this occurrence I think all stations have been very much more impressed with that than before, and I know that Sir Guy Fleetwood-Wilson and his assistants have pressed it very much upon us, and we have pressed the stations.

4055. I quite recognise that it is very often important to hasten matters?—Yes.

4056. I think the procedure ought to be so arranged that the officer on the spot may be able to get a quick answer—otherwise the work will be delayed—and also it ought to be quite clear that he should consult the War Office?—Yes.

4057. May I take it that that is perfectly clearly understood?—I do not think there is the least doubt about it now.

Mr. Parker.

4058. One question with regard to the terms of your contract. When the War Office issue a Contract, what arrangement do you make as to the appointment of an Arbitrator? You stated a few minutes ago this was an independent Arbitrator?—Yes.

4059. Is it not the practice with large Municipality Corporations, such as Manchester, that the Engineer who prepares the plans appoints himself Arbitrator?—That is done in the case of the Admiralty. Sir Edward Raban is Director of Works at the Admiralty, and he sits as his own Arbitrator; but we have always adopted the other plan; we prefer an independent Arbitrator.

4060. Do not you think that, as a result of that practice, you have been called upon, in this particular case, to pay at least twice as much as you probably would have been called upon to

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Mr. Parker—continued.

pay if you had had your own Arbitrator?—I would not say twice as much. But my opinion was—making the best estimate I could—that the award would have been from £2,000 to £2,300 or £2,400.

4061. Do not you think what I have suggested is a good plan?—As a rule, I should have thought an independent Arbitrator is the right thing. (Sir Guy Fleetwood-Wilson) I am sure of it.

Mr. Leif Jones.

4062. (To General Ruck.) Perhaps you are aware that Sir Edward Raban told us his Award would be rather against his own Department?—Yes. I have discussed this with Sir Edward Raban himself, and I still think our own plan is very much the best, as well as the fairest to all parties interested.

Mr. Hobhouse.

4063. You were not able to give us an answer as to the terms of the new Contract under the altered system. Can you give us any idea as to whether it was 5 per cent. or 7½ per cent. or 25 per cent. on the cost of materials?—No, it would be merely the bill sent in by the Contractor. If we thought it was not a fair bill, and did not fairly represent it, then we should fight the case, as we did eventually, by Arbitration. We always have the right of referring to an Arbitrator.

4064. Yes; but you had some form of Contract with him?—Yes. I took it that, under this agreement, this Contract was not binding.

4065. Not the second one?—The second was not a contract.

4066. It ought to have been a contract?—I agree it was defective.

4067. It is an alteration of the original contract, but, in any ordinary business, in making an alteration of the contract, you would say, "There is the net cost of the material and there is the net cost of labour, and of course you want to recoup yourself for that, and you want something in addition for a fair profit." What was the fair profit?—There was no regular agreement made.

4068. He has charged what he liked?—No; our hold on him was that we could refuse to pay him, if we thought his claim was excessive, and go to arbitration.

4069. That has proved to be a very fallacious sort of a hold?—I think in this particular case it has.

4070. It clearly proved that you had not made the thing definite enough?—I agree this was not a satisfactory agreement. I cannot say otherwise, but we had that hold on him.

4071. But that was no hold at all?—You mean the Arbitrator?

4072. The Arbitrator arrives at a valuation which is a long way above your own private estimate?—Yes.

NOTE.—Replies to Questions 4063-4074 should be considered in connection with accompanying memo. There appears only to have been an agreement to consider or forward to higher authority a further claim based upon actual costs to Contractor.

4073. A

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4073. A thousand pounds above it?—I quite agree.

4074. That is no hold at all?—I agree it was an unsatisfactory state of affairs.

4075. I can only hope that the coming out of things like this will mean that there will be a giving up of these methods of making contracts?—You have got two instances, I think, out of several thousand contracts. At that time we were spending something like three millions a year on thousands of contracts all over the world.

4076. Those are the two instances which have happened to come to light, but perhaps many did not come to light?—I do not agree with you. With the financial criticism we meet with now there are very few cases which do not come to light.

Mr. *Bowles.*

4077. Do you know when this new arrangement—not to call it a contract—was entered into between the Local Officers and the Contractor?—Yes, it was November 9th, 1905.

4078. Was there a memorandum on it or anything in writing?—No, it was only reported by the C.R.E. afterwards.

4079. As having been entered into verbally?—Yes.

4080. What was the date when the fact that this arrangement had been made was made known to anybody at the War Office?—About the first week in January, 1906.

4081. (To Sir *Guy Fleetwood-Wilson.*) When did you draw the attention of the Financial Secretary to it?—On the 17th October, 1905.4082. There must be some discrepancy if the arrangement was not made until the following month?—(General *Ruck.*) It was made in November, 1904—not 1905, as I said.4083. Therefore may we take it that eleven months elapsed between this variation of the contract and any knowledge of it at the War Office?—(Sir *Guy Fleetwood-Wilson.*) We could not have known of it until it was reported to us.4084. Clearly; that is what I want to get at?—(General *Ruck.*) It was reported early in January, 1905.4085. A variation of a contract to which the Secretary of State was a party having been made locally on the 6th November, 1904, nothing was known of it at the War Office until when?—Early in January, 1905. (Sir *Guy Fleetwood-Wilson.*) It did not come to me apparently till later—October, 1905.

4086. How was it that, the fact being known in the War Office somewhere about January, 1905, it did not reach your department until October, 1905?—It came to us at the end of September, or sometime in October, 1905.

4087. Can you tell us what happened in the interval?—(General *Ruck.*) When it came up to the War Office I was not satisfied naturally withARMY APPROPRIATION ACCOUNT, 1906-7.  
Excess Cost of Torpedo Slipway—*continued.*Mr. *Bowles*—*continued.*the state of affairs, and so I made a particular inquiry into it. I asked specific questions on the papers. (Sir *Guy Fleetwood-Wilson.*) It never came to us till October.4088. (To General *Ruck.*) You received notice of this transaction in January, 1905, and you investigated it naturally somewhat later?—It was investigated inside the War Office. There was a considerable amount of inter-departmental correspondence during this time. (Sir *Guy Fleetwood-Wilson.*) Before it came to the Finance Branch. We did not get it till October, 1905.

SHERNESS:

## REPAIR AND IMPROVEMENT OF WELLS.

*Chairman.*4089. (To General *Ruck.*) What have you to say with reference to the criticism in paragraph 65 of the Report?—I understood the criticism relating to this well was to the effect that we did not go to tender for the sinking of the well. I think that was the main point.4090. I think the main point is that you did not go to tender for sinking the well, and that the work was given to a man who, I think it was proved, was a very expensive man indeed?—(Sir *Guy Fleetwood-Wilson.*) And that there was no financial sanction. They have admitted that that was an oversight.General *Ruck.*

4091. Yes. As regards that, I suppose everybody who knows much about well digging and work of that kind always goes to the best local authority they can possibly find. This man had dug a considerable number of deep wells—one within a very short distance, that is at Queenborough, quite close to Sheerness, within two or three miles; and he had made a very satisfactory job of it. We believed that he was a high authority there. We first got him as an expert adviser to advise us on the best methods, and then, finally, we accepted his contract, based on certain fixed prices. That we criticised before we started. I must say that, to the best of my belief, if we had to do it over again I do not think we could possibly have done it otherwise. We got the best local expert, and I should be very sorry to undertake any well digging otherwise. I think, Sir, you said that this man afterwards proved to be expensive; but was not that owing to some tender he made for a pumping engine? Of course a well expert may not be a good man to get a pumping engine from.

4092. It was sinking an artesian tube well?—That was at Portsmouth: he was not a local man there. Of course we have to make a good many of these wells. Sometimes we do it ourselves if we have got a specialist officer.

4093. In whose discretion is it that a work of this

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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Sheerness—Repair and Improvement of Wells  
—continued.

General Ruck—continued.

this magnitude shall be done without competition?—This matter was thoroughly discussed. I have a large roll of papers about it.

4094. You mean it was discussed between the various officers concerned?—Locally, and at the War Office; everybody who was in authority. We also sent over to the Admiralty for the benefit of their experience.

4095. This is not the question of a local officer; it was a considered judgment of the War Office itself with the Council?—Yes.

4096. Who was responsible for doing it without going to competition?—This was referred. We made a very strong case that this man was the only man we could go to, and I think we got financial concurrence. (Sir Guy Fleetwood-Wilson.) No, you said it was a pure oversight that you did not get financial concurrence, and I believe it was. Admittedly it was an oversight.

4097. It ought to have come to the Director of Finance?—Certainly. (General Ruck.) Of course now-a-days it would go the Director of Contracts.

Sir Daniel Goddard.

4098. There was possibly no other firm of well sinkers who could be described as having local experience?—That is so.

Sir George Kekewich.

4099. Put in plain English, the case of the Comptroller and Auditor-General upon this paragraph, is that the War Office were done by the firm which sunk the well, is that so?—I do not think so.

4100. This is what Mr. Kempe suggests, as I understand. Speaking of the artesian bored tube well, he says "The tender of the firm employed at Sheerness was the highest of nine tenders, being nearly three times the amount of the lowest accepted tender. That means they were a very expensive firm?—Yes.

4101. And they took it out of the War Office to the tune of £1,323 above their rough estimate of £1,000?—I think if you will refer to the papers you will find that that estimate was not really an estimate. It was based on a letter of this gentleman himself, in which he first of all declined to give any estimate at all. He was most careful; he wrote about two or three pages saying he could not give any estimate, and then he made a kind of rough shot and said something about £1,000; and I think our Authorities down there took this rough sum of £1,000 and added £200 more for incidental expenses. I do not look upon that as an estimate in any way.

4102. I am only using the words of the Comptroller and Auditor General. He says the firm estimated the cost at "£1,000 or possibly much less"?—I think that is a little misleading.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Sheerness—Repair and Improvement of Wells  
—continued.

Mr. Leif Jones.

4103. It is said by the War Office, apparently, that there was no other expert, no engineer whom you could call in to do this work?—Yes.

4104. Why is that? Is local experience so necessary?—I should say it is in well digging.

4105. I ask, because a little lower down in this paragraph I see it is said: "In the case of a contract for sinking an artesian bored tube well at Wool Camp (Portsmouth District), the tender of the firm employed at Sheerness was the highest of nine tenders"; so that there were eight other tenders there. Did they employ a local man do you happen to know?—I could not answer that question.

4106. At any rate, you accepted the tender of this firm, in that case his tender was the highest of the nine tenders?—Yes, but I think if a man tenders outside his district in well-boring very likely he would rather play for safety. In this particular case I may mention they had a lot of trouble with the sand coming in.

4107. Was the work well done?—Yes, it has been most satisfactory. We have had for years—I think since the year 1840 or previously—great difficulty in getting water at Sheerness. Now we have a very satisfactory water supply.

4108. Was the pump a good one?—That is Tangyes'. Tangyes supplied the pump at £130.

4109. That was for fixing the pump, was not it?—You mean it was a lower price.

4110. There seems to have been such a serious difference between the estimate of this firm and the tender from the Contractor which was ultimately accepted?—I am not by any means certain that it referred to the same pump or the same nature of pump.

4111. This is the statement in the Comptroller and Auditor-General's report as instancing the prices charged by this particular firm of well-sinkers. He says they sent an estimate for fixing the pump: "Their first quotation was £474." Then apparently they were argued with. Now why were they argued with?—In my branch in the War Office we have one Department which is specially entrusted with the purchase and design of machinery; and naturally when we get a design for a pump we send it there and they criticise it and compare it with all other pumps from other manufacturers.

4112. Do you do that in the case of every tender?—Everything in the way of machinery. Then we found it was an exorbitant price, so we told this man it was a high price; and then finally he tendered down to £330.

4113. Why did you take the trouble to argue with a man who put in a tender of £474 when another man put in so much lower a tender?—I think that was subsequent.

4114. Was not the position really this. It was



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Mr. KEMPE, C.B., Mr. HEADLAM,  
Sir Guy D. A. FLEETWOOD-WILSON, K.C.B., and General RUCK.

[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Sheerness—Repair and Improvement of Wells  
—continued.

Mr. Leif Jones—continued.

was not an open competition from the beginning, but he offered to do it for £474; you thought that too much and reduced him to £330?—Thinking that too much, we went to open competition.

4115. Did you then put it up to tender?—Yes.

4116. Why did not you put it up to tender at first?—I think the man made an offer for the amount. I think that was the case as far as I remember. But I should rather like to refresh my memory on that. It was a longish correspondence a long time ago.

4117. If that were done in one item it might be done in others?—No, we criticised the prices.

4118. You could not criticise the prices after you had once fixed the hourly rates for labour, and the weekly rates for hired machinery. You could not then fix prices for doing the work?—I think we adopted the usual plan carried out in well boring.

4119. You could not fix the price?—We did. That is about what it comes to. We found that this pump was not an essential part of the contract at all—and naturally we thought we would give it out to tender.

4120. Do you adhere to your opinion that it was probably a fair price that you had to pay in this case, in the light of the price they wished to charge you for the fixing of the pump?—Yes; because I do not think this man was a specialist on pumps, so to speak. It is better to go to the pump maker.

4121. Would not his opportunities of charging too much be increased by his being an expert, where other people are not?—I have no doubt this man “tried it on,” as regards the pump.

4122. That is what suggests itself to me. Was not he more likely to “try it on” successfully in a branch where he is *facile princeps* than in one where you have a schedule of prices in your possession?—I do not think I can answer that.

4123. If he tried it on in fixing a pump where you could at once test his prices, is he not far more likely to have tried it on where you could not test them?—I think we could test his prices to a certain extent. We do a certain amount of well boring ourselves.

4124. He said, “£1,000 or possibly much less,” and then it was double that?—Yes.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Sheerness—Repair and Improvement of Wells  
—continued.

Mr. Leif Jones—continued.

4125. Does it not suggest itself to you that probably we had to pay too much?—I think we got it done most economically and safely.

4126. I agree as to the safety and efficiency of the well, but I suggest it is not an economical work. (To Mr. Headlam.) On page 169 there is printed the letter from the War Office to the Treasury, and the reply from the Treasury, I see it started with £2,000, and the estimate was then increased to £4,600?—Yes.

4127. You were applied to for your sanction and you gave it. What strikes me in reading the Treasury letter is that you made no comment upon it. Is it usual when you give the information to make no comment at all?—I think, in this particular case, the view taken was that the excess was really one of £600 on £4,000, and not of £2,600 on £2,000; and I see that the reasons given by the War Office were accepted as to the notorious uncertainty of well sinking.

4128. You did not state so, and that is what I should rather have expected; but you simply say, “We agree to the expenditure,” without saying, “We accept the reasons which you give?”—I think the Treasury would no doubt have made more comments if they had not accepted the entire change of plan. I may add however that the Treasury was not told anything about the absence of competition. If you will read the War Office letter of the 14th August, you will see there is no mention of the fact that the matter was not put to competition.

4129. Does not the Treasury make enquiries on its own account when a Department puts forward a letter of this kind?—It is assumed that the regulations are adhered to, in the absence of a statement that there has been any necessity for overriding them.

4130. But you would hardly assume that any letter contains all the facts that might be relevant?—It is well known that the rule is that competition should be resorted to.

4131. And you took it for granted that it had been?—Yes.

4132. And if you had not thought that you would not so easily have granted this?—No, certainly not.

(The Witness withdrew.)

Friday, 15 May, 1908.

MEMBERS PRESENT

Mr. Ashton.  
Mr. Bowles.  
Mr. Brigg.  
Sir Daniel Goddard.

Sir Robert Hobart.  
Mr. Leif Jones.  
Mr. McCrae.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM called in; and Examined.

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

*Chairman.*

4133. (To Sir Guy Fleetwood-Wilson.) Before we proceed, I believe you wish to refer to a point in your previous evidence?—Yes, I should like to make a slight correction in my evidence on the 8th of May. If you will turn to Question 3727 you will see I gave as the answer (or at any rate that is what is recorded there): "There was a Director of Contracts in existence." That was in answer to Mr. Hobhouse. The answer which I intended to give, and which should be on the record is that there was not a Director of Contracts in existence when the contract was modified. The modification of the contract is really the whole point, and there was no Director of Contracts when the modification took place. Then there is one other point in the evidence, which is rather an important point, to which I would ask your special attention, namely at Questions 3718 to 3721. I have indicated there what I, at the time, believed to be the case, and I do not know that it is not the case. I say, in answer to Question 3720: "I know that a letter was addressed to the officer concerned, expressing disapproval, but beyond that I do not think I can really satisfy this Committee," and so on. Since giving that evidence I have looked into all the papers, and I think it right to tell the Committee that I cannot find any trace of the letter, so that to that extent I would ask permission to modify my answer.

*Mr. McCrae.*

4134. But your recollection is that a letter was sent?—My recollection at the time I gave that evidence was that such a letter had gone. I do not want to over-weight the correction, but I cannot find any trace of such a letter. I said

*Mr. McCrae—continued.*

specifically in my evidence here: "I know," but I ought not to say, "I know."

*Chairman.*

4135. How do you wish the answer to be modified?—I would not propose to alter that answer, but I would ask you to allow the remarks which I have made to-day to stand in the evidence to-day.

*Sir Daniel Goddard.*

4136. Then do you wish to say that in a matter like this the Army Council took no notice whatever?—No. I wish merely to state that I desire to modify the answer which I gave at the previous sitting, to the effect that I knew that such a letter had gone. As I cannot find any trace of the letter in going through the papers, I thought it only fair to ask the Committee to allow me to modify my answer to that extent.

4137. But if no answer did go, and you say there is no trace of it, then the Army Council did take no notice?—If no letter was sent, then the action which I indicated as being taken by the Army Council was not taken. I daresay it is not of much importance, but I thought it best to make it quite clear.

EXPENDITURE IN NORTH CHINA.

*Chairman.*

4138. (To Mr. Kempe.) In regard to paragraph 66, have you yet received any answer from the India Office about the expenditure in North China?—Yes, we have had an answer. It appears that an Army Account Office has now been opened

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Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Expenditure in North China—continued.*Chairman*—continued.

at Tientsin, so that the Account, in future, will undergo the usual Army audit.

Sir Daniel Goddard.

4139. (To Sir Guy Fleetwood-Wilson.) This item referred to in paragraph 66 of "Buildings for the Accommodation of the British Legation Guard at Pekin" is an item of which the estimated expenditure was £14,500, is it not?—Yes, I think it was.

4140. It was not included in the Estimates, was it? It was begun with Treasury sanction only?—Yes, I think that is the situation.

4141. The question is raised in the correspondence. I do not know whether you can give us any other answer to it now, as regards the question why this item was not charged to the Diplomatic Service instead of the Army Service. The War Office itself raised the question, I think?—You will see in the Treasury letter of the 4th of July, which is printed on page 174, these words: "As regards the question of charge, I am to state that as the War Department has performed the service hitherto, my Lords are of opinion that the work should continue to be charged to Army Votes."

4142. Yes, I noticed that reply. Does that mean that it should continue to be charged to Army Votes while the work was in progress, and that afterwards there would be a transfer?—No, I do not think so.

4143. Then it would remain a charge against the Army?—Yes, I think so.

4144. I gather that the War Office did not altogether approve of that. It is not in any sense an Army charge, is it?—It is a military guard for the Pekin Legation. I should think it is arguable both ways. But, of course, I should be very glad to relieve the Army Estimates of any charge that I thought I could see my way to getting rid of.

4145. Was there any real reason why it should not have been put into the Estimates?—I am not aware of any special reason why it should not have been put into the Estimates.

Sir Robert Hobart.

4146. (To Mr. Headlam.) I see in the Treasury letter they say that in the circumstances they "have no option but to sanction it." That does not look as if they were particularly pleased?—It was partly a sanitary and partly a military service, and the Treasury had no option but to sanction the immediate erection of the buildings, because the service had to be proceeded with at once.

Sir Daniel Goddard.

4147. They said the buildings would fall down if they did not do it. (Sir Guy Fleetwood-Wilson.) They were unsafe from the standpoint of occupying them.

Sir Robert Hobart.

4148. (To Mr. Headlam.) They did not apparently express any opinion upon the point Sir  
B

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Expenditure in North China—continued.

Sir Robert Hobart—continued.

Daniel Goddard was referring to just now, as to this item not having appeared in the Estimates?—Perhaps I may say that the service was one of urgency, which could not be foreseen when the Estimates were prepared, and that the Treasury minute, which is dated the 28th of June, goes on to say: "As Vote 10 has already been taken in Supply Committee, it is now too late to inform Parliament." That is to say, the intention of the Treasury was that if it had been possible to inform Parliament at that time the information would have been given to Parliament, but the facts being as they were, it was decided to sanction the proposal.

4149. You did not think it important enough to have a Supplementary Estimate?—The amount was not large enough, I imagine.

4150. Still you feel that it is a case of irregularity?—Certainly.

Mr. McCrae.

4151. (To Sir Guy Fleetwood-Wilson.) Do you not think that there was a little want of foresight on the part of the people there? A building could not get into such a state all at once, could it?—I can hardly answer that question, but I should like to say in regard to the question which Sir Daniel Goddard raised just now that I did express, and the War Office as a whole expressed, the opinion that we thought it was a charge that might have been put to the Diplomatic Vote.

## GRANTS IN AID OF WORKS.

*Chairman*.

4152. (To Mr. Kempe.) Paragraph 67 is a mere statement as to the Suspense Account, is it not?—That is all.

4153. You have no remark to make about it?—No.

Mr. Brigg.

4154. (To Sir Guy Fleetwood-Wilson.) Is this Suspense Account likely to be continued?—What we have done we have done with Treasury sanction, and I do not think I can answer that question, because so much depends upon what is the ultimate decision as to who is to pay for the damage.

4155. It does not seem as if there were going to be any definite end to it?—It will only end when the arbitration is ended, I think. It will not go on in perpetuity, I hope, because the building will not go on in perpetuity.

4156. It comes to a very large amount?—Yes.

## WITHDRAWAL OF TROOPS FROM BARBADOS.

*Chairman*.

4157. (To Sir Guy Fleetwood-Wilson.) In regard to paragraph 68, has the further action been taken which  
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[Continued.]

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Withdrawal of Troops from Barbados—*continued.**Chairman*—*continued.*

which is referred to in the last sentence of the paragraph where it is said: "Further action will therefore be necessary in settlement of the particular case at issue in Barbados"?—The Colonial Office want a final opinion by the Lord Chancellor, unless the Treasury will give way. I think that is the situation at this moment, so that it may be said to be *pendente lite*.

*Mr. Bowles.*

4158. I should like to know how the thing stands in the books at the moment; no cash payment has been made, and I imagine therefore the Colonial Government has been debited?—Yes, no cash transaction can take place until there is a decision upon the principle involved. The Colonial Office view is not in agreement with the War Office view, and I think the Treasury support us.

4159. But in the meantime at this moment the matter remains as a debit against the Colonial Government?—Yes.

## POSTPONEMENT OF PAYMENTS.

*Chairman.*

4160. (To Mr. Kempe.) Have you received any answer to your query upon the question of the Postponement of Payments which is referred to in paragraph 69?—Yes, I have had an answer from the War Office, and perhaps the shortest way will be if I read part of the answer. The War Office say: "Of the total number of Postponements of Payment which have been brought to light there were only a few which were contrary to regulations and to the terms of the Treasury Minute of 3rd January, 1892. Steps will be taken to prevent any recurrence of such cases. The great majority of cases referred to 'Incidental' Expenditure chargeable for the most part to Part 3, and they were dealt with in accordance with the practice which has obtained in the past apparently without question on the part of your Department in regard to 'Incidental' Expenditure during the March quarter. It may reasonably be held that payment in such cases should not be made until after the last day of the quarter; but it has been the practice when funds are available to clear off part of the outstanding liabilities before that date. So far as can be ascertained, the total amount carried over in accordance with the local interpretation of the provisions of paragraph 814, 'Regulations for Engineer Services,' was about £4,000." That, I think, is a complete answer. As to the words, "apparently without question on the part of your Department," I might say that our examination is only a test examination, and therefore the reason probably is that we have not happened to hit upon a case before; it is not that we passed the payments because we approved of them.

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Postponement of Payments—*continued.**Chairman*—*continued.*

4161. Quite so. You are satisfied in regard to the steps that are being taken to meet the case?—Yes.

*Sir Daniel Goddard.*

4162. (To Sir Guy Fleetwood-Wilson.) Were these payments under Sub-head C, Part III, 'Hospital Services'?—The postponed payments brought to notice were part of a bill for a motor-car, fittings transferred to the Public Works Commissioners, and a temporary shelter in the Chief Engineer's Command. I think those were the main ones; they would not be under Hospital Services.

4163. Those did not amount to £4,000?—No, but those are the main ones within my knowledge.

4164. The explanation of the surplus on Sub-head C given is that: "Owing to delays from various causes the Works, though put in hand, were not sufficiently forward to admit of payment of the whole sum provided within the year"?—Yes, I do not think there is much connection between those two things.

4165. You see there is a bearing between the two things, because if they could have been paid, seeing that you had a surplus, it is very dangerous to postpone the payment?—It is really a question of bringing it up close. I should like to mention in connection with that that the Engineer Regulations are distinct in these very words, that there is to be nothing left out if possible—as few bills as possible should be left for payment in the latter half of the March quarter, and as the next step, with a view to tightening it up even further if I can, we are endeavouring to make it the month of March only, and not the March quarter. I am most anxious to get it up as close as possible.

## APPROPRIATIONS-IN-AID.

*Chairman.*

4166. (To Sir Guy Fleetwood-Wilson.) In the last sentence of paragraph 70 it is said: "No claim seems to have been put forward however by the War Office, the matter having been overlooked, and the amount was not paid by the Egyptian Government until January, 1907." Have any steps now been taken to minimise the risk of such an oversight in future?—I should say that that was a pure oversight, and I think it was attributable to the fact that there was a transfer from the Vote to the Loan. There was an omission to carry on the Note from the one to the other—a credit note was carried on from the one to the other. This, I may say, took place some time ago, but we did not wait for this case to arise; we had already recognised the possibility of a case of this sort, and in order to avoid the possibility of oversight, a Suspense Account has now been opened; it was opened as far back as two years ago in the War Office books, so I hope it will be practically impossible for such a thing to occur again.

4167. I

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[Continued.]

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Appropriations-in-Aid—continued.Mr. *Brigg*.

4167. I suppose it was the duty of someone to see that this was done?—Yes, it was an oversight.

4168. Someone did not do his duty, and it was overlooked?—Yes.

4169. And you have taken steps to prevent that occurring again?—We took those steps before this case came to light; we had noticed that there might be the possibility of such a slip, and before this case came to light we had already taken steps to prevent the recurrence of such a case.

Mr. *Bowles*.

4170. Might I ask whether, when your Estimate of these Appropriations-in-Aid of £71,750 was framed, you included this in it?—No, we lost sight of this when we made the Estimate.

4171. The result was that you got £5,542 more than you expected. That £5,542 was mainly made up of this £3,092, which is dealt with in this paragraph?—That is so.

4172. In those circumstances, seeing that three-fifths of the whole surplus is made up of this item, is it not rather curious that no mention was made of it in the Explanation which is given on page 55? It was far the largest item, and yet it is not mentioned in the Explanation of the surplus; there it is put down mainly to "Barrack Damages and Miscellaneous Receipts which cannot be accurately foreseen," but the surplus due to those causes was relatively small?—Yes, I am afraid what probably took place was that we knew this would come before this Committee, and that it would be treated as a separate and more important feature and, *pro tanto*, the object would be effected. I think it would certainly have been better to have put it in the Explanation.

Mr. *McCrae*.

4173. Was it in consequence of the new Regulations that you discovered that this claim was outstanding?—No, it was the Government of Egypt who drew attention to it.

4174. Before you had framed these Regulations, did he draw attention to it?—The Director of Accounts when he was appointed devoted a great deal of care and attention to the position we were in. We had to recast all the Accounts of the Army, owing to the Esher Report, and that was a point which he at once took hold of, and he said I think we ought to be safer in the case of money owing to us than we are, and accordingly this was done; I merely wanted to point out that that had at once struck us when we came to close quarters with the Accounts—we did not wait for this case to bring it to our notice.

4175. It is your view that this would not have happened had it not been for a transfer from the Vote to the Loan of a certain item?—I think that was how the slip occurred; but I think if we had a transfer now the slip would not occur, because we would have a Suspense Account open, and so

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Appropriations-in-Aid—continued.Mr. *McCrae*—continued.

far as it is possible to foresee, I think that would prevent the recurrence of it.

## SEWAGE FARMS, SOUTH AFRICA.

*Chairman*.

4176. (To Sir *Guy Fleetwood-Wilson*.) With regard to paragraph 71, is the correspondence between the War Office and the General Officer Commanding in South Africa finished?—The whole matter seems to be in course of being finally settled; we do not anticipate any difficulties.

4177. It is not finished yet?—No. I may say I think we have done very well—very much better than we anticipated—with these farms; we are waiting for completion, until one farm which is still unlet is let. Until that is let we cannot say that the whole case is closed.

## ON VOTE 10.

## WORKS AND BUILDINGS.

## BARRACK CONSTRUCTION DEPARTMENT.

Sir *Daniel Goddard*.

4178. (To Sir *Guy Fleetwood-Wilson*.) I should like to have a little explanation, if you can give it me, about the method of this Vote 10. It is quite altered from the form in which it was in the previous year's Appropriation Accounts, is it not?—There is some alteration.

4179. There is really a very great alteration, is there not? I do not understand it, but no doubt you can explain it. The point that first strikes me is that taking Sub-heads A to F, on page 46, they seem to be treated as a separate Vote?—I think if I may, with great respect, say so, it is to the advantage of the Committee in dealing with this Vote that it should be made quite clear to them that the Vote has been divided, and is divided into practically, I might almost say, two separate Votes; it is not really two Votes, but two sections. It seems to me to be a distinct advantage to see what is done in respect of the section of the Vote that is under one Director, in contradistinction to what is done in respect of the other section of the Vote, which is under a totally different Director.

4180. I will ask my questions all the same, if I may, because I want to get this on the Minutes. The effect of this is that on page 46 you set off the surpluses against the excesses, and take into account the Appropriations-in-Aid, which is Sub-head F, and then the page closes—the figures are not carried forward. That is so, is it not?—That is so. They are carried forward at the very end, to show the final result of the Vote.

4181. Will you point out to me where they are carried forward at the end, because I tried to find that and I could not?—That is at page 54. You see a sort of summary of it there.

4182. I see on page 54 all the other totals are carried

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On Vote 10—Works and Buildings—Barrack  
Construction Department—*continued.*

*Sir Daniel Goddard—continued.*

carried forward, and they come to a grand total of £1,144,000, but I cannot find any of these other items on page 54?—Perhaps you will allow Mr. Perry, the Director of Financial Services, who is more familiar with these accounts, to explain it.

4183. (To Mr. Perry.) Can you show me where the result of this page 46 is carried into the Summary—I mean Sub-heads A, B, C, D, E, and F?—They are all included in the line: “Net Totals, Vote 10,” on page 54.

4184. But, excuse me, I think that cannot be so, because if you follow it out, these items, from G onward, are carried forward from page to page until you get to the end, and there is nowhere where these earlier items, A to F, come in, as far as I can see?—If you add together the “Net totals, G to X,” and Sub-head Y, “Repayments”——

4185. Excuse me, if you start on page 48, and carry down the totals there, you will find they are carried right on to page 54, down to the double line where you add “Appropriations-in-Aid”?—You have on page 54, “Net totals, Sub-heads G to X, £1,144,000.”

4186. Quite so; that does not include items A to F on page 46?—Then you have under Y, “Repayments under the Barracks and Military Works Acts, £1,081,523.” Then you add to that and carry forward from page 46, £127,477, and that makes £2,353,000. It is included in the “Net totals, Vote X, £2,353,000.” It is not shown, I admit.

4187. It is not shown in any form whatever?—It is in the “Net totals, Vote 10,” as opposed to “Net totals, Sub-heads G to X.”

4188. I understand it now, but I do not see any evidence at all as to how that net total is made up. Taking the total on page 46, after deducting Appropriations-in-Aid, Sub-head F, you have a grant of £127,477?—(Sir Guy Fleetwood-Wilson.) Yes; and then that is added in on page 54, making up the net total of £2,353,000. Your point is that it is not shown, and I quite agree that it would have been better to have shown it, and we will do so in future.

4189. Not only would it have been much better to have shown it, but surely it ought to be shown. (To Mr. Kempe.) Does it not strike you that it ought to be clearly shown?—I think that might be better, certainly, for the information of Parliament.

4190. (To Sir Guy Fleetwood-Wilson.) Do I understand that in future these Sub-heads A to F are always going to be treated as a separate Vote?—No, we revert now to the old system, because the Director in question has been placed under the Master-General of Ordnance.

4191. You go back again now to the old system?—Yes, but I ought to say that that is a change which has been made only within the last months.

*Chairman.*

4192. Then I take it the Appropriation Accounts

ARMY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 10—Works and Buildings—Barrack  
Construction Department—*continued.*

*Chairman—continued.*

for the next year appear in the same form as this?—Yes, that would be so for the next year's Accounts; I thought Sir Daniel Goddard meant from the present time onwards.

*Sir Daniel Goddard.*

4193. Yes, that is what I meant. In the Appropriation Account for the next year to this I understand it will be the same?—Yes.

4194. I wanted to call attention to this point: The total amount of the Votes under the six Sub-heads A to E, was £142,477?—That is so.

4195. Out of which the expenditure was only £47,007?—That is so.

4196. Four of those items show surpluses amounting to £98,685, which is more than two-thirds of the whole amount voted?—That is so.

4197. Have you anything to say about that bad estimating?—I have this to say, that the Director of Barrack Construction was under the impression that he would be able to spend all this money, and he asked for this money. The reasons why that money was not spent are shown on the opposite page—page 47—which I think is agreed to, and also in the General Explanation, which is shown on page 45, which covers the Vote, and I do not think I can hope to give any other reasons to the Committee, inasmuch as it is not in my power, even if it were within my province, to form any opinion as to what causes delay in carrying out that work, which is, I think, a merely technical question.

4198. I would like to go into this in a little more detail. As to Sub-head A, I think the reason given in the Explanation is a reasonable one. The grant there was £10,000, and the expenditure was £1,258—that is, a difference of 60 per cent., and the explanation is that as the money voted under Sub-head B was not spent it was not necessary to employ so much staff on the works. I think that seems to be reasonable—the one follows from the other. But that brings us to Sub-head B, Part 1, “Barracks and Hospitals,” and the position there is almost incredible. The Vote is £101,000, and the expenditure is only £18,000—that is a difference of over 80 per cent. I cannot understand what is the use of an Estimate at all if there is such a divergence as that?—I quite agree to this extent, that the result is most unsatisfactory. It must be so to anybody who looks at it. I think the only person who can properly answer the objection which has been raised is the Director concerned, and that is the Director of Barrack Construction. I should only be delaying the Committee if I tried to give reasons which appear to me probable as to why the work had not been gone on with, and if I may make a suggestion, I think it would be better if the Committee are going into it to have the Director here.

4199. I do not want to delay the Committee by doing that. I am only taking such information as you afford the Committee on the Vote. I feel obliged

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Sir Daniel Goddard.

obliged to call the attention of the Committee to the matter, because it has been mentioned again and again, and we never seem to make any progress; the estimating does not become any nearer. I see in the Explanation, on page 47, there are four items for which an Estimate was taken which were abandoned; four of them were not even commenced during the year; in the case of 11 of them the progress was less rapid than was anticipated; one was continued from 1905-6 which had been expected to be completed in that year; one item was begun with Treasury sanction—that is the Married Quarters' Improvements at Windsor, and one item showed an excess over expenditure which was paid by Treasury consent. There is scarcely one item in the whole Estimate which was presented to Parliament that remains unaltered. I do suggest to you that it is no use at all presenting to Parliament Estimates framed like that—it is a mere farce Parliament voting money in that way. It simply creates surpluses which could be used for all sorts of things?—I presume when the Estimate was laid upon the table of the House, there was every intention of proceeding with and carrying out these works. As to the first four, which were abandoned, I believe I am right in saying—and I am sure Mr. Measures, the Director of Barrack Construction, would be in a better position to tell you about them than I am; I believe the conclusion was deliberately arrived at that it would be better not to proceed with them when they were reconsidered later in the year. In the other cases the progress made was undoubtedly most unsatisfactory. In the case of the Cambridge Hospital Quarters for Nursing Sisters no progress was made at all during the year; in fact, in all those five cases no progress was made; but more than that I really cannot tell you—I cannot tell you why progress was not made.

4200. You are the Financial Director of the Department?—I am.

4201. I would suggest to you that this very criticism which I have made must have struck you?—It did.

4202. I should have thought you would have asked for explanations?—I did.

4203. I should have thought you would have wished to give them to the Committee?—These are the explanations which I have received. I have put them here in print before you. This is all I can get. If I had anything better you should have it.

4204. Have you no power to bring to bear upon the officers to carry out their estimates more closely than this?—I have no power to compel anybody to carry out works which they have not carried out in the course of the year. They probably have a very good explanation to offer as to the reason why they have not carried out the works.

4205. When you get an enormous surplus like

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this on some items and payments postponed at the end of the year, the two things strike one as being connected; it looks as if it was intended to create a surplus?—I can assure you that is not so. It is not a case of creating a surplus. In the one case you have Accounts which had not been paid just at one portion of the end of the year. It is a mere flea bite compared with these figures which you have before you of unexpended money. I share your views as regards this condition of things.

4206. I will not carry it further, because you say you can give us no further explanation?—I cannot. Mr. Measures is quite at your disposal if you would like to call him.

4207. I wish to ask a question on Sub-head D, Part 3—"Hospital Services, Home and Colonial (Repairs and Maintenance)." That is the only item in this part of the Vote which shows an excess. There the Vote was £15,000, and the Expenditure £13,200. The explanation which is given on page 47 I must confess does not appeal to me very much. It states that, "The expenditure on maintenance of Hospitals had been included with that of Barracks in previous years, and there was no adequate data for estimating this Sub-head accurately"?—That is, I am afraid, the only answer which I can give you.

4208. But may I put this to you: When you had the two heads combined under one you must have had Estimates presented to you of the Hospitals as well as of the Barracks in order to combine and make up the one sub-head—there must have been separate accounts of the two?—They are local estimates—we did not get the details of the Maintenance Charges in Part 3—Services, so that we had not got the data to go upon.

4209. Your explanation is that they used to be combined?—Yes.

4210. When you had a combined Vote, how much did you put down for Hospitals. You did not jump at it, I presume?—The two were lumped together.

4211. I know the two were lumped together, but something must have been put down for Hospitals?—No doubt it was.

4212. It may have been a wrong estimate, but something was put down, I take it, for Hospitals?—It may have been—it does not follow.

4213. To say that because they were lumped together you have no back data to go upon is surely not a good reason, is it?—It was dealt with locally, and when it came to lumping them together, which had to be done when this change took place, we had not got the local data to go upon.

4214. (To Mr. Headlam.) I notice that the Treasury called attention to the Excess Expenditure on this Vote?—Yes.

4215. And they attributed it to the reorganisation of classification of items under the Vote?—

Yes,

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Yes, the line taken by the Treasury was that it was a new Service, and that the War Office could not be expected to be quite accurate in the first year of estimating.

4216. They indicated that they did not think the increase would be permanent?—Yes, they gave that indication.

4217. But surely you have changed your opinion since this explanation which has now been given—the increase will be permanent apparently?—Does the honourable Member mean to imply that the estimating will be permanently faulty?

4218. They gave too large a proportion to one and too little to the other?—The line the Treasury took, I think, was that at this period the War Office might have had some excuse for making such a mistake in estimating, and they expressed the hope in their letter that the War Office would be in a position to estimate more accurately as regards this, which was at that time apparently a new Service. I do not think the Treasury has heard anything more since then.

4219. We may take it that the Treasury has got its eye upon this particular point. (To Sir Guy Fleetwood-Wilson.) Now, passing to page 48, Sub-head L, "Fortifications and Artillery Ranges," the Vote was £16,300 and the Expenditure £10,807, and the surplus £5,493—a difference of about 33 per cent. The explanation given is that the surplus is "due to the suspension of certain works in consequence of changes in Coast Defence Armaments." Can you give us any explanation of what those changes were?—There was a Committee, which is known as General Owen's Committee, which went into the question of all the fortifications at home and abroad (I think the Committee went abroad also), and they suggested considerable modifications. Of course, where works were in progress and modifications were applied to them, that would naturally quite upset the estimate that had been made of the cost of the works—those works, for instance, which affect this surplus were suspended altogether.

Chairman.

4220. I think it would be more convenient if we take first Sub-heads A to F; those fall under the Barrack Construction Department, do they not?—Yes.

Sir Robert Hobart.

4221. In regard to the general explanation on page 45, I see there was a delay and that certain things were stopped, "stopped by difficulties about the site selected on Eltham Common." Could you tell me anything about that?—Speaking from memory, I think there was a protest on the part of the commoners against anything being built on Eltham Common.

4222. Exactly. Was there an idea that the Crown authorities were encroaching upon the rights of the common?—It would not be within my province, but speaking from memory of a

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somewhat heated correspondence that took place in the papers, I think that was the attitude taken.

4223. May I ask how the matter stands now?—I think it was compromised in some way—I do not know.

4224. Are you going on with the work?—I cannot tell you.

4225. With regard to an answer which you gave to Sir Daniel Goddard a short time ago, I gather that you sometimes get explanations which are not satisfactory?—I should not put it in that way. I should say that I get the best explanations I can, and that it is for the Committee to decide whether they are satisfactory or not.

4226. There is a stage before that, namely, whether you, as Financial Director, are satisfied?—That goes through many stages.

4227. May I take it that when you are dissatisfied you have some power of getting the War Department to take steps to get more satisfactory explanations?—If the explanations were obviously very incorrect, or if they were of such a character (though I do not admit that any such explanations are ever put forward) that they rather tended to keep back anything from the Committee, I should certainly not accept them; but if a man in the Military Department says, "That is the best explanation I can offer," and it is a full explanation, and I satisfy myself that they really have given me all they can, I do not think I can do more than accept it; and then I must naturally stand before this Committee and await their view on it.

4228. But when you are dissatisfied, and I certainly gleaned from your answer to Sir Daniel Goddard that you are occasionally dissatisfied with an explanation, you have some higher authority whom you can bring in, have you not?—Yes; if I were really dissatisfied from either of the two standpoints which I have just indicated, I should bring the matter at once to the notice of the Finance Member of the Council, who, unless he was satisfied, would take it, if necessary, to the Council.

4229. Then if you are dissatisfied with an explanation you do not let the matter rest there without bringing it to some higher authority, and doing all you can to get a proper explanation?—No, on the contrary, I accept responsibility for all the explanations except in some cases where I cannot perhaps get more, and where the explanation does not seem quite satisfactory. In those cases I can do no more than say that is all the explanation I can get, and then I bring it before this Committee.

4230. Is not that a case to bring before the Financial Member?—No case where I am dissatisfied with the explanation would really remain where it is. The Military Authorities are extremely friendly and kind, and anxious to afford all assistance, and I invariably refer it back to the Military Member concerned, and I find, as a rule,



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rule, they are only too anxious to assist me by giving me all possible information. But every now and then we have a case like this, where it is impossible for any but the technical man who is architect and builder combined to tell you why progress has not been made in regard to a particular work. It would be hopeless for me to attempt to do so. He is satisfied with these printed explanations on pages 45 and 47, and I cannot take the matter further myself. I do not wish to leave you under the impression that every effort is not made either on my part to obtain information or on the part of the Military side to give it. There is every desire to give the information, and on my side there is a clear and distinct desire to get the information if it is to be had; but if the Committee wish to know why buildings have not been finished, or why further progress has been made with them, I think they must go to the technical expert who is dealing with the subject, and get the answer from him.

4231. If you are satisfied the matter rests there?—No, I submit it is for the Committee to be satisfied.

4232. I mean until it comes to this Committee?—Yes.

Mr. Leif Jones.

4233. In regard to Sub-head B, I suppose you agree with Sir Daniel Goddard's remarks that it is highly unsatisfactory that there should be an Estimate of £101,000, and an expenditure of only £18,000?—It is most unsatisfactory.

4234. When was that Estimate framed?—About December.

4235. Who frames the Estimate?—The Director of Barrack Construction.

4236. With your advice?—Not unless he likes to ask for it. He prepares his own Estimate originally.

4237. Do you not advise upon the Estimate?—The first Estimate he proposes is his own Estimate.

4238. He proposes it to you?—He proposes it to his member of Council, and then it is reviewed and criticised and dealt with by the finance member of Council as soon as he has got it, and by me.

4239. Do you not advise upon it?—We criticise it; I think that is our duty, and we also advise, but the two functions are perhaps separate to some extent; but the original Estimate is the Estimate of the Director of Barrack Construction.

4240. But you are the Director of Army Finance?—Yes.

4241. And as Director of Army Finance it is your duty to advise the administrative officers at the War Office on all questions of Army expenditure, is it not?—Yes, and that I do.

4242. Then on the Estimate you advise the Director, who is responsible for the Estimate?—Certainly, but I do not advise him in the first creation of his Estimate.

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Mr. Leif Jones—*continued.*

4243. He proposes the Estimate?—He proposes the Estimate of what he can do, and what money he wants for it.

4244. Then do you go through that in detail when you get the Estimate?—Yes, I do myself or through my officers.

4245. Who determines what items shall find a place in the Estimate—is the Director of Barrack Construction in this case solely responsible?—His immediate chief was the civil member of Council, and if he can satisfy his immediate chief, the member of Council, that he can do this work and must have this money, and money generally is available, on a review of the situation he would probably get sanction to proceed. Then when the Estimates are examined in detail by me and my staff, we have our own views as to what can be done and what cannot be done, and I advise the Director concerned, very frankly and fully as a rule, as to whether he is asking for more than he can reasonably do, or whether the services are such as might not be postponed, and so forth, but the subsequent step is that the Estimate as a whole, with my criticism on it and his contention on it, comes before an Estimate Committee—that is a committee on this Estimate, which is attended by his own chief and my chief, and by himself and myself, and I think very often, in the case of this Vote, the Quartermaster-General attends.

4246. But what I want to get at is where does he start from—this gentleman is a civilian, I understand—he is an architect?—He is Director of Barrack Construction. He is a civilian in point of fact, but he has taken over work that used to be done by the military side.

4247. Where does he begin? He has got a number of items here, some of which have been abandoned since—has he got a long list before him of things that have been decided?—No; he has a long list of all the demands which have been put forward by the military authorities as representing their requirements.

4248. Do you mean locally by the military authorities?—They begin locally, unless it is a large question of policy, which is only settled at head-quarters, but otherwise we get estimates of works required from every district at home and abroad sent to the War Office.

4249. And those would be discussed and examined into?—They are discussed within the branch concerned, between the director and his chief, the member of Council. It is after that sifting process has been gone through that it comes within my cognisance; then I take it up.

4250. These are all decided upon by the War Office, are they?—Yes. These are what you might call the survival of the fittest.

4251. When are they decided upon—are they discussed on the Estimate? Yes, before the Estimate is finally framed they are discussed.

4252. To take a particular case—take the first

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one of these cases, the drainage for hutsments at Strensall; when was the question of the drainage for huts first brought forward?—I should think most probably directly the huts were finished. A proposal to drain had been before the Department for three years, and I suppose it probably got more urgent as time went on.

4253. When did they decide to drain?—They would decide on this very Estimate whether that money would be given for that drainage. For three years it had been advocated.

4254. But had it been decided? I understood from you that these were sent up and considered; but had any decision been come to on this Strensall drainage before this year?—No. The putting the amount into the Estimate is the decision.

4255. Is that so, because I understood that the Director of Barrack Construction was the man who framed the Estimate; why did they stick the Strensall drainage into the Estimate?—Because the local officer had said it was necessary.

4256. But he knew nothing about the local officer, did he? Would the War Department have considered the local officer's demands?—They go to the Director—that is what he makes up his Estimate from.

4257. Do the local officers go to this gentleman and say: We want a drainage system; you must put this through for us with the Department?—No, they would send it up through their military side.

4258. To him?—It would go straight to the Director of Barrack Construction.

4259. Is he in the first instance the man to put forward this expenditure?—Yes, certainly.

4260. He practically says: I have received a request from Strensall that it should be drained. I have investigated it, and I think it ought to be drained?—I do not know that he would actually have the right to say: "I think it is an essential thing and ought to be gone into on that." (Mr. Perry.) That is considered by a small committee of the Directors concerned. Proposals come in in large numbers from the commands, and are considered not only by the Director of Barrack Construction, but by the other Directors interested, and between them they select the most desirable services.

4261. He is only one amongst others who have to decide whether the work shall be done?—Yes; for instance, being a sanitary service, the Medical Director would be interested, and the Quartermaster-General would be interested, so that at least three or four Directors would consider it.

4262. And they would say of some of the schemes, I presume, "That may be proceeded with," and of others they would say, "That may wait till next year," and others might be rejected altogether?—Yes.

4263. Then I may take it that in or about December the Committee of Directors decided

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that the drainage of Strensall was a necessary service?—Yes.

4264. The responsibility for making the Estimate does not rest solely upon the Director of Barrack Construction in that case?—No.

4265. But upon the Committee of Directors. (To Sir Guy Fleetwood-Wilson.) Is that so?—That is so, subject to the responsibility which attaches to the members of Council concerned, who would be in possession of the views of the Committee, and who would give the final decision.

4266. You are not one of the Directors concerned; you are not on that Committee?—No, I am not on that Committee.

4267. You appear on the scene later?—I do, when it is dealt with by members of Council.

4268. How far does your investigation extend? Do you accept the decision of the Directors as to its being a necessary work to go on with?—Certainly I would, unless it was something which, on the face of it, was unnecessary; if I happened to know that there was a certain policy in the air which might be secret, or might not be known generally, and I thought that that would render the service unnecessary, then it would be my duty to remind the Council of that.

4269. We have reached this point, that it is put into the Estimates by the Director of Barrack Construction, after consultation with other Directors?—That is so.

4270. But it is passed by you; it is your duty to advise him on all matters of expenditure, and therefore on his Estimates?—Yes.

4271. Therefore you practically accept his decision?—Subject to there being money and other considerations.

4272. It is financial consideration which you would represent?—Yes, not technical.

4273. When was the decision to abandon Strensall arrived at?—I cannot give you the date, in point of fact; it is not here, but the reason for postponing it, I suppose is what you would like to get at mainly, is it not?

4274. It was abandoned, as I understand; of course, they have begun by postponing it?—A civil drainage scheme has been started since that was put into the Estimates, and obviously if there is to be a main drainage system it is better to tap it than to have a separate main drainage scheme of your own. That is the history of Strensall.

4275. I take it that having been in the Estimates and voted by the House of Commons, the Director would proceed with the works; that would be decided upon?—Yes, unless he were stopped before he had begun.

4276. He would presumably begin about May or June?—That is where we get involved in what he did or did not do. I am going to stick to that point; I cannot be held answerable for what took place as regards the delay. He alone can explain that.

4277. Are

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4277. Are you not answerable to present the facts on these matters to this Committee?—If you mean to go into the detail of why the various works were not proceeded with, or why such short progress was made, it really comes to this, that I must put in a memorandum on each case.

4278. I am exceedingly anxious to arrive at the method by which it is possible for this very large estimate to be taken and this small expenditure to follow it. I would like to know, for instance, Strensall having been in the Estimate, at what date the Director would himself have expected to begin that work, and whether he did begin at the date he expected to begin?—I cannot say, I do not know, he alone knows that.

4279. You agree with me that it is of some importance?—I do entirely, and please do not think I am not fully alive to it, or that I do not wish to answer you as fully as possible, but it is not my business to watch the work, while it is in progress, in any way. It is my business to see if it is in the Estimates what the outcome at the end of the year is. I see it at the beginning and at the end, but beyond seeing what progress is made from watching it and urging, as I did several times, that there appeared to be no money being spent and therefore the work ought to be pushed on, I do not think I can go. I can say that it was considered an essential service. We cut out all the services that are not obviously essential, because otherwise you would have such bloated Estimates.

4280. That only seems to make the matter more serious, because the essential services are not carried out by the men responsible for carrying them out?—I think I may say, without in the slightest degree questioning, which I would not dream of doing, the remark of the Chairman, that I cannot be answerable for the non-progress of the work; it is my duty to give the best explanation I can, but there may be many other reasons why that building work has not been carried out, which I cannot give you.

4281. There is only one other point. You told us that you accepted the Director's explanations, and that you could not carry the matter further than the explanations which were offered to you?—Yes, but do not let that create the impression on your mind that I have done nothing to get better explanations, because I have.

4282. What I was to ask was whether you are not entitled to be satisfied, not only to have some explanations given to you, but to be satisfied on all matters of Army Finance; whether you are not the final authority who has to be satisfied, subject to the Secretary of State?—I am not all-powerful, and I do not think it would be at all proper for me to be all-powerful. I can urge upon the Director what my view is, and I do, and I can urge upon the member of Council, and I do, not only myself directly, but through the finance member, and I have repeatedly in

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this case urged that the progress of work should be accelerated.

4283. I was rather, perhaps, widening the question then; if the explanations are not satisfactory to you, do you try to get a satisfactory explanation?—Certainly.

4284. And if you fail, you report to the higher authority, that is, the Finance Member?—Yes. I think everybody was dissatisfied with the state of affairs.

4285. And, if necessary, you go still further—to the Secretary of State?—No, because it is not a case of disallowing a payment; if it were a case of disallowing a payment, then I come in as Accounting Officer, but I do not come in as Accounting Officer if the money has not been spent. You can find fault with me for bad estimating. My answer to you is, that I cannot control a Vote where the works which are supposed to have cost £101,000 in the year are so behind-hand that only £18,000 is spent. That is a very marked distinction which I would ask the Committee to bear in mind. I can certainly take the question of a disallowance which has been over-ruled up to the hilt and make it a disallowance, and not pass it as a payment, but this is a question of administering the Vote which Parliament has voted.

4286. You not only can, but must do so?—Must do so, and do do so.

4287. Nothing can discharge you from your responsibility in that respect except the Secretary of State's authority in writing?—Yes, in writing; if I put it up in writing it would come back in writing, there is no question, but there is a marked distinction between allowing a payment which I disapprove of or think it is my duty to disapprove of without the Secretary of State's personal order and this case, which is one for non-expenditure of money voted by Parliament which I cannot control.

4288. Then you are acting as Director of Army Finance?—Yes, and as such I have to watch the expenditure, and constantly do, and when I see the money not being spent I urge to the utmost extent that is in my power that special attention should be drawn to the slowness of works, and I have done so both verbally and in writing.

4289. And the Accounting Officer is, of course, necessarily the Director of Army Finance, is he not?—The Accounting Officer is an officer selected by the Treasury, but practically it would be impossible to have the one dissociated from the other.

4290. Could they be dissociated?—No, I do not think so.

4291. By an Order in Council?—I beg your pardon; you mean in the future?

4292. As a matter of fact the Director of Army Finance is the Accounting Officer of Army Votes by the Order in Council, and as the Treasury appoints the Accounting Officer of Army Votes,

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does it not follow that he becomes the Director of Army Finance?—Yes; of course Orders in Council can be corrected or altered by subsequent Orders in Council.

4293. Quite so, but, as the thing stands at present, the Accounting Officer of the Army Votes becomes the Director of Army Finance, *ex officio*, as Accounting Officer?—Yes, I think there is no doubt about that.

4294. The Treasury does not appoint the Director of Army Finance, as I understand; the Treasury appoints the Accounting Officer and it is therefore very important to us to know whether the Accounting Officer becomes necessarily the Director of Army Finance?—No, I take it that if the Treasury chose to appoint somebody else Accounting Officer they could.

4295. Is that so?—Yes.

4296. The Order in Council says the Director of Army Finance will act as the Accounting officer of Army Votes?—That is so.

4297. If the Treasury appointed somebody else you would have two Accounting Officers?—No, I take it you would have to make whoever they appointed Director of Army Finance; I think it is very much on the same lines as the Admiralty Order in Council.

4298. (To Mr. *Headlam*.) Is that correct, according to the Treasury view?—As stated, yes; of course the Treasury could ask for another Order in Council.

4299. But you appoint the accounting officer and the accounting officer is, by the Order in Council, Director of Army Finance?—Yes.

Mr. *Bowles*.

4300. (To Sir *Guy Fleetwood-Wilson*.) As to these explanations on Sub-head B, take for instance the first four, all we are told is that certain items are abandoned?—Yes.

4301. The whole question is why they were abandoned?—I may be able to give it to you.

4302. I do not want to put you to the trouble, but I hope I am not to understand that a mere statement that items have been abandoned is regarded by you as a satisfactory explanation?—I think the situation in regard to this portion of Vote 10 is a very unsatisfactory one; I think that without going into explanations, the actual figures are unsatisfactory in result.

4303. What I mean is that, that result having appeared at the end of the year, I imagine you were not satisfied with mere statements that certain things had been abandoned?—Certainly not; I went most carefully into the whole of the cases, and when I say that is the best I can give you it is my honest belief that if I elaborated those to any considerable extent it would not take you very much further.

4304. But you do not wish us to understand that the mere statements appearing on page 47 were all the information you got or could get?—

Mr. *Bowles*—*continued*.

No, I could get pages and pages of various reasons and explanations during the progress of the works, but I do really anticipate that, with a situation like this, it would appear reasonable to the Committee that, in a technical matter like building, it was hopeless for me to do more than I have done.

4305. Of course building, no doubt, is technical?—Absolutely technical.

4306. But the reasons for abandoning the building may be entirely non-technical?—Yes.

4307. Those are really the reasons which we require?—I think there again one is involved with the other. You may give up a thing because another service becomes more urgent; if the work is all behind-hand, there is more urgency; all that could be given you. I hope I am not wrong in saying that I do not think, as a rule, I flinch from being examined by the Committee, but when it comes to building, really I am not competent to give you full explanations.

4308. All I meant was that I was a little disturbed by the suggestion, which you appeared to me to make once or twice, that these very bald statements were all the information at which you had been able to arrive as to this enormous deficit?—I think that is the only information that I can give: I could give a good deal more, but I do not think it would give you more satisfaction.

4309. But you have got more?—I suppose the Director of Barrack Construction has probably got a room full of papers; I think you would get it out of him.

Mr. *McCrae*.

4310. I would like to ask you about Sub-head B. The grant was £101,050 and the expenditure £18,120, leaving a surplus unexpended of £82,900?—That is so.

4311. Then the explanations divide these surpluses under three heads. First, works abandoned altogether, secondly, items not commenced during the year, and thirdly, works on which the progress made was less than anticipated. Can you give the Committee the amount involved in these three heads separately?—£8,000 for Strensall, Warrington and Ayr; £15,000 will represent the second group as you may call it (I am giving you round figures), and the balance is about £60,000 for the third group.

4312. With regard to the first group, I am not going into technical questions of the progress of the works or of reasons, but I understand you to say with regard to Warrington, if not also with regard to Strensall, that they were delayed for consideration later?—No, I do not know what the reason was.

4313. Do we take it that when certain works are put in as having been abandoned, we are done with them?—No, I would not say that; they may possibly crop another year. Supposing the case of a drainage scheme was dropped, because it

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it was anticipated that the locality was going to drain and they did not, I suppose you would have to revert to it.

4314. So that the word abandoned, is perhaps, not the right word to use?—Abandoned for the time being, at any rate.

4315. What struck me with regard to those four items was this, they are all connected with sanitary arrangements?—Yes.

4316. And it seems rather surprising that all those four should have been put in the Estimates and then found not to have been necessary, which, I think, could be the only reason for having abandoned them; is that so?—Yes. Of course, if you take "Remodelling latrines," I suppose the latrines could go on without being remodelled, but I daresay they want remodelling.

4317. Strensall is a depot where they go to be examined in signalling, is it not?—I daresay; I do not know.

4318. You say that all these items under Sub-heads A to F were under the charge of the Director of Barrack Construction?—They were under the charge of the then Civil Member, Lord Portsmouth, and under him in the immediate charge of the Director of Barrack Construction, Mr. Measures.

4319. Did I understand you to say that that arrangement had now been departed from?—Yes, they have put the Director of Barrack Construction under the Master-General of Ordnance, so that both sections of the Vote will come under one member of Council.

4320. A change has been made?—It has been considered advisable to make a change.

## FORTIFICATIONS AND WORKS.

Sir Daniel Goddard.

4321. With regard to Sub-head N, which refers to barracks, except as provided in sub-head B I will not go extensively into that Sub-head, but I would like just to get some points in evidence?—Before you put your question I should like, as we have had a very unsatisfactory and regrettable result of estimating a work in the first section of this Vote 10, to be permitted to point out how very satisfactory the other section of the Vote is; it is really a very remarkable result, I think. In the second half, if you take page 54, there is only one thousand pounds difference between the grant and the expenditure. I do not say that it is entirely owing to great care and attention, because it is so close that there is an element of good luck about it, but I think it is attributable, to some extent, to the very cordial co-operation which existed between the Military Director, who dealt with this section of the Vote, and the finance side. Mr. Perry, who is sitting next to me, was then dealing with this work, and I think it was greatly owing to his being in an independent position, in which he could give good advice, and to the cordiality with which that advice was

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accepted, that this result is arrived at, and I think it is a remarkable result.

4322. We are very glad, of course, to see any such result. Some of the details are a little varying?—Now we will come to them, if you will.

4323. I will come to Sub-head N, in which the Vote is £100,000 and the expenditure £115,860, that is an excess expenditure of £15,860. I notice in the explanation (I am only asking this for the purpose of getting it on to the evidence) that of the items included in Sub-head N one only was not proceeded with, seven showed less progress than was anticipated, three had excess expenditure incurred with Treasury sanction, and 10 were not in the Estimates at all, but were begun and some expenditure incurred upon them with Treasury sanction only. Do you agree with this as a fair statement?—Yes, I do.

4324. As to those 10 items (this is the point that rather strikes me in this), I have extracted them as far as I can see, and they are the items in italics on pages 101 and 102, and so on. (To Mr. Perry.) Am I about right in saying that they amount to £31,458?—About that; I have not checked it.

4325. That is out of a total expenditure of £115,860, and that was expenditure which has never been submitted to the House of Commons, as I understand, but was work commenced solely with Treasury sanction?—(Sir Guy Fleetwood-Wilson.) That is right.

4326. As to one or two of those items, there is the new electrical school at Chatham, on which £2,350 was expended?—That is right.

4327. Could you give a little explanation as to why a new electrical school could not have been foreseen in sufficient time to go on to the Estimates?—It may have been that progress was greater during the year than was anticipated; it is a continuous service.

4328. It is called completion of electrical school?—It is completion.

4329. £2,351?—(Mr. Perry.) It is winding up a transaction in the past with the Admiralty.

4330. That makes it all the worse, because as it was begun you knew it had to be finished?—No, we thought it would have been finished in the prior year.

4331. But it was not finished in the prior year?—No, and therefore we had to provide for it.

4332. But why not in the Estimates?—Because when we drew the Estimates we thought it would be finished. (Sir Guy Fleetwood-Wilson.) The Estimates are not made on the 31st March, and when we framed the Estimates originally, we thought we should finish it in that year. I do not think there is much more than that in it.

4333. I do not want to press it, but I cannot help drawing attention to it. I think that is a very large amount in proportion to the sum; it is one-third?—One-third of £15,000, do you mean?

4334 It

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4334. It is one-third of the total expenditure; £31,000 out of £115,000 is expenditure without Parliamentary sanction, simply by Treasury sanction. That is the point I am trying to draw attention to. Now there is another item on page 102 which has to do with the reconstruction of huts at Kingston, Jamaica. There was a very heavy excess incurred, and there is a long correspondence about it. I do not want to go into it fully, but, roughly speaking, am I stating the case when I say that it was proposed to erect 35 huts for accommodation of the Royal Engineers at Up-Park camp?—Yes.

4335. And the cost was originally estimated at £41,000?—That is so.

4336. Then, in September, 1907, the War Office wrote to the Treasury and said it must be increased to £60,000?—Yes.

4337. The Treasury regretted to learn that, instead of a saving of £1,400, as promised in the letter of the 24th June, the provisional estimate was increased to £60,000?—(Mr. Perry.) There is some further correspondence since then with the Treasury, reducing that estimate again, and I think the Treasury are now quite satisfied with the figures we have given them. It happened since the account was printed.

4338. Then I will ask the Treasury that question presently, but may I ask first of all, can it be explained what happened between June 24th and September to turn an estimated surplus of £1,400 into an actual deficiency of £1,900?—That was largely due to difficulties in Jamaica; the general officer commanding himself did not quite know what he wanted. It was a very difficult job owing to the disturbance there, even for him to estimate what he wanted, or the way to do it, and he changed his programme to some extent after he began to do the work. We have explained that to the Treasury since, and the estimate is now much less than £60,000.

4339. I am glad to learn that. Can you tell me how many troops are accommodated in these huts?—No, I cannot from memory.

4340. It seems a very large sum of money?—(Sir Guy Fleetwood-Wilson.) But I think the earthquake had destroyed any sort of habitation you could put troops into.

4341. (To Mr. Headlam.) May I ask if the Treasury is now satisfied on this point?—Yes, I think the final figures of the War Office are much more satisfactory. They have managed to cut it down to £14,000, and possibly less.

4342. That is another item, is it not? £41,000 was the original estimate; it is now much nearer the original?—Yes.

4343. The Treasury was rather put about by it, as I gather from the correspondence?—Yes; from the correspondence you will see that the Treasury went into it very carefully, but they did take into consideration that the estimating must have been very difficult at the time.

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4344. Now, I understand, you are satisfied?—Yes, I think so.

4345. (To Sir Guy Fleetwood-Wilson.) There is another item in this expenditure which I believe is included under Sub-head P, "Army Ordnance Buildings"; is there not a sum of £5,446 spent on repairs to Woolwich Arsenal after the explosion?—What is your point upon that?

4346. My point is this. The explosion took place on the 11th February, 1907, six weeks before the closing of the accounts for the year 1906-7. Nothing was said to the Treasury about the expenditure in connection with it until 1st October, 1907, when the War Office wrote and said that in consequence of the explosion there would be an expenditure of about £10,000 to be shared between the Army and the Navy, asking authority for this to be incurred, and stating that £5,446 would be spent in the course of that year?—Yes.

4347. The answer of the Treasury, as I gather it, expressed surprise that there was this long delay, and no notice sent to them of this expenditure. I want to know what is the meaning of it, and if it was really the fact that the sum of £5,446 was spent on this work, between the date of the explosion, February 11th, and March 31st?—That is so, and we ought to have gone earlier to the Treasury, there is no doubt.

4348. You admit that it was a mistake?—I admit that there was undue delay in going to the Treasury.

4349. You gave a sort of reason that you could not tell what the estimate would be, I suppose?—I think there was an oversight in not going to the Treasury sooner; I frankly admit it.

4350. (To Mr. Headlam.) Has the Treasury anything to say about this question?—Nothing more than appears in the correspondence, I think.

4351. Are you satisfied now with the position? Have they explained to you why they did not come sooner?—I think we accepted their explanation. (Sir Guy Fleetwood-Wilson.) Have you got letter No. 34 on page 165? I think you will see there what we did. (Mr. Headlam.) You will see the Treasury accepted the explanation, and made some general remarks at the end.

4352. I only wanted to raise the point, because I think clearly the Treasury ought to have been informed?—(Sir Guy Fleetwood-Wilson.) Certainly. I am sorry there was a delay.

4353. My last point with regard to this Vote is on Sub-head V, which refers to the purchase of land. There is an excess of £7,000 due to the purchase of the Remount Farm at Melton Mowbray; there is a long correspondence about it?—Yes.

4354. (To Mr. Headlam.) I do not want to go into detail about it, but the Treasury suggested that the price was too high, did they not?—Yes.

4355. The price was 28 years' purchase of the rent they were paying, was it not?—Yes.

4356. And

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Sir Daniel Goddard—continued.

4356. And it was a higher price than the valuation put by your valuer?—Yes.

4357. Did the Treasury also point out that it was a very dangerous thing to buy land that was liable to be used up if used continually for the same purpose?—I understand the War Office persisted in buying this land?—(Sir Guy Fleetwood-Wilson.) We bought it with Treasury sanction.

4358. You bought it for £13,375?—I think that is the figure.

4359. The owner of this land evidently got a very good price for it; may we know who the owner is?—I cannot tell you; I would tell you directly if I knew.

4360. What was the cause of the great anxiety to buy this particular farm?—I suppose the Director of Remounts came to the conclusion that it was the very best thing for his purposes.

4361. You know it is a high price, and you were warned against several things with regard to it, and yet you persisted in buying this particular farm; there must have been some reason which is not given here?—You very often have to pay a high price for a thing if you want it.

4362. (To Mr. Headlam.) The Treasury gave its sanction very reluctantly to this, I gather?—Yes, the deciding factor was that we were made to understand that very few farms are so well fitted with loose boxes and stabling generally, and we were told that there would be no capital expenditure on buildings necessary, whereas assuming that the policy of buying land was definitely adhered to and we were compelled to buy a farm elsewhere and build upon it, the expenses would be greater. I think those were the reasons which finally decided the Treasury to give way.

Sir Robert Hobart.

4363. (To Sir Guy Fleetwood-Wilson.) Looking at the Vote generally, I think it strikes the Committee, and probably it will yourself, that the Estimate must have been rather loosely drawn out?—From which standpoint? Which section are you dealing with?

4364. Both?—I think the second section pans out extraordinarily well. It is the first half where all the evil is, and it is not a question of estimating, but a question of the progress made with the work for which money had been taken.

4365. Is it clearly understood that when Parliament is asked for a Vote item by item it is the intention of the Department to use that money in the way they asked Parliament to vote it for?—Certainly.

4366. And not to take it that they have received what I may call the benevolence of Parliament to use the money as they like?—I think if we took that view my position would be even more painful than it sometimes is before this Committee.

4367. At all events I think perhaps the Committee have said enough to induce you to think

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Sir Robert Hobart—continued.

that there should be rather more close estimating?—No, I think this is not a case of close estimating; in this particular case I think it is really a question of non-progress with work.

4368. When Parliament has been, so to speak, asked whether they will sanction a work and have said that the work is to be done, should not the work be proceeded with the moment Parliament has voted the money?—Certainly, and that is where the fault comes in; I quite agree.

Mr. McCrae.

4369. Sub-head N deals with barracks other than those provided for under Sub-head B?—Yes.

4370. The grant was £100,000, and the expenditure £115,860, leaving £15,860 more than the estimate. Can you give me in detail the sums under the different headings? The first is due to reconstruction of barracks in connection with Jamaica?—(Mr. Perry.) They are given on pages from 96 onwards.

4371. What I want is merely a rough division; we have Jamaica, we have excesses, and then we have new services, and if you could give me just roughly, without the exact figures, the division of them, I would be obliged. I suppose there is no relation at all between Sub-head N and Sub-head B in this respect; I do not suppose that the nature of the expenditure on Sub-head B would at all affect Sub-head N?—(Sir Guy Fleetwood-Wilson.) No, they are quite separate.

4372. As you told us, it was under a different Director?—Yes, they were quite as separate as if they were administering two Votes; they were not even under the same member of Council. It is impossible to give you the figures you have asked for at a moment's notice, as they have to be picked out of so many pages, but the following may be taken as quite rough figures. The total new services undertaken not provided for in the Estimate come to about £31,000, and the excesses authorised were about £2,000, that is together £33,000.

4373. And then the difference between that amount and the £15,860 is your savings?—That is so—£17,000.

4374. I understand that the excesses incurred, and the new services were all carried out with the sanction of the Treasury?—Yes, I do not think we have done anything without Treasury sanction, we are very careful, unless it is a necessity, not to proceed with any works, or to make any deviations from estimates without their sanction.

(Mr. Perry withdrew.)

## VOTE 11.

SPECIAL SUB-HEAD—ADMINISTRATION TRAINING  
OF OFFICERS.

Chairman.

4375. (To Mr. Kempe.) Turning to paragraph 72,

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*Chairman*—*continued.*

72, which deals with administrative training of officers, you are satisfied with the way in which the expenditure has been put in regular form. The Treasury sanction has been obtained to it?—Yes, I am quite satisfied.

*Sir Daniel Goddard.*

4376. (To *Sir Guy Fleetwood-Wilson.*) This school of administrative training of officers was started with Treasury sanction only, was it not?—The London School of Economics class?

4377. Yes?—Yes, that was done with Treasury sanction.

4378. I gather from the correspondence that the application to the Treasury for permission to spend this money was made on the 6th December, 1906; what I want to know is, why you could not wait three months, and get this thing on the Estimates in the proper way?—Because the Secretary of State was very anxious to proceed with this; great importance was attached to it by the Military Training Section, and it was considered advisable to take immediate advantage of the opportunity that was offered, for having these lectures and developing this system. That is really the reason.

4379. (To *Mr. Headlam.*) The Treasury gave its sanction for one year?—Yes.

4380. Has it been renewed?—It has been renewed.

4381. What has really happened is that Parliament was pledged to an expenditure of nearly £2,000 a year before it had any voice in it?—The second course was provided for in the Estimates.

4382. The second year?—Yes (*Sir Guy Fleetwood-Wilson*), I think the Treasury have given their sanction for the continuation subject to review.

4383. My point is that when it comes as near as that it can wait for the Estimates; your Estimates were actually prepared in December when you wrote this letter to the Treasury?—Yes.

4384. And yet you evade Parliamentary sanction, and involve us in this expenditure of £2,000 a year, when putting it on the Estimates would have obtained the money in the ordinary course, and given Parliament the opportunity of expressing an opinion?—Certainly, but it was considered very important to start this as soon as possible. They take up a great number of subjects, which are not dealt with, as a rule, in the curriculum for military officers. There was a lecture, for instance, by *Mr. Brassey*, on the successful management from London of mining and smelting works, and another one by *Mr. Henry Birchenough*, on the management from London of another considerable undertaking with works scattered in various foreign countries, and *Mr. Webb* delivered a lecture on the organisation of trade unions, and so forth.

4385. It was thought that was worth spending

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£2,000 a year upon?—Great importance was attached to it.

*Mr. Brigg.*

4386. I wish to ask a question with regard to the amount of awards given to officers for proficiency in languages. If you will kindly look at page 56, Sub-head J, you will see entered there an amount of £2,400, representing awards for proficiency in languages. Can you give us any idea how many officers shared in that £2,400?—There is a graduated scale for the different languages. A limited number of awards of £200 each is given for proficiency in Arabic, Turkish, and Russian; £50 may be granted to officers at Hong Kong and the Straits Settlements, but I do not think I could give you the number of officers.

4387. I merely want to know the amount given to each?—The amount is, roughly speaking, from £50 to £200.

*Sir Robert Hobart.*

4388. With regard to Sub-head D, "Regimental and Garrison Schools," are those for children or for men?—Both.

4389. As a rule the children go to the Council School, or whatever it is in the neighbourhood, do they not?—I should not like to say that as a rule they do.

4390. Do you keep up separate schools for the Army?—I am afraid we do.

4391. Is it a point which has interested you at all?—Yes, but in my private or general Civil Servant's capacity, rather than as a War Office officer, because it is not within my province.

4392. It is the wish of the War Office to keep up separate schools?—In some cases I believe it is.

4393. Denominational or undenominational?—I cannot tell you.

*Mr. Brigg.*

4394. With regard to the London School of Economics, under what management is it?—*Professor Mackinder*, I think.

4395. It is not under any Department of the Government?—No.

#### VOTE 12.

#### SUB-HEAD C.—COMPENSATION FOR LOSSES.

*Chairman.*

4396. (To *Mr. Kempe.*) Referring to paragraph 73, which deals with the consequences of the Jamaica earthquake, that is a mere historical statement?—That is all.

*Sir Daniel Goddard.*

4397. (To *Sir Guy Fleetwood-Wilson.*) I want to



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to know about this sum paid to individuals in respect of the earthquake in Jamaica of £1,777: why does the War Office pay compensation for earthquakes?—It was compensation for articles belonging to soldiers, if I remember right, which would not have been paid for under ordinary circumstances. For instance, if a non-commissioned officer had furnished his quarters himself, or had additional furniture, it seemed rather hard to the Army Council (and the Treasury sanctioned it) to let him suffer from this visitation of God, which I suppose you must call it, if all his furniture was lost in the earthquake. It seemed a very reasonable thing to do.

4398. I am not contending that they should not have been compensated, but I do not quite see why it should fall on the War Office to compensate them. There was a special compensation fund was there not?—No, that was only for Woolwich.

4399. It is the Jamaica earthquake I am referring to?—The damage was repaired, and the cost which Army Votes were put to, to repair the damage of every kind caused by the earthquake, included a certain amount of private property which belonged to the officers and soldiers, and it was considered perfectly reasonable to refund the loss. It would have been a very laboured process to have opened a special Vote in a subsequent year, or to have a Supplementary Estimate or anything of that sort.

4400. As I understand, the estimate that was made under this Sub-head C, was very much in excess of the needs of it?—No.

4401. Otherwise you would not have been able to have paid this £1,777 out of it?—I thought you meant as regards the outcome.

4402. This was an unexpected thing?—Yes, but it is very difficult estimating; it would be a local estimate, furnished under very great difficulty, under those conditions, and it is better than having the other way.

## COMPENSATION FOR DAMAGE AT WOOLWICH.

Chairman.

4403. (To Mr. Kempe.) With regard to paragraph 74, "Grant for Woolwich Explosion," there was money paid back, was there not, from the Mayor's Fund?—Yes, it was a case of saving money.

## EXTRA REGULATION EXPENDITURE.

4404. Dealing now with paragraph 75, which relates to "New Rules," you have got a letter from the Army Council with reference to that paragraph, have you not?—Yes, but there is nothing in the letter which is practically not in

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the paragraph. I have a letter which gives the principle laid down at greater length.

4405. But you do not want to read the letter?—I think not.

4406. Are you satisfied with the new Regulations, that they are sufficient for the purpose?—I have to accept the new Regulations approved by the Treasury. They seem to be effective, being more direct than the old Regulations.

4407. (To Mr. Headlam.) These new Regulations have been accepted?—Yes, I do not think they can be called new Regulations, and I do not know whether the Comptroller and Auditor-General would say that the regulations are new ones, it is rather a restatement.

4408. They are not regulations made for the first time, but they are a restatement of them?—Yes.

4409. (To Mr. Kempe.) Turning to paragraph 76, as to "Payments for Legal Advice," have you anything to say about that paragraph?—Nothing more than I have stated in the paragraph.

4410. The other charges in the sub-head, which you have questioned, will be dealt with by the new Regulations?—Yes, the new Regulations will at any rate take the place of the old.

Sir Robert Hobart.

4411. (To Mr. Headlam.) I see the Treasury are apparently not satisfied about this paragraph?—They thought that the two payments, to which the Comptroller and Auditor-General drew their attention, were not properly covered by the rules governing the issue of the £5,000 to the Secretary of State and that, therefore, Treasury sanction should have been applied for before these payments were made.

4412. The reason given is that they were of a nature that could not conveniently be dealt with by the Treasury Solicitor. That is not very much of a reason to this Committee?—The Treasury Solicitor will take on his Vote purely legal charges. I understand he reported in this case that the payments in question were not purely legal charges, and therefore he could not accept them on his Vote.

4413. If they were not legal, what sort of charges were they—fees and office expenditure on legal questions?—That being so, the Treasury thought that the War Office ought to apply to the Treasury, it was a payment made to gentlemen for semi-secretarial duties, I understand.

4414. Legal gentlemen?—Legal gentlemen.

4415. Outside the War Office?—Yes.

4416. They employed outside lawyers instead of employing the Treasury Solicitor or his Department?—That is so.

4417. And that surely is irregular?—I think

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that

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Sir Robert Hobart—continued.

that is why the Comptroller and Auditor-General drew attention to it.

4418. (To Sir Guy Fleetwood-Wilson.) Is that a sort of thing which is likely to occur again?—I do not think it would occur again, unless a new force were started like the Territorial Force. It was in connection with its creation that these payments arose.

4419. What sort of legal gentlemen were they—country solicitors?—No, I think one was Mr. Coles, who is a barrister, and a distinguished barrister.

4420. Was it quite clear that the Treasury Solicitor could not directly or indirectly deal with these cases?—The Secretary of State was distinctly of that opinion.

Mr. Leif Jones.

4421. (To Mr. Headlam.) I understand the Treasury expressed the opinion to the War Office that recourse should not have been had to the services of gentlemen outside the Public Department without the previous assent of their Lordships to the expenditure involved?—Yes.

4422. Was that the only step you took? Were no further steps taken by the Treasury?—The Treasury, on receiving an intimation from the Comptroller and Auditor-General that these questions had occurred, asked the War Office for an explanation officially, and received the explanation that the Army Council considered that these payments fell within the limits of the sum of the £5,000. After consideration of the rules which governed the issue of that £5,000 the Treasury decided that in their opinion these payments did not fall within those rules, and that Treasury sanction should have been applied for before the payments were made. It was considered that the payments were of a nature analogous to payments made to private secretaries, and that therefore they were cases on which application to the Treasury should have been made.

4423. If application had been made to the Treasury would they have sanctioned them?—I think in the circumstances there would have been a case for sanctioning them; it was special work in connection with the drawing up of the legal side of the new Army Bill.

4424. (To Mr. Kempe.) Is it your view that this is a charge which ought not to have been made against Army Votes?—Only because the Treasury have not given their sanction to it; I should not have called attention to the expenditure as such if the Treasury had sanctioned it.

4425. I understand there are some other charges under this sub-head which you might have questioned, but have not done so because of the new regulations?—Yes.

4426. Do I understand that the new regulations in some degree relax the Treasury control?—The Treasury modified the conditions but as these

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Vote 12—Extra Regulation Expenditure  
—continued.

Mr. Leif Jones—continued.

changes raised very minor points. I thought it hardly worth while, as they are on the same sort of principle as those I called attention to, to say anything about them.

4427. The new rules are such that an expenditure can now be made without Treasury sanction which previously required Treasury sanction, is that so?—The Secretary of State will now be able to sanction certain expenditure by General Officers without going to the Treasury, in order to save correspondence.

4428. Thereby escaping Treasury control?—To the extent of the £5,000 which the Secretary of State has hitherto been able to deal with. Hitherto the expenditure of the £5,000 has been limited more than it will be now; it is left more to the discretion of the Secretary of State.

4429. If subsequently it were found out that money had been charged to services which were not Army Services, what would happen?—If I noticed that in the Accounts I would call attention to it.

4430. But would you see the Accounts? You would not see exactly how the £5,000 goes?—I see the whole of the extra-regulation expenditure.

4431. All it amounts to is that the Secretary of State on his own authority decides what is and what is not properly to be charged against the Army Votes?—Yes.

4432. If he decided wrongly you would question it?—Yes, he takes the responsibility. (Sir Guy Fleetwood-Wilson.) It was a personal decision in this case.

4433. There would not be a preliminary question on the part of the Treasury?—(Mr. Kempe.) That is so. It was to save the correspondence between the War Office and the Treasury. (Mr. Headlam.) There are fixed rules laid down, which govern the way in which the sum of £5,000 may be spent. (Sir Guy Fleetwood-Wilson.) This particular case of Messrs. Kemp and Coles was a decision of the Secretary of State himself.

Mr. Bowles.

4434. (To Mr. Kempe.) Supposing this sum of £330 15s. had been included in a charge against the Civil Estimates, Class III., Vote 1 for Law Charges, would you then have seen any need to question it?—It would have been passed by the Treasury, I have very little doubt.

4435. And the thing would have been quite regular?—Yes.

4436. (To Mr. Headlam.) Did you conceive that there was any difficulty in including this item in the Vote for Law Charges? I do not understand why it was dealt with in this way?—I thought at first that the Treasury Solicitor had been consulted, but I see from the correspondence that I was mistaken. I do not think we consulted the Treasury Solicitor; we took it from the War Office that in their opinion it was not sufficiently of a legal character. All we were concerned with was that

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[Continued.]

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Vote 12—Extra Regulation Expenditure  
—continued.

Mr. Bowles—continued.

that it was not in our opinion such expenditure as should have been included within the £5,000.

4437. (To Sir Guy Fleetwood-Wilson.) Have you any opinion as to why it was that the money was dealt with in this apparently quite unnecessary way?—The decision to expend this money in this way was one arrived at by the Secretary of State, and there was another somewhat analogous case which came under the same conditions. I think that the Secretary of State was of opinion that it was not so much legal advice on specific points that he wanted from these two gentlemen, still less drafting of clauses for the Bill as eventually introduced, as to have two persons constantly at hand with competent legal knowledge to whom he was able from day to day to refer difficult points, both historical and administrative, as well as legal, for elucidation during the development of the scheme. The scheme, as the Treasury were aware, had to be very carefully elaborated over a long period of time, and many proposals of an administrative and military character, which had appeared plausible, had on consideration to be dropped or revised. The assistance given to the Secretary of State by Messrs. Kemp and Coles in making these laborious investigations and in suggesting expedients for solving difficult problems that arose from day to day was, I am informed, invaluable to him, and in the Secretary of State's judgment the expenditure was for military purposes, to make his new organisation laid before Parliament a military success, and not in any degree to defray charges for legal advice on specific points arising in the ordinary work of the Office, which would naturally and rightly be placed on the Treasury Vote.

4438. You at the moment saw no objection to accepting that view?—I could not question it; it was a decision of the Secretary of State, and although I might and would give advice, I should not dream of questioning his decision unless it was a very extraordinary case. I think where the Secretary of State has given his reason for making a payment I cannot go further.

4439. (To Mr. Headlam.) You still adhere to the view that this is not a proper charge to come under this Vote?—Certainly.

## NEW SUB-HEAD FOR EXPENSES OF TECHNICAL INSTRUCTION.

Chairman.

4440. (To Mr. Kempe.) With regard to paragraph 77, which deals with the "Technical Instruction of Soldiers," that, I think, is merely historical?—Yes, that is all.

4441. And you say in the next paragraph, No. 78, which deals with "Miscellaneous Charges," that you have raised the question as to their Lordships' intention about including as a charge against this sub-head small items of expenditure on stationery, &c. Are you satisfied as to what

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Technical Instruction—continued.

Chairman—continued.

the intention is?—Yes, the Treasury have now approved of it. (Mr. Headlam.) The intention was to allow the Commands to have small sums of money for the technical instruction of soldiers. The normal rule when public money is granted in this way, is that all supplies of this sort should be bought through the Stationery Office, but the amounts were so small in this case that it did not seem necessary to adopt the normal rule, which would have implied sending to London. There was also, very often, something which the Stationery Office could not supply.

Mr. Leif Jones.

4442. (To Sir Guy Fleetwood-Wilson.) Referring to what is contained in paragraph 77, this was for the technical instruction of soldiers, I understand?—Yes.

4443. Why was that not put in the Estimates? Surely this was a thing which must have taken a little time to organise, and I am certain it must have been planned out. It is true it is only a small sum, but it cannot have been suddenly undertaken?—I am sure it was not ripe for the Estimates, or it would have been put in. There was a good deal of doubt about the way in which this technical instruction should be elaborated and worked out.

4444. It is for the training of the soldiers in civil work with a view to their employment after they leave the Army?—Yes.

4445. Training them as chaffeurs and similar work?—Yes.

4446. I understand it is the view of the Army authorities that this should be self-supporting?—We would like it to be self-supporting.

4447. There is nothing for it in the Estimates this year?—We have got something in the Estimates this year.

4448. It was £1,000 in the year we are dealing with, and it was £2,500 last year, was it not?—Yes.

4449. What was taken this year?—I cannot tell you what we have taken this year; I should think a little less.

4450. That does make the thing rather more serious, because here is a service started at £1,000, although there could be nothing very urgent about it; the following year it was £2,500, and now there is a larger sum granted?—I believe that will be a very growing item; that is my view.

4451. Of course Parliament can discuss it on the Estimates in any particular year, but does it not seem rather a pity that, without warning to Parliament, you should have started that service, which is growing, and which you yourself say will grow from year to year in expenditure. The thing has been started, and it may be difficult to stop it after it has started, and yet it has been started without the sanction of Parliament?—Please do not take this as any answer without reference, and please do not misinterpret it, but

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I think

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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Vote 12—New Sub-head for Expenses of  
Technical Instruction—*continued.*Mr. *Leif Jones*—*continued.*

I think either in this year or at some time it was done under pressure from Parliament. I think they were very anxious, or a section of the House was very anxious, that we should enable soldiers, when they were in the Service, to get training which would be of use to them afterwards. It may, or may not be so, but I have it in my mind that it is so; there was considerable pressure brought to bear to waste no time over it.

4452. All the worse reason why such a matter should have been brought before Parliament, the first time expenditure was to be made upon it?—I think the pressure, so to speak, became severer, but I will not be certain that was the reason. Obviously my answer is that it would be very much better with all expenditure to put it in the Estimates, and get Parliamentary sanction for it.

*Chairman.*

4453. On page 186 it is said that they thought in the Estimates a certain sum would be wanted, in order to take advantage of the greater leisure which the men have during the winter months, if they could not begin at once?—Yes.

Mr. *Leif Jones.*

4454. On that page 186, the statement is that the Treasury "sanction an expenditure not exceeding £1,000 in the current financial year" (the year we are dealing with) "and £2,500 in 1907-8." So that I presume that was not on the Estimates last year, or was it?—(Mr. *Headlam.*) It was in the Estimates for 1907-8.

4455. After that time they hoped it would be practically self-supporting?—(Sir *Guy Fleetwood-Wilson.*) I said I hoped it would be.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## REBEL STOCK ACCOUNT.

Mr. *Leif Jones*—*continued.*

4456. But the expenditure failed?—Nothing Military is self-supporting.

*Chairman.*

4457. (To Mr. *Kempe.*) Turning to paragraph 79, which deals with "Claims still under Consideration," do you now think that all the claims have been preferred? Is the Account closed?—In the second part of paragraph 79, there are cases which may still come up; they have to be kept open, because where a sale has been made, and no record has been kept it is not known to whom the funds belong. That Account has to be kept open.

## STOCK ACCOUNTS.

4458. (To Sir *Guy Fleetwood-Wilson.*) With reference to paragraph 80, which refers to the "method of accounting for captured stock," has any progress been made in settling that question?—Regulations have been approved, and will now be included in the revised Supply, Transport, and Barrack Regulations, so that that difficulty will not arise again I think.

[The Committee passed Vote 12 without further questions upon the individual sub-heads.]

Sir *Guy Fleetwood-Wilson.*

May I hand in this letter from the Treasury, which you wished to have as soon as possible, with regard to the Statement of the Cost of Staff and Works (*handing in the same, vide Appendix.*)

*(The Witnesses withdrew.)*

Tuesday, 19 May, 1908.

MEMBERS PRESENT:

Mr. Bowles.	Mr. Mitchell-Thompson.
Sir Daniel Goddard.	Mr. McCrae.
Sir Robert Hobart.	Mr. Parker.
Mr. Leif Jones.	Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM called in; and Examined.

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

*Chairman.*

4459. (To Sir Guy Fleetwood-Wilson.) I think you wish to refer to some point in your evidence on a previous occasion?—Yes. Might I ask you to be so good as to turn to Questions 3596 and 3597 in the evidence of the 8th of May. The question before the Committee there was as to the splitting up of work and getting several works under one triennial contract, and in going over the evidence I am a little in doubt as to whether I had received from you instructions to communicate with the Master-General of the Ordnance, or whether you would deal with the point in your Report, in which case it would of course be brought automatically to his notice.

4460. I think the idea was that you would communicate with him and then communicate his opinion to the Committee at a future date, so that we might have it before us before our Report was made?—I think the view of the Committee was that possibly a Circular should

*Chairman—continued.*

be issued, or some steps should be taken to impress upon local officers the objection which the Committee felt to breaking up these works.

4461. That was so?—But I rather gathered subsequently that the Committee would prefer to deal with the matter in their Report rather than that they should send a communication to the Master-General of the Ordnance through me. That is the point in regard to which I was in some doubt. Of course, if the Committee propose to put a paragraph in their Report, there would be no necessity for me to communicate with him, for the matter would be brought automatically to his notice.

4462. Yes, I think that was the view we took, —to deal with it in the Report and then it would be brought up automatically?—I thought that was the view of the Committee, but I was not sure.

Mr. H. B. MEASURES, M.V.O., F.R.I.B.A., called in; and Examined.

*Chairman.*

4463. You are Director of Barrack Construction?—Yes.

4464. We have asked you to come here to tell us something about Sub-head B of Vote 10, on page 46, where a sum of £101,050 was taken for "Barracks and hospitals, new works, additions, repairs, &c.," and only £18,120 was spent. Can you tell us why this very large amount was taken and so small an amount has been spent?—Yes. The General Explanation is given on page 45, but if you would like

*Chairman—continued.*

I am prepared to go through the list on page 47 where the items are detailed and tell you the points in each case as I go through them.

4465. As regards the items on page 47, we were told last time that items were abandoned which amounted to about £8,000?—Yes, the first four items there were abandoned.

4466. It seemed rather strange to the Committee that either drainage which was imperative should be abandoned, or that work should have been undertaken to the tune of £8,000 if

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

*Chairman*—continued.

it was not necessary to undertake them. Can you give us any explanation as to these items?—Shall I take the drainage item in the first place?

4467. We will take that first?—In the first case, that of Strensall, that was a scheme for a separate installation to deal with the drainage of that camp, and just about the time that the scheme was sufficiently prepared to go to contract the local authorities approached us with a view to taking the drainage into their scheme. It was then thought inadvisable to spend money in view of the possibility of the local drainage scheme being available. The proposal has therefore been abandoned and it has not since been brought forward for estimate in view of the local authority having their scheme. It was really a question of enlarging the present drainage at Strensall for which the money was wanted.

4468. There was no urgent sanitary necessity for it?—Not if it would be dealt with by the scheme of the local authority.

4469. There was no such urgent necessity that it could not wait for a year?—Not under those circumstances.

4470. Then will you tell us about the next case, Warrington?—As regards Warrington, the Army Council at the end of that year settled that the service at Warrington was not to go on. And the same remark applies to Ayr. It was put into the next year's Estimate. I do not know the reason of that. It was settled by the Army Council that those services were not to go on.

4471. Then there is a large block of works, amounting to £15,000, that were not commenced at all during the year, namely, at Aldershot, at Devonport, at Woolwich and at Rochester Row; what have you to say as to those cases?—In the case of Aldershot a scheme was transferred to me which had been prepared in a very sketchy form by the Department that was previously concerned with this work. That scheme had to be re-modelled. It was a scheme of drainage for three separate barracks. It became necessary to measure up the whole of the old buildings before any scheme could be prepared, and to go into the question generally of the existing drainage. The result was that we were unable to start the service that year. When the estimate of the work was prepared, of course I did not know the service at all; it was a service that was transferred to me.

4472. It was postponed practically because it came into new hands, was that it?—It had been drawn up in a certain form before it was transferred to me, but it was not a scheme that I could take forward in the form in which it was transferred to me. I had to start it anew.

*Sir Daniel Goddard.*

4478. According to the explanation on page 47 it was not a matter of drainage, it was

## ARMY APPROPRIATION ACCOUNT, 1906-7.

*Sir Daniel Goddard*—continued.

re-modelling latrines and urinals?—Yes, but that included a considerable amount of drainage. There were blocks of latrines and urinals, and the connecting drainage to them was obsolete and had to be re-modelled.

*Chairman.*

4474. Does the same explanation apply to these other items, at Devonport, Woolwich and Rochester Row—were they all schemes that had to be revised?—Practically every scheme in that year's estimate I had to start afresh.

4475. Then we come to a number of items amounting, we are told, to £60,000, on which the progress made in the year was less than anticipated, namely at Portsmouth, at Netley, at Devonport, at Kingston, at Woolwich, at Fermoy, at Cork, at Mullingar, and at Kensington Barracks. What is the explanation as regards those?—If I may take the case of Portsmouth first—there I had a large service transferred to me for which the estimate was £119,100. When it was transferred to me the work was at an absolute standstill. Trouble had arisen between those supervising the work at that time and the Contractors. We had to continue the work with a great deal of trouble, and in the early part of the year under notice, 1906, one got to practically a deadlock with the Contractors, who would not take any further orders and would not proceed with the work, and the result was we had to go to Arbitration. That stopped practically the whole of the expenditure for that year with the exception of that small amount which you see there.

4476. Then what have you to say in regard to the second case at Portsmouth, the stables for horses for heavy batteries?—As regards the stables for horses for heavy batteries, the site was not finally settled for those stables until October of that year. After that I had to prepare the final scheme and specifications and bills of quantities and go to contract, and therefore it was impossible to spend the money before the end of the financial year.

4477. Then will you take the next one, the Netley Lunatic Asylum—provision for infirmary ward?—In explanation of that I ought to tell the Committee that at the time there was a large scheme for re-modelling the whole of Netley Hospital by building new wards. It was therefore decided to put down in the estimate just a small amount as a carry-on amount to do any drainage work that might be required to keep it in a fairly sanitary condition during the year, but not to undertake the large re-modelling of the sanitary work that was intended; otherwise it would have been a waste of money in the event of the larger scheme going through for re-modelling Netley Hospital irrespective of the drainage. Therefore that amount there was simply a nest egg to be drawn upon as necessity arose to meet the case of any bad drainage that might have to be remedied during the year.

4478. Then

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*Chairman—continued.*

4478. Then will you take the next case, Devonport, Raglan Barracks?—There again that was the completion of a larger scheme which was transferred to me. There were existing buildings as to which there were some record plans in existence, but they were on a very small scale, and they were useless for contract purposes. We had to send a staff down there and measure the old buildings and prepare a new scheme and get various approvals of it, and it was impossible to start the work until late in the year after that had been done. The work was finished in the following year.

4479. Then the next case is in the Eastern Command at Kingston?—There, again, the same remark applies. I had a drainage scheme transferred which had to be remodelled, and all the old buildings had to be re-drawn.

4480. Then there are two cases at Woolwich. The first is Married Quarters and the second is the Royal Army Medical Corps Officers' Mess and Quarters?—Yes. As regards the Woolwich married quarters, that service was one of two. At that time it was proposed to build married quarters in the Vauxhall Bridge Road and at Woolwich, and it was desired to have quite up-to-date married quarters, different from what had been built before, and the two schemes were going on simultaneously. The one in the Vauxhall Bridge Road was finally postponed, and the scheme for the Woolwich married quarters was pressed forward. It was an entirely new departure so far as planning was concerned—there was some delay in passing it to the various people who were concerned, and who had to see the plans, and therefore it was quite late in that year before I was able to spend the money at all, because I had to get a lump sum contract for the service—it was somewhat unique in planning.

4481. Then as regards the other case at Woolwich "Royal Army Medical Corps Officers' Mess and Quarters," is the explanation the same there?—In that case I was ready to go to tender, when a local agitation arose as to whether the site was suitable. It was on the top of Eltham Common. That led to some considerable discussion, and as a matter of fact that site has had to be abandoned and I have had to start afresh on another site right away from the Common.

4482. Then taking the next case of Fermoy, the provision of Sergeants' Mess, what is the explanation there?—At Fermoy we had some little trouble with the foundations there, but in speaking of Fermoy I would like to say this, which applies to Irish Orders generally, that building is very slow in Ireland, it is very difficult to press along, and in addition the weather is a more difficult element to reckon with in calculating Irish services than in English services. Taking the Kilbride Camp we had an excessive amount of rain there during the progress of the works, and the work was very much delayed. That would apply in a smaller degree

## ARMY APPROPRIATION ACCOUNT, 1906-7.

*Chairman—continued.*

to Fermoy; the trouble with the foundations stopped the work to begin with, and then the weather was bad.

4483. Would that apply to Cork also?—That would apply to both Cork and Fermoy. As regards the rebuilding of the Officers' Mess at Cork, there again, when we came to the foundations, we came across rock; that led to delay in that case again. The greater part of the site was not on rock, but where the heating chamber was it was found to be rock and that delayed the contractors in the earlier stages of the work.

4484. And as regards Mullingar, what is the explanation there?—There again the remark which I made just now about Strensall would apply; the local authorities there were proposing a drainage scheme, and, therefore, this work was postponed until it was settled whether they would carry it forward or not.

4485. Then in regard to the last case, of Kensington Barracks, what have you to say?—In regard to Kensington Barracks I spent more than my money—I had to get an additional Grant. After the service was started it was decided to build more stabling than was originally proposed. Part of the money came from the Kensington Borough Council and there was an additional Treasury Grant to cover the additional work beyond what was contemplated in the original scheme.

4486. Do I understand that this was the first year that this work came into your hands?—It was the second financial year.

4487. Were you there only part of the previous financial year?—I was there the whole of the previous year.

4488. As I understand, certain of these works which came into your hands had to be remodelled?—Quite so. You may take it that every scheme here had to be reviewed and practically remodelled throughout.

4489. Of course, you fully appreciate that it is very unsatisfactory to have this very large under-estimating—to have an estimate of £101,000 and only £18,000 spent. Have you taken steps in re-organising your office to obviate that in future?—Yes, I do not think this trouble will arise again now.

4490. I gather that great delay arose from the change of system?—From the change of system and the difficulties I had to contend with.

4491. Are those difficulties lessened as time goes on?—They are considerably lessened now.

Sir Daniel Goddard.

4492. As I understand you were responsible for the estimate of £110,000?—I was responsible for it in this way; the estimates are prepared at the various stations and they come up to me—hundreds of them when the estimates are being prepared for the year; then they are sorted out and sorted out until we get at the final number of

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[Continued.]

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Sir Daniel Goddard—continued.

of services. But I did not at that time prepare the figures of the majority of the services; I shall do so in future.

4493. That is not quite the point of my question; what I meant was this, I understand it was you who put these figures on the estimates?—No, I may have done so in one or two cases in the estimates; but generally they were placed on by the General sending the services forward saying that the cost of the service would be so much.

4494. But some one person must be responsible for making up the total estimates?—Yes, you may take it that I accepted those figures, and undertook to spend the money during the year.

4495. You are responsible for the total—you made yourself responsible for the total?—Yes, by accepting it.

4496. You accepted the details but you made yourself responsible for the total Estimate?—Yes.

4497. When you made yourself responsible for the total I do not quite understand how you can now come and say that all these things came back to you again in an altered form?—The schemes to which they relate were never before me—I mean the figures.

4498. Because they were not approved?—Because all the schemes and the figures were prepared at the various stations.

4499. But you were the head officer?—No, I had nothing to do with those that were prepared at the various stations.

4500. But they came before you?—They came before a Committee where all the services are considered, and at that Committee I am asked whether I can do the service within the year and whether I accept the estimate as being a fair one. I accepted the estimate as being a fair one, and I presumed, rightly or wrongly, basing my opinion upon my past experience upon what could be done in the ordinary way, and judging of the matter at that stage, that the work could be carried out within the year. But all these difficulties which have arisen arose after I had pledged myself in that way that the work could be carried out within the year.

4501. My point is this, all this was subsequent to your appointment, was it not?—Quite so.

4502. Then was the error that you assumed that all these local estimates were correct?—I am not prepared to say that they are not correct so far as regards the cost.

4503. They have proved to be incorrect, have they not?—They are not correct as far as regards the possibility of doing the work within the year. The estimates as figures are not incorrect, but the estimate of the possibility of doing the work within the year in view of the difficulties that arose was incorrect.

4504. You assumed that they could be done

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Sir Daniel Goddard—continued.

within the year?—Certainly, on the information which I then had.

4505. The experience which you have obtained this year shows that that was a wrong assumption, and I take it you would not accept these local propositions as to what you can do within the year?—No.

4506. You investigate them and now I presume you would be able to make yourself responsible much more surely for the amount put down for work to be done within the year?—Yes.

4507. That is clear is it?—Quite clear.

4508. You are an architect, are you not?—Yes.

4509. In regard to the case of Warrington, I think you said that the Contractor would not take any further orders?—That was in regard to the Portsmouth Hospital.

4510. You said that he would not take any further orders, and that you could not get on with him. What was the reason of that?—It was the end of a series of disputes which I inherited. The Contractor pleaded that he wanted to get away from his work and he was not prepared to take any more work there. It was a measurement contract, not a lump sum contract in the ordinary sense, and he said he would not do any more work—that he did not want any more work measured.

4511. Did he take a contract for so many rods of brickwork, or something of that sort?—It was a lump sum with an extra sum for additional work and he got to an end of the work he wished to do.

4512. Had he got to the end of the sum that he contracted for?—As regards the amount of work that he had had given to him, he had come to the end of it except that he would not finish it properly.

4513. Was he not financially able to do it?—There was no question of that at all.

4514. My point is this,—if you make a contract with a man to do certain work, you have a right to insist that he should do it?—This was a contract for a new hospital with additional works to be ordered as the work went on.

4515. But they were part of his contract?—I have not got the contract in front of me at the moment, and I could hardly tell you, but he would not undertake any more work, and it was held that he was justified.

4516. In view of that answer I should suggest that the contract must have been very badly drawn?—I did not draw the contract.

4517. You mean it was drawn before your time?—Yes, it was drawn before my time. I was administering the contract which was running.

4518. Then perhaps you are in a position of greater liberty to answer the question. Do you consider the contract was very badly drawn?—No, I do not think so.

4519. Do you not think so from the fact that the



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the Contractor was able to say, "I will not carry out these works" —?—These, you will understand, were additional works which we could order or not. Not having the contract before me I could not tell for certain whether we could insist that he should carry out the works whether he liked them or not.

4520. When you speak of additional works I take it that you mean something like this. There was a lump sum for certain specified work, and then if any additions were to be made to the buildings they were to be done on a schedule of prices?—Yes, we could order it and he could accept it in the ordinary way.

4521. On the basis of the schedule of prices mentioned in the contract?—Yes.

4522. That is just as much part of the contract as the other, or it ought to be; do you not consider so?—If the time of the contract has not elapsed, but I think it had in that case. I did not know that this point was going to be raised or I would have looked up the contract before I came here.

4523. But it all hangs upon the contract as far as I see. The explanation, as I gather, is that the Contractor refused to carry out his contract?—No, he refused to take additional work.

4524. My point is that that is part of his contract?—The delay in the expenditure had been on work which he was undertaking and which he did do and which was finished by him.

4525. Beyond time?—Beyond time.

4526. He did not do it, I understand, in time?—He did not do it in time; he was putting obstacles in the way of completion. On that we went to arbitration.

4527. Was this a local Contractor?—No.

4528. Was it a Portsmouth builder?—No, a Woolwich builder.

4529. You employed a Woolwich builder to do this work at Portsmouth?—I did not employ him; he had been employed before my time.

4530. Is he a Contractor still employed?—Yes.

4531. In other places?—Yes.

4532. I suppose you look very closely into his contracts now?—It was an open tender; he got this work in open tender before my time.

4533. If I was in the habit of putting tenders before builders and a man did not carry out his contract I should be very careful not to give him another?—I should rather like not to do so.

4534. But I understood you to say that you were continuing to employ this man to do work at other places?—Not to my knowledge.

4535. Then I misunderstood your answer?—It is not so to my knowledge.

4536. As regards this stabling for horses for heavy batteries, there was an Estimate for the construction of these stables and you expended a certain amount of money in the year. I

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understand the reason of the delay in that case was that you had not got the site?—We did not get the site when we wanted it during August.

4537. You made an estimate of the work that would be done on a site which you had not yet acquired?—There were sites, but the Officers had to settle whether they were suitable sites for the stables and there was delay in that case from August up till October in settling them.

4538. This was in the Estimates of the previous year was it not? What did they propose to do in this case?—They wanted stables at these different forts, then certain sites were put down for them and there was delay between August and October in settling whether those sites were suitable or not.

4539. Most people decide upon their sites before they get an estimate for their building, but apparently the War Office do the reverse?—We had got of course preliminary estimates of our own, but we had not got the builder's estimate.

4540. You had got something which you put into the estimates—whether they were your own estimates or your builder's estimates you made yourself responsible for them, and yet all the while apparently you had not got a site?—We had a site; it was only a question of a few yards one way or the other, which would only make a difference of a few pounds as regards the exact site.

4541. But I thought you said you had not got a site?—The site was a Government property in any case; it was only a question which site was to be used which affected the drawings.

4542. This estimate was prepared in the previous November, and apparently you did not decide within a few yards as to where the buildings were to be until the next October?—There were various schemes proposed and this was the result of the final scheme.

4543. What was the reason for all that delay?—I cannot admit that there was any delay up to that period, and then it was unfortunate for me that there should be delay when I wanted to start building, but the scheme had to be prepared and submitted.

4544. There was an estimate of the work to be done for the stables for horses for heavy batteries?—But no schemes were prepared.

4545. But we are always told that the estimates were prepared in November or December of the previous year?—Yes.

4546. Therefore they came before the House in the following spring, and you had at that time to determine the exact position where you were to put them?—The estimate does not carry with it the preparation of a scheme always. May I put it in this way? If you came to me for a house and wanted an estimate possibly I would tell you that it would cost so many thousand pounds, but I should not prepare a scheme until

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I knew the type of house that you wanted. Then when you came to me and told me the type of house you wanted and said that you had so much money to spend on it I should prepare a scheme the working out of which would take some time.

4547. The difference between us appears to be that I should not say I was going to build within a certain time before I got my scheme ready. As to the particular site for these stables who determines that?—A board of officers.

4548. Independently of your judgment as the architect?—I suggest the site, and a board of officers meets for the purpose of deciding whether that is a suitable site or whether they prefer another site or some modification.

4549. I understood you to say a little time ago that it was only a question of a few yards?—It may be only a question of a few yards, or it might be right the other side of the barrack or the fort.

4550. The result is that you ask Parliament to vote you a certain sum of money for building stables which is not spent, or only a very trifling amount is spent, and you have a balance to spend on something else—that is the effect is it not?—Yes.

4551. In regard to the provision of an Infirmary ward at the Netley Lunatic Hospital, I think you said in one of your answers that that scheme was completely altered?—I was referring there to the Netley drainage, which is a separate item.

4552. The item referred to here is the provision of an Infirmary Ward at the Netley Lunatic Hospital?—I was replying to the item as to the Royal Victoria Hospital renewed drainage—I was not replying as to that other item at all.

4553. Would you explain why more progress was not made with that work?—There again we were preparing a scheme for a special purpose. It was a detention ward for Lunatics, and the plans had to be submitted to various authorities and to a Committee before I could take any steps for building. The final approvals were not obtained until too late to make a bigger expenditure in that year. It was quite a special building.

4554. I gather from the general tenour of your answers on all these points you had speculated that certain expenditure would be made on certain things, but the scheme has never been thoroughly approved or gone into apparently—is that the tenour of your answers?—I may have under-estimated.

4555. There was no urgency for these things, was there?—Yes, there was urgency, but perhaps I under-estimated the amount of work that would have to be done from the time these things went into the Estimates before I could get the preliminary sketch schemes out and approved.

4556. Can you tell me exactly, or within a little, what was the progress made with these

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infirmary wards during the financial year—how much money was spent upon them and how much was voted?—£1,160 was the amount you will find expended in that year. (Sir Guy Fleetwood-Wilson) If you turn to page 90 you will find the figures given under the heading "Southern Command" there.

4557. I see the Grant was £2,500, and the expenditure £1,329?—(Mr. Measures.) I have the figure as £1,160, but perhaps I have got the wrong figure. That, of course, represents the expenditure billed—it does not represent the progress of the work—it represents the amount billed by the surveyors and builders. That is the only amount that came into charge.

4558. What was the explanation of the delay in the case of the Royal Army Medical Corps Officers' Mess and Quarters at Woolwich?—There was a certain local question as to the site.

4559. What do you mean by a local question?—I mean on the part of the local authority. It was on a site at the top of Eitham Common and the local authority raised a question as to whether the War Office could build the building on the top of the Common on War Department land.

4560. Was it War Department property?—I understand it was so.

4561. What did the local authority do?—They agitated very strongly. I would rather not enter upon any question of what rights they had.

4562. What has been the result—is it being built there?—No, it is being built right opposite the Herbert Hospital.

4563. In a different place altogether?—Yes, on a different site altogether.

Mr. Mitchell Thompson.

4564. So far as regards the answers which you have given about the necessity for remodelling schemes your evidence comes to this, does it not, that when you were asked to say whether a scheme could be completed within the year you proceeded upon the assumption that the scheme was suitable?—Yes, I assumed that a certain amount of estimating had been done, and that I might accept the sketched schemes on which they had been based, but I found that that was not so, and I had no option in the matter—I had to start quite afresh myself. In some cases schemes were transferred to me, but they were not schemes which I found could be adopted and I had to start afresh.

4565. Do you not think that it seems a somewhat unsatisfactory method of estimating that you should estimate for schemes without having an opportunity of considering whether or not they are suitable?—I did not estimate for these, I accepted the Estimates as Estimates which I assumed had been gone into locally at the stations. I may have taken a certain amount of responsibility

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responsibility upon my shoulders, but what I mean is I did not actually estimate the services.

4566. You agree with me that that is not a satisfactory system?—It is not a system I like to have.

4567. Will you just tell me one thing about this Strensall drainage. Is it the practice, as a rule, to approach the local authorities or to consult the local authorities when any drainage scheme is under consideration?—In these cases they approached us. At Strensall apparently they heard that we had got a scheme which enabled them to come forward for us to combine with them with a view to possibly joining in the local scheme.

4568. Do you know whether anything is being done at Strensall?—I do not know that anything is being done now because Strensall is not in my hands now.

Sir Robert Hobart.

4569. When you made the estimate for any of these schemes, say this £101,000, and asked the Secretary of State for War to place it before the House of Commons for services which you recommended apparently you had not fully made up your mind as to whether these services could be carried out within the year?—I was under the impression that they could.

4570. But just take a case. Supposing the Secretary of State for War had been asked for an assurance in the House of Commons as to whether these services could be carried out, he would have turned to you, I presume. Would you have said that they could?—Yes, I should at that time, because I did not know the difficulties I should have to encounter.

4571. That means that you were not very fully apprised of all the matters connected with the service, does it not?—These services are the residue of hundreds of services that were under consideration.

4572. But still it is a very serious matter to ask Parliament to do two things—first to vote the money and secondly to sanction, or rather order, services to be carried out. I will not pursue it further, but no doubt you recognise that?—Yes.

Mr. Leif Jones.

4573. When did you take over your present post?—At the end of 1904.

4574. So that you had been for a year in your present post when these Estimates were framed?—Yes.

4575. I understand they were framed about December?—Yes.

4576. Are you responsible for them?—Not for the framing of them originally.

4577. Who is responsible for the Estimate?—They are sent up from the stations—from the various Generals, as work which is desired to be executed in that particular year.

4578. To whom are they sent from the  
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districts?—They come up to headquarters—hundreds of them, and then they are passed to me.

4579. What is the process then?—Then a Committee meets.

4580. How many of them are passed on—are they all passed on that are sent up to headquarters?—All Part I Services, which is what we are dealing with here, are passed on.

4581. For what purpose are they passed on to you?—To see the Generals' recommendations.

4582. That is the local General?—Yes.

4583. They come from all the Commands to the War Office?—Yes.

4584. They are passed on to you?—Yes, to see.

4585. Only to see?—Well, that is all one can do at that stage when there are hundreds of them.

4586. Do you look through them and send them back again in a bunch without comment?—Yes, at that stage.

4587. Where do you send them?—They go back to the Finance Department, I think. Then they are brought before the Committee.

4588. Let me understand—they are sent up in the first instance from the Commands to the War Office?—Yes.

4589. Then the War Office, without looking through them, passes them on to you that you may see them?—Yes.

4590. And then you send them back?—They are passed back for the purpose of going before a Committee which considers the whole of the facts—a Committee of which I am a member.

4591. What Committee is that?—It is a Committee appointed to consider estimates.

4592. Why are they sent to you by the War Office—why does not the War Office send them direct to the Committee?—They are passed to the one who is concerned.

4593. I am afraid I do not follow—why do they pick you out?—They pick me out as the one that is concerned—they are passed to other branches as well.

4594. I understood you to say that the local Commands send up their requirements to the War Office—they say, for instance at Strensall "We want a drainage scheme," or they say at Warrington "We want a re-construction of drainage," or at Cambridge they would say "We want our drainage scheme re-modelled," or at Netley they would say "We want an infirmary ward provided"—all those different requirements are sent direct to the War Office, I understand?—Yes, and then they are passed to me.

4595. Straight on?—Yes, and to other departments, too.

4596. But why are they all passed to you?—They are passed to me as being Director of Barrack Construction.

4597. That is what I wanted to get at. I  
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wanted to determine precisely the responsibility of the Director of Barrack Construction—are they sent to you merely to see?—And to note anything I wish at that stage.

4598. What sort of thing are you expected to note?—I see these hundreds of services coming in—some are familiar—some of them are old services that come up year after year—they are gone through in my office just to see the nature of the services proposed, and then they are passed back and come before the Committee of which I am a member.

4599. While they are in your office you take a note of them—it is in order that you may understand the whole of the requirements of the services throughout the country, I gather?—Yes.

4600. So that you should have in your mind what has been asked for in all the different parts of the country?—Yes.

4601. Having got these things into your mind what do you do with these requirements that have come up?—I attend the Committee where it is decided how many of them are works to be recommended.

4602. They are brought before a Committee?—They are brought before this Committee of which I am a member.

4603. By whom?—I cannot remember at the moment. (Sir Guy Fleetwood-Wilson.) They go before the Committees as soon as the Director of Barrack Construction has done with them.

4604. When he has made himself familiar with them?—When he has made himself familiar with them.

4605. (To Mr. Measures.) Is it in your power to say: This is not a desirable scheme and should not be proceeded with?—No, not at all. The Quartermaster-General possibly may decide that the accommodation asked for is not wanted—the Committee discusses it generally.

4606. That is a matter for the Committee?—Yes.

4607. Of whom does the Committee consist?—I cannot remember at the moment. (Mr. Perry.) The Committee consists of the Director of Barrack Construction, the Director of Fortifications and Works, the Director of Movements and Quarters, the Director-General of Army Medical Service, and also, for certain services, the Director of Equipment and Ordnance Stores, Stores and Storehouses.

4608. (To Mr. Measures.) How does the Committee proceed to deal with these requirements of the various Commands, is there an inquiry from the different points of view?—I am there chiefly from the work's point of view to say whether the cost is right.

4609. Supposing works are decided not to be desirable?—I do not settle that, it does not matter to me whether they want barracks at York or whether they want barracks at Colchester; that is not for me to settle. The Committee discuss it, and possibly the Quarter-

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master-General or his representative would say: "We do not want this" or "We do want that badly," and they decide what should be put forward to be retained in the Estimate. (Sir Guy Fleetwood-Wilson.) Then they will go up from the Committee to the member of Council concerned.

4610. (To Mr. Measures.) The Committee weeds them out and says what services shall be done during the year?—Yes.

4611. On what principle do they proceed—is there any question of finance at this stage—is the cost of services in their mind at this stage, or only the necessity for them?—The necessity, and also the amount of money that is probably going to be available. We do not quite know at the early stage what the figure will be.

4612. What do you know about it at this stage?—We do not know at an early stage—at a later stage the figure is worked out which comes through the Finance Branch.

4613. Then this Committee decides that a certain number of services are desirable during the year?—Yes.

4614. Having decided that they would have your advice as to the amount that could be done during the year?—Yes; as to whether I could execute the work during the year.

4615. And you advise that a certain amount can be executed in the year?—Yes.

4616. Having decided that, they are then sent up to the Army Council I suppose?—Yes.

4617. Then go to the Army Council, which decides finally on the recommendations of that Committee?—Yes.

4618. You are responsible for advising the Committee as best you can as to the amount of work that is sent up by the Committee to the Army Council?—Yes.

4619. Presumably that would be more than the Army Council sanctions, because I imagine any committee dealing with these things would want more to be done than the Army Council would sanction?—Yes, there may be a final revision of the works to be included.

4620. The final result would be less—not more than what you had advised could be done during the year?—Yes, that is my experience at present.

4621. So that the number of items included in this £101,000 would be fewer, not more than you thought you could accomplish during the year?—Yes.

4622. Now we come to the financial part of it—have you anything to do with that—where did you begin to consider the cost of these things?—In the particular year which we are discussing, I had very little to do with that. Now I should have more to do with it.

4623. Taking the particular year we are discussing, at what stage would you begin to consider the cost of these works?—All the way through different services go out—some of them

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are too expensive—we know we cannot do that service in that year, and the Committee says it will have to go.

4624. Do you not consider the question of cost before it reaches the Committee?—In going through them generally, yes; but, of course, one does not go into them in detail, because that would entail preparing schemes.

4625. Taking the case of Strensall, which is the first of these items and which will do as well as any other for my purpose; when was the case of Strensall first brought to your notice?—Presumably on this Estimate paper; but I cannot answer the question with certainty without consulting the paper.

4626. It is rather important that I should know exactly the process you go through in regard to these requirements of the Commands. Did the Estimate of cost come up with the requirement for the drainage of the Camp?—I cannot answer at the moment, but I believe it did.

4627. If you cannot tell me with regard to Strensall, can you tell me with regard to any one of these items, because any one will do for me as well as Strensall?—I cannot tell you now which items came up from the Stations absolutely and were not touched by me.

4628. What would have been the ordinary course with a scheme coming up from Strensall; would the officers at Strensall say: "We want the camp drained," and send up a scheme of drainage to the War Office?—Yes, and an estimate of the cost.

4629. Do you consider that estimate at all?—In the case of a drainage scheme like that, possibly I should not be able to do so in the time.

4630. Why not?—Because I am not down at Strensall and there is not time while we are upon the estimates to send down to Strensall and prepare a drainage scheme, so that practically I should have to accept the local estimate of the cost.

4631. Surely the Service does not contemplate that you should take responsibility for putting a certain work in the Estimates for the year and not give you time to make any estimate?—In suggesting the case of drainage, you are taking a quite exceptional case; if you take a building it would be a different matter.

4632. Then I will take the Netley Lunatic Asylum?—That we can check in our own office.

4633. When did you first hear of that?—I cannot tell you.

4634. When the plans came to you and you saw the nature of the work, did you look through their estimate to see if it was a reasonable estimate?—In the Netley case, I do not think any plans came up; it was simply a scheme.

4635. It was a demand for a new ward?—Yes.

4636. Did they make any estimate locally of

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what the cost was likely to be?—If there was one—their estimate—yes.

4637. Whether it was their estimate or not originally, is not the responsibility yours?—I have to take the responsibility for all these estimates, unfortunately.

4638. I dare not examine you as to the process through which you go, because I should be completely out of my depth, but what I want to arrive at is this: you took the responsibility for putting in an estimate for the cost of the new ward at Netley?—Yes.

4639. Then that would go before the Committee and you would say, this ward will cost £2,500; that was the estimated cost during the year, but the total cost will be £5,500?—Yes, and if in my judgment it was a fair amount I should tell the Committee so.

4640. You would say, "I can spend £2,500 in the year"?—Yes, upon that part of it I am absolutely bound.

4641. Then that is accepted by the Committee on your recommendation. They do not look behind your recommendation?—Quite so.

4642. They learn from the Command that a new ward is required in Netley Hospital, and they learn from you the estimate for that ward—that it is a reasonable estimate—and they also learn from you that you can spend £2,500 on that work in the year?—Yes.

4643. Then they decide to have it done upon your recommendation?—Yes.

4644. Now, pursuing that a little further it was not done in this year?—No.

4645. You decided in December that it could be done. You said you were ready to spend £2,500—what does that mean when you say you are ready to spend £2,500?—The preparation of the whole of the scheme, and, of course, going to tender.

4646. But you are not going to spend £2,500 upon that? It must mean starting building operations, surely?—In a great many cases I could spend it—it is not difficult to spend £2,500.

4647. That is just what is troubling me; I know it is quite easy to spend £2,500. When you say you are ready to spend £2,500 in the year, when do you expect to start on building operations?—On a service of that nature I ought to be ready to start about July or August assuming there is no difficulty in finding accommodation and other things.

4648. As a matter of fact you framed the estimate in December, and you were ready to start the work in July—as soon as the estimates are through Parliament you are ready to start?—Yes.

4649. What steps did you take towards starting, the estimate having passed through Committee and been accepted by Parliament, what did you do between then and July as regards this new ward?—I had got to prepare my preliminary sketch.

4650. Did you do that in this case?—The preliminary

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preliminary sketch was prepared; I cannot give you the dates all the way through, but I will give you the system one has to adopt. You have, first of all, to get particulars of what you are joining on to; you have to know that in this case; then the levels have to be taken, the preliminary sketches prepared and then submitted; at that time it was submitted to a Committee.

4651. But you had already had preliminary sketches in connection with the site when you considered the thing originally, had you not?—No, not preliminary sketches.

4652. And yet you put in an Estimate for the whole cost?—If you told me you wanted to have a hospital with so many beds I could state the cost approximately without making any preliminary sketch, or if you were to ask me for an estimate of a house I could do it generally in the same way; I should only have to know generally what the character of the hospital or the house was.

4653. Then you prepared your preliminary plans?—Yes.

4654. Then what is the next course?—They have to go before this Committee.

4655. The plans go before a Committee?—Yes.

4656. Would that be this same Committee that you have spoken of before?—No, they went to the Army Hospital Committee in those days, who considered the plans. Of course, all those things take time.

4657. But that was time which you knew of when the Estimate was framed?—Of course one does not know how long they will take when they go before a Committee; they may have amendments that we have to deal with.

4658. They will always have amendments, will they not?—No, not always.

4659. One knows, from one's own experience, that obstacles will arise in building?—Yes. It is a question of degree no doubt.

4660. I am going to put to you whether you have not been far too sanguine as to the amount of work that you would be able to carry out during the 12 months; ought not these obstacles which have occurred to have been foreseen. In this case did the Committee make difficulties?—I do not remember any particularly in this case.

4661. Then why did you not get to work that year?—Because we had a great deal to work at before we could start.

4662. But you had from January to July. You said that you expected to be able to start in July. Parliament passed the estimate with the suavity and readiness with which we do pass estimates—you got the money—why were you not ready to spend it?—Of course these items we are discussing to-day are merely a small proportion of the work of my office; it was a new office, an office where I had to test men whom I had taken over, and this, as I say, was quite a small proportion of the whole of the

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work of the office. During that year I did over £100,000 worth of work, actually built under the loan. All that work had to be done in the office by a new staff, and that means that some work got behind from time to time.

4663. Are you prepared to say that the breakdown which occurred in this year will not occur again?—I hope after this you will not have me here again for the work of the year that is coming along. I have a new chief, and that will help me very much. During these two years I had a good deal of difficulty to get support—I had a great many oppositions.

4664. What sort of oppositions?—I was taking away work from people who had been doing it before, and human nature does not help a man when he is doing that. I wanted a strong man to support me.

4665. As a matter of fact if everything had gone perfectly smoothly, could you with your subsequent knowledge say that you would have spent that money during the year?—Yes, if things had gone smoothly with all my work. Of course some work goes through smoothly and some goes in a very different manner.

4666. It is a question of average taking year by year. Did you not really ask for too much money?—If you ask me now whether I could spend this money this year, I should say, "Certainly."

4667. I am not asking you that; I am asking whether you were reasonably justified in expecting to spend that amount of money during that year?—I thought I was. I may have erred in my judgment.

4668. You admit that the result is very unsatisfactory?—I admit it is not satisfactory.

Mr. *McCrae*.

4669. When were you appointed Director of Barrack Construction?—In 1904.

4670. Could you tell us, just in a sentence, what you consider your duties as Director of Barrack Construction?—To prepare building schemes. To carry them through from beginning to end. To provide accommodation which I am asked to provide.

4671. Then who is your chief?—At the present time the Master-General of the Ordnance, General Hadden. At this period it was the civil member of the Army Council.

4672. So that you have now a military chief and formerly you had the civil member of the Army Council as your chief?—That is so.

4673. As regards this Committee of which you form one, are you all of equal authority on that Committee?—We are all equally members of the Committee, I take it.

4674. Who is the chairman?—I forget whether in that year it was the representative of the Quartermaster-General. (Sir *Guy Fleetwood-Wilson*.) The senior member present takes the chair.

4675. (To Mr. *Measures*.) You seem to work  
very

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[Continued.]

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Mr. McCrae—continued.

very much in water-tight compartments, do you not?—No, I think that is certainly not so on that Committee.

4676. But you did not seem to be very familiar as to who your colleagues on that Committee were?—I could not remember who they were in that particular year—they change each year. I could not throw my mind back as to who was on that Committee in that particular year.

4677. Do you mean that the individuals change each year, or the official representatives?—The military individuals change.

4678. But the official representatives are the same, are they?—No, I am about the only one that is likely to be there year after year except we will say, the representatives of finance, but on the military side they change from time to time according to who is at Headquarters. (Sir Guy Fleetwood-Wilson) They are four-year appointments.

4679 (To Mr. Measures) But are not the same offices represented?—Yes, the same offices are represented.

4680. You were appointed, you say, in 1904, so that you are really responsible for the Estimate of 1905-6?—I was to a degree. I knew nothing practically about the Estimates at that time because I had come in from outside and others were arranging them.

4681. I find that the Grant in 1905-6 on Barrack Construction was £177,900 and the expenditure was only £67,650, so that in that year there was an under-expenditure of £110,000?—Yes.

4682. Do you not think, in view of the under-expenditure in that year, you ought to have been all the more careful in your Estimate for 1906-7?—I was entirely new to everything then. I had taken over an enormous amount of work, irrespective of that, in the way of Vote work, work which we had not started, with all the ragged ends to pull together. In most contracts there are a few ragged ends, and I had all this work to finish off. I had to take up work which from the official side I knew nothing about and for which there is no parallel outside at all. Then as regards some of the work, I really did not do it during the year—it was not transferred immediately to me when I took up the appointment—it was only transferred to me gradually.

4683. The transference of this work would take place mostly during the year 1905-6?—In the early part of 1905.

4684. So that your difficulties were rather continued in 1906-7—the new situation did not arise in 1906-7, the year with which we are now dealing, but in the year previously to that?—Of course, in 1904-5.

4685. I am not dealing with that at all—I am leaving that out?—That was a very difficult period. This year we are discussing was particularly difficult, because not only had I got the

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. McCrae—continued.

vote, but I had Part II. and Part III, Hospitals, which does not appear here.

4686. There are three different groups here under these heads As regard Strensall, as to which you have given us some information, can you tell me whether anything is being done in regard to that scheme at all; has the local authority started their scheme?—I cannot tell you—it is not under my notice now.

4687. The point I wanted to ask was rather about Warrington and Ayr; have those works been definitely abandoned, or are they merely postponed?—They are postponed.

4688. Are they abandoned or only postponed?—As far as I understand they are postponed for the present.

4689. I think you told us in a previous answer that it was the Army Council that decided that those works were not to go on?—The Army Council decided that the Warrington and Ayr works were not to go on. Strensall is not one of the cases they decided.

4690. I am leaving Strensall out. As regards Warrington and Ayr, did the Committee, of which you are a member, have it under their consideration before these services were abandoned?—Oh, yes. The question of the local authority did not arise till quite late in the year when I had got the scheme ready.

4691. It was the local authorities at Warrington and Ayr that prevented your scheme going forward?—I am not certain about Ayr, but at Warrington it was so.

4692. But do you not think it is rather a serious matter to delay a service of this kind connected with drainage?—Speaking from recollection at Warrington it was changing the earth system of closets to the water carriage system—it was not quite so serious as a bad water carriage system would be.

4693. Only yesterday we had a question in the House of Commons about scarlet fever in the Nevendon Barracks under the War Office. It seems to me to be a very serious matter where drainage and public health is concerned that work should be postponed?—Yes, at Warrington it was a question of the change from the earth closet system to the water system.

4694. Now coming to the second group of cases, as to the new hospital at Portsmouth I notice that in 1905-6 you took a grant of £48,800 to carry on this work for that year, and you spent £25,900?—Yes.

4695. Leaving £22,800 unexpended?—Yes.

4696. Then for the year that we now have under consideration you took a grant of £34,400?—Yes.

4697. And you were only able to spend £1,390?—Yes.

4698. You gave as the reason for that the difficulties with the Contractor?—Yes.

4699. Can you tell me when this work was begun?—I cannot give you the date from memory.

4700. How many years has it been in progress

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Mr. McCrae—continued.

gress, roughly speaking?—I cannot give you the date. I took it over at a certain stage when the building was all standing still and no work was going on.

4701. Was it nearing completion at that time?—No. It was up to the ground floor in some portions of the building.

4702. It is a new hospital to replace accommodation handed over to the Admiralty—you would not know why that accommodation was handed over, I presume?—No.

4703. You found the hospital in that condition?—Yes.

4704. If it was in that backward state surely the Contractor had not nearly completed the contract?—No. He had a considerable amount of work to do under me.

4705. But up to last year you had expended how much upon it?—£86,300 had been spent upon it.

4706. Then was it at that stage that the Contractor, in the words you used, put obstacles in the way of the completion?—When you say up to last year, do you mean the end of 1907?

4707. I mean 1906-7—the year we are dealing with here?—That was the year when finally the Contractor left the work.

4708. He had left the work then?—Yes, he had finished the work we had given him to do, and without undertaking the additional work I am speaking about just now.

4709. Do I understand then, that so far as the contract work was concerned, the Contractor had completed that work to your satisfaction?—Yes, at that period—not the additional work that we would have to give him.

4710. But the original contract?—That has been completed to my satisfaction up to a point. We had given to us a certain amount of money to make good defects that we got upon Arbitration. He had completed the work up to the Arbitration stage as far as he was prepared to go, and as far as we had let him go.

4711. How did the Arbitration come out?—I cannot give you the figures but I think if the figures were seen they would be satisfactory to the War Department.

4712. That means I presume that the Contractor did not get so much as he claimed?—Not by a long way.

4713. Then what are you doing with regard to the completion of the building—did you get another Contractor?—Yes, there is a nurses' home being built by another Contractor.

4714. But I am speaking of the Hospital?—It is in connection with the Hospital—that is one of the works that would have been given to the other Contractor under ordinary circumstances. The work is being completed by another Contractor.

4715. These were additional new buildings which would have been carried on at the contract rate?—Yes.

4716. But does it not appear to you that you

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. McCrae—continued.

might go on indefinitely building, building and building at the same contract rates without any direct authority of Parliament for the additional scheme?—This is not an additional scheme.

4717. Was it all in the original scheme?—Yes.

4718. Was this nurses' home in the original scheme?—Yes, it was a general hospital—an isolation hospital, and certain accessory buildings of which the nurses' home was one—that is a home for nurses to live in. We are working within the figures that were granted.

4719. The original estimate was £119,000?—That original estimate was before my time I found it here, but I did not prepare the original estimate.

Mr. Bowles.

4720. I am not quite sure whether Mr. Leif Jones asked the question when I was out of the room, but I should like to know exactly what is the duty of this Committee that considers the local estimates—as I understand all these local estimates are referred to this Committee?—Yes, all the works for the Services, including, of course, estimates of the cost.

4721. All those are referred to this Committee?—Yes.

4722. And this Committee decides which among them are to be proceeded with?—Yes; it has the duty of selecting the Services which are to be proceeded with in the year.

4723. It does not go into the particulars in the estimates of the rates or into questions of reducing them?—No.

4724. It accepts the estimates?—Supposing there was a figure for, say, Officers' Mess at so many thousand pounds, if I thought that figure was wrong it would be my duty as the Building Member of the Committee to say that it was wrong.

4725. What I was coming to was this: The Estimates presented to Parliament are the local estimates criticised and approved by your Department?—That is so, and they might even be my estimates, not the local estimates in some cases.

4726. I asked the question because it seemed to me two or three times in your evidence you rather suggested that your responsibility for this total estimate of £101,000, though a complete official responsibility was not perhaps a real responsibility?—No, I am not trying to put it in that way at all. I have got to take the responsibility of these estimates which are in front of me.

Chairman.

4727. On that I was going to ask—Have you the time or the authority given you to examine into the details of this estimate in any way if you so desire. The estimates are brought up to you and you look at them and see whether they are *prima facie* correct, but have you to act without



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*Chairman*—continued.

without having any department or office that will enable you to go back and examine these estimates on the spot?—It is not quite that. Let me put it in this way—Supposing this year estimates come before me I ought to find time with my staff to go through the figures and see if they are approximate estimates or sufficiently close for me to recommend that they should be put forward for acceptance.

4728. And you are allowed to go down and examine them upon the spot before taking responsibility for them?—Yes.

4729. And they are given you in full time. You are not pressed so that you must send them up in a certain time?—Of course, a great number of these estimates in the future will be, and some of them in the past have been, my own estimates, but there are some of them that come up from the stations, and there has not been time to check those. In view of what has taken place they ought to be checked.

4730. But you had authority to check them?—Yes.

*Mr. Bowles.*

4731. The responsibility of deciding whether or not the work under any particular estimate can be completed or whether the expenditure under it can be made during the financial year (which is the real question) is your responsibility, I understand?—Yes, I must take that.

*Sir Daniel Goddard.*

4732. Arising out of that might I ask you this? A good many of these items on which less has been expended than was anticipated were in the estimates of the previous year, were they not?—Yes, some of them were.

4733. Does not that take away a little from your explanation of delay? May I take one case as an example? I will take the Netley Lunatic Hospital, that was an estimate of the previous year?—Yes, I cannot give you the details of it at the moment. As regards some of these items, three or four different schemes were prepared, but I cannot say at the moment whether it was so as regards that case.

4734. But that gives you another year?—Yes, but then if the scheme drifts on there may be additional work required. May I give you another case to show the difficulties which one labours under.

*Chairman.*

4735. I do not think we need trouble you to take another case?—We sometimes have to prepare three or four different schemes.

*Sir Daniel Goddard.*

4736. I am upon the point of why more money has not been expended according to the

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*Sir Daniel Goddard*—continued.

estimates on these services, and I take the Netley Lunatic Hospital ward, which is a new work, and I gather your answer to be that they had not decided upon what they wanted to do—that the scheme was not decided upon?—Not for me by anybody else. Of course I have to prepare a scheme and then take it to the Committee.

4737. But that was done the previous year, was it not?—I am not certain whether it was the only scheme that I prepared for that work.

4738. I am only taking that item because in the evidence given last year in answer to Mr. M'Crae it was said that for this Netley Lunatic Ward there was an estimated expenditure of £5,500, none of which was expended; therefore that finds you another whole year, and now you come for the second time and explain that you have not spent what you estimated would be expended because the scheme was not completed?—I cannot answer you as regards Netley, at the moment, but I will give you another instance. If you will take the item, "Aldershot Command, Quarters for Nursing Sisters." There there was an estimate of £5,300, and the expenditure was nil. On that I prepared no less than three schemes with complete working drawings, and they were changed during the year. It extended over two years. There were changes as regards numbers and as to the accommodation to be given to the nurses, and finally I submitted a third scheme before I could go on.

4739. Then, apparently, the only suggestion we can make is that they should not change their minds so often. But taking the item of Married Quarters at Woolwich, that was a case that was in the previous year, was it not?—Yes.

4740. And here we have it again, and you have not spent what you anticipated?—There were two schemes going on simultaneously there, and with the staff I had available for it one scheme was abandoned. That was not the one which I thought was going forward, and I had to go forward with the other. I had to get a number of approvals. It was something entirely different from what had been done before and that means delay, which I did not anticipate.

4741. After a whole year for which this had been on the Estimates, had you any reasonable prospect of spending the money which you put on the estimate this year?—May I ask what you mean by any reasonable prospect?

4742. You had not spent what you estimated to expend and you had already had this under consideration for a whole year. You say that some of these schemes were being altered during the year—had you gone into it so as to see that there was any reasonable prospect of coming to a determination as to what you should do or should not do?—The estimate I put in for that period was what I could reasonably expect to do at that time.

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4743. If

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## War Histories—continued.

*Chairman.*

4743. If they did not change their minds again?—I cannot say whether they did change their minds again or not in that case.

*Mr. McCrae.*

4744. In regard to the third group of items here there was an under-expenditure of £60,000. Of that £60,000, £33,000 alone is due to delay with regard to the Portsmouth Hospital I understand?—That is so, absolutely; and another large item is the Royal Army Medical Corps Officers' Mess and quarters at Woolwich—that is an £8,000 item.

(Mr. Measures withdrew.)

## VOTE 13.

## SUB-HEAD A.

## "SALARIES, &amp;c., OF THE WAR OFFICE."

*Chairman.*

4745. (To Sir Guy Fleetwood-Wilson.) It is stated in paragraph 81 that the Army Council are taking steps with a view to ascertaining whether some reduction can be effected in the cost of the Headquarter Staff. Has any progress been made in that direction?—Practically no attempt has been made to make progress at all this year. The condition of affairs at the War Office has been such that everybody has been working far beyond normal hours from top to bottom, you may say, owing to the initiation of the Territorial Scheme. It was therefore felt that it would be really quite futile to attempt anything like a revision of the staff under the present condition of affairs.

*Mr. McCrae.*

4746. We had a long discussion, if I remember right, on this point last year?—Yes.

4747. Is the expenditure for Headquarter Staff very much the same for the year under review as we had under consideration last year?—Yes, I do not think there is much change—there is a little on and a little off, but it comes to about the same thing, I think, speaking from memory.

## WAR HISTORIES.

*Chairman.*

4748. (To Mr. Kempe.) There are two War Histories dealt with in paragraphs 82 and 83, one the South African War and the other the Russo-Japanese War. You say in paragraph 83: "I presume that the further expenditure on this service will be charged to the Treasury Vote, Class II., Vote 3, 'Civil

*Chairman—continued.*

Services.'" Are you satisfied that provision in respect of this service will be so charged?—Yes, provision is made in the Estimates for 1908-9.

4749. It has been provided for in Class II., has it?—Yes, £2,370 has been provided for it in Class II., Vote 3.

*Sir Daniel Goddard.*

4750. (To Sir Guy Fleetwood-Wilson.) Is the South African War History finished now?—It is no longer our own child, so I cannot tell what state it is in.

4751. Whose child is it?—The Cabinet Committee of Imperial Defence.

4752. Shall we have them represented before us at all?—I do not know who would represent them.

4753. But the responsibility cannot be cast off in that way, we must have someone here to answer?—You asked me how far they had got on with the History, and I was explaining why it is that I could not answer the question.

4754. We had evidence upon it last year, and I think I am right in supposing that we ought to be able to complete the evidence now?—Anticipating that you might wish to know something about the progress of the work, I have got a certain amount of information from the Historian: Volume 1 and Volume 2 are on sale, Volume 3 is with the printers, and Volume 4 is in hand.

4755. Do you mean that it is printing?—No, I think there is a distinction between Volume 3 and Volume 4. Volume 3 is with the printers, and I gather that Volume 4 is not yet with the printers, but is in hand.

4756. What I wanted to know is whether there is any reliable estimate now as to what the cost of this book will be?—You will understand that it is no longer in the War Office votes, so I cannot answer that question.

4757. (To Mr. Headlam.) Could you answer that question?—I think that the cost, as set out by the Comptroller and Auditor-General in his Report here, up to December, 1907, is accurate. I can answer any question as regards the cost falling on the Treasury Vote—that is to say, as to the cost that will be incurred by the Committee of Imperial Defence for both these histories during the last financial year and the Estimates for this year.

4758. What was the object of transferring it from one heading to another like this?—It was a Cabinet decision. I imagine the idea was to co-ordinate the army and navy shares in the history. I do not think I am in a position to communicate reasons.

4759. But this has never been considered to be a navy charge, has it?—Yes; the idea is that these official histories, which sometimes concern army wars and sometimes concern navy wars, should be under the same authority. As stated

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Sir Daniel Goddard—continued.

stated by the Comptroller and Auditor-General here both the histories have now been transferred almost entirely to the Committee of Imperial Defence. In the case of the Russo-Japanese war it was partly naval and partly military history. In the case of the South African War it was purely military history.

4760. The whole matter is one that should not be shelved, bearing in mind the original estimate. I am right, am I not, in saying that the original estimate was £6,000 a year for three years?—Yes.

4761. That would be a total of £18,000, but now the total has already amounted to £31,400. You will understand that it is not a question which this Committee ought to pass over on merely being told that it has been shifted from one heading to another?—I do not suggest that that was the reason for shifting it, but it is possible that it was thought that the Committee of Imperial Defence would perhaps finish up the work more quickly. They have only taken over the end of it.

4762. The War Office could not complete it?—I do not say that at all (Sir Guy Fleetwood-Wilson.) The War Office did not deal with it; there was a special historian appointed *ad hoc*.

4763. (To Mr. Headlam.) Have you any estimate now of what the final cost of it will be?—Yes, it is to be finished, if possible, by December next almost certainly, according to the Estimates, if not, within the present financial year, and the amount taken for the year is £2,370, being £1,020 for the South African War and £1,350 for the Russo-Japanese War.

4764. In addition to this £31,400?—Yes, that is in addition.

4765. Is that supposed to complete it?—Yes, that is to complete the history of the South African War.

4766. That makes £32,420?—Yes.

Chairman.

4767. That is in the Estimates for 1908-9, I understand?—Yes.

4768. And how much has been taken in the year in between?—In 1907-8 the sum spent by the Committee of Imperial Defence on these histories was £740 7s. 10d.

Sir Daniel Goddard.

4769. That is an intermediate payment—we have to add that to the £32,420?—Yes.

4770. I wanted to ask a question with regard to the Russo-Japanese War history; when was it decided to have an official account of that War?—It initiated in 1905—it came from the War Office.

4771. Did it appear on the Estimates?—I think so (Sir Guy Fleetwood-Wilson). It would appear in the Estimates of that year.

4772. Could you show me where it appears in the Estimates, because I have looked through

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Sir Daniel Goddard—continued.

them and I cannot find it?—(Mr. Headlam) I think you will find it referred to in the Appendix paper 9 which was put in by Sir Guy Fleetwood-Wilson.

4773. That is not the Estimate?—No. The Treasury was asked on the 4th December, 1905, to sanction payment for a certain Staff of Officers for writing the history of the Russo-Japanese War; they were asked that provision not exceeding £1,500 should be made in the Estimates for 1906-7; they agreed to that.

4774. Was it made then?—Yes, I think so.

4775. (To Mr. Kempe.) Can you tell me is this the first appearance in the Appropriation Account under this head of Russo-Japanese War?—Yes, I believe it appears here for the first time.

4776. (To Mr. Headlam.) What is the total estimate for the Russo-Japanese War history?—The Imperial Defence Committee will spend £1,350 during the financial 1908-9, and they will conclude their share of the work, it is hoped, by the 31st of March, 1910; but in addition to that there is a special history, containing a secret account of certain parts of the war, which is being prepared at the Admiralty. That will not be published—it is for Service use only. On that two officers are employed for six months this year, when they will cease to be employed.

4777. What will that cost?—That will cost about £600.

4778. Can you tell me what will be the total cost of these two histories?—I cannot at the present moment, but I can put in the figure if you will allow me.

4779. Do you say the estimate in 1906-7 was £1,500?—Yes.

Chairman.

4780. £1,100 was spent last year?—Yes. Then £1,350 is expected to be spent in 1908-9, and about £600 on the special history which is being prepared by the Admiralty.

Sir Daniel Goddard.

4781. (To Mr. Kempe.) You say in paragraph 83 that a sum of £1,500 was approved by the Treasury to cover the cost of the preparation of the Russo-Japanese War History by the War Office, and of this sum £1,100 was expended up to 31st March, 1907. Am I to infer from that that that was done with Treasury sanction only?—No, it is not specifically provided for in the estimates, I think.

4782. I thought not. (To Mr. Headlam.) The Treasury expressed the view that it should appear in the Estimates?—Yes. The War Office asked for their sanction to the provision of that sum in the Estimates for 1906-7 and the Treasury gave that sanction.

4783. (To

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Sir Daniel Goddard—continued.

4783. (To Mr. Kempe.) I am under the impression—you will tell me if I am right—that this is the first appearance of this amount either in the Estimates or in the Appropriation Accounts?—Yes, I think it is the first time that it has appeared at all.

4784. Either in the Estimates or in the Appropriation Accounts?—Yes.

4785. (To Sir Guy Fleetwood-Wilson.) Then, as a matter of fact, this thing is a decision of the War Office with the sanction of the Treasury, and it has never been before Parliament at all, is that so?—I should like to look it up before I give a final answer, but I think, as regards the history of the Russo-Japanese War, it is spread over the general cost of the Officers who are engaged upon the work.

4786. But the point is, it does not appear on the Estimates, does it?—Yes. If you will turn to Vote 13 on page 91 of the Estimates of 1907, you will find “Compilation of History of Russo-Japanese War: Staff and Miscellaneous Expenses, £1,350.” (Mr. Kempe) I see my answer was incorrect. It is in the Estimates of 1906-7, at page 91.

4787. (To Mr. Headlam.) Do I gather that the Admiralty will pay for their private history?—Yes.

4788. Not from any part of this outlay?—No, the Admiralty Records are handed over to the Imperial Defence Committee, and they will be worked up in the general history of the Russo-Japanese war, except as regards the secret accounts of special parts of the war to which I referred.

4789. The war was largely a naval war, and I should have thought part of the cost of the history would have been charged to the Admiralty; but I understand no part of the cost of the ordinary history will be borne by the Admiralty, but the War Office takes the whole cost of it?—(Sir Guy Fleetwood-Wilson.) The Admiralty are doing one of their own.

4790. That is a secret history, I understand?—Yes.

4791. But as regards the general history, I gather the War Office bore the whole cost?—(Mr. Headlam.) That is so for this first year, but it is now under the Committee of Imperial Defence. (Sir Guy Fleetwood-Wilson.) We have shed all this now. It has now gone to the Imperial Defence Committee.

Sir Robert Hobart.

4792. (To Mr. Headlam.) Do I understand that the Treasury now takes the part of historiographer of this war?—Not the Treasury; the Committee of Imperial Defence.

4793. But you control it financially?—It is under the Treasury Vote.

4794. It is very interesting of course, but also very expensive I see. There is a very vast difference apparently between the cost of the

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history of the South African War and the cost of the history of the Russo-Japanese War; the South African War apparently works out in round figures at £32,000, and the Russo-Japanese War history works out at £3,200; it is rather a large difference?—Yes.

4795. Are all the volumes of each history on sale?—Some of the volumes are on sale.

4796. They will all be on sale, with the exception of the secret history I presume?—Yes.

4797. Do you expect to get a good sale to recoup yourselves?—There is a return in the shape of royalties on the History of the South African War.

Chairman.

4798. On page 212 it is stated that the royalties already received on the two volumes amount to £600?—Yes.

Mr. McCrae

4799. (To Sir Guy Fleetwood-Wilson.) The War Office I suppose had charge of this War History to a certain point?—Yes.

4800. I think you informed the Committee last year that the Treasury and the War Department were endeavouring to come to some amicable arrangement with the historian?—Yes.

4801. How does that stand now; were you successful?—I do not know, but I think so.

4802. You handed over the negotiations to the Treasury?—So far as I know, I had nothing to do with that part of it, but the history having gone over to another department whatever had to be done with the historian would be done by that department which took over the history as a going concern. No doubt the Treasury would know about it.

4803. (To Mr. Headlam.) Can you tell us what the arrangement with the historian is?—I am afraid I cannot, but I believe that the historian is dispensed with now.

4804. What I wish to get at is what sum the historian is getting, what is being paid in salaries and expenses of staff?—I can give you the salaries and the expenses of staff to be employed by the Imperial Defence Committee on the History of the South African War in the Estimates for the year 1908-9. There is one captain at £600 a year, one captain at £300 a year, and one Captain at about £300, and £100 for writing and transcribing and circulating proofs and odds and ends, making up altogether £1,200.

4805. Then there are three captains engaged in the work?—Yes.

4806. That is to say, three captains are getting £1,000 a year?—They are being paid at those rates. It was hoped at that time that the whole history would be finished by December next.

4807. Do

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

War Histories—*continued.**Chairman.*

4807. Do these figures apply to the year under discussion?—No, these are in the Estimates for 1908-9.

4808. What the honourable member was asking about was the money spent in the year under discussion?—In the year under discussion, that is the financial year 1906-7, the old arrangement of an official historian at the War Office was still in force for the South African War History. There seem to have been only two captains last year, when the work was being done under the Imperial Defence Committee.

*Mr. McCrae.*

4809. That has been going on since the History was started has it?—Since it was taken over by the Imperial Defence Committee.

4810. Am I to understand that those captains were all historians or was there one special literary historian originally?—I think General Maurice who took it over has been very ill and has nothing to do with it.

4811. It seems extraordinary that four volumes should have cost £33,000—that is at the rate of over £8,250 a volume?—Yes.

4812. (To Sir Guy Fleetwood-Wilson) Was the arrangement made with these officers who were carrying on the work at the beginning that they were to complete it within a certain time at a given rate of remuneration?—Yes; I could not tell you off hand, but you will find the whole thing detailed in a memorandum which I put in in 1905 and which I think is published with the Public Accounts Committee Report of that year.

4813. That brings it up to the time when you parted with it?—Yes.

4814. Therefore any additional information we will now get from the Treasury?—From the Treasury as regards both histories.

## ON VOTE 13.

WAR OFFICE AND ARMY ACCOUNTS  
DEPARTMENT.*Mr Bowles.*

4815. (To Sir Guy Fleetwood-Wilson.) I think we said something last year in our report about the War Office Staff?—Yes

4816. I think the suggestion was made that some statement should be sent to the Treasury as regards the staff of the various branches?—Yes.

4817. Has anything been done about that?—We sent a statement to the Treasury on the Military Headquarters Staff and on the Civil Headquarters Staff.

4818. Is that all?—No action could be taken on any comparative statement this year, as I have already indicated, on account of the pressure with the Territorial work.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

On Vote 13—War Office and Army Accounts  
Department—*continued.**Mr. Bowles—continued.*

4819. So that no statement has been made about the Accounts branch, for instance?—The Accounts Branch stands on a somewhat different footing. I have not put in any statement yet for two reasons.

4820. Will you tell us what the reasons are?—One reason is that in agreement with the Treasury we came to the conclusion that it would be impossible to form an opinion as to whether the new system was working well or ill until it had been in force three years, and those three years only elapsed on the 30th April, so that it would be only now that we should begin to review the situation and obviously no comparative statement would be of any value until we know rather more how we stood. I have already commenced looking into the whole question, and in due course when the general position of the Department has been finally decided upon I shall send in a statement as far as possible on the lines of the other. Of course it being an entirely new department it would be very difficult to have a comparative statement, but the nearest thing I can do, I shall do, but I have held it back for the two reasons I have given.

4821. The period of three years has only just been completed, I gather?—It is just completed on the 30th April.

4822. I do not know if you could tell me whether you have formed any opinion as to how it has worked?—I think it has worked extraordinarily successfully considering the great difficulties we have had in assimilating the two elements, the military and the civil working together (that is a perfectly natural difficulty and not a created one at all), and the very great difficulty that is always presented by decentralizing finance which is not always happy in results. Taking into consideration the very handsome acknowledgements which we have had on two or three occasions from the Comptroller and Auditor-General that the accounts were presented more quickly and that he is more satisfied with the information furnished, that points, I think, to its working very satisfactorily, and so far as I can make out there is an entire absence of friction between the soldiers in the Commands and our Staff, and I think it is working very well and I should not like to see it changed.

4823. From your point of view, in fact, you would be sorry to see a change?—Yes, I think our men are getting experience. I think the military side are turning to the Chief Accountants for advice and assistance with great cordiality, and I think the Chief Accountants' independent position enables them to give sound and valuable advice.

4824. Their position is one of complete independence?—They are absolutely independent of the military side, and they are in fact now officers of the Finance Member of Council.

4825. I

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

On Vote 13—War Office and Army Accounts  
Department—*continued.**Sir Robert Hobart.*

4825. I see in the explanation the surplus on Sub-head A is partly accounted for by the progress made in the year with the War Histories being less than was anticipated?—Yes.

4826. It also says that "Certain appointments provided for in the Estimate were not made, and others were filled at lower rates of pay." Would that give you any idea as to how you would be able to work out in future the cost of the War Office?—I am afraid I do not quite follow the Honourable Member's question.

4827. The War Histories will not come in again?—In point of fact the comparative statement would be before the time we had shed the histories, if I remember rightly.

4828. Would the comparative statement give the cost for a certain number of years—say 10 years?—The comparative statement was between the cost at the present moment and the cost before the Esher change. There would be only two dates in question, I think.

4829. That is a statement which has not been given yet, I understand?—It has been for the Military and Civil Staff; it is with the Treasury. But it is no use working on it until we have got rid of the Territorial pressure and the general position of the Department has been finally decided upon.

4830. One question as regards the explanation of the deficit on Sub-head E. It is said there that—"The expenditure on Colonial allowances of civilians and on extra pay to Paymasters and others was under estimated." Have you made any alteration about the Colonial allowances to civilians?—I think the point is this—that you cannot tell exactly whether it will be a civilian or a soldier to whom the vacancy on going abroad will fall.

4831. But you have an Account Branch, say, in Ceylon?—Yes, but my Account Staff are ex-soldiers and civilians, and it would depend upon whether it is a civilian who goes or whether it is a soldier out there.

4832. Have the rates for allowances been revised recently?—Only in one or two individual cases with Treasury sanction.

4833. Has there been an increase or a decrease?—An increase.

*Mr. Mitchell-Thomson.*

4834. As regards that item I do not quite understand about the commission to the Canadian Government—do we pay the Canadian Government a commission for distributing the pensions?—I think it is what they call a poundage.

4835. That is to cover the cost of distribution?—Yes.

4836. Why should that have been increased after the withdrawal of the garrisons of Halifax and Esquimalt?—I do not know, but I should

## ARMY APPROPRIATION ACCOUNT, 1906-7.

On Vote 13—War Office and Army Accounts  
Department—*continued.**Mr. Mitchell-Thomson—continued.*

think it was probably because a good many of the men who were discharged when the garrison was broken up would remain in the country, and there would be a larger number of pensions.

*Chairman.*

4837. Surely when the garrisons were there we paid them ourselves?—Yes; no doubt that would be the cause. In point of fact I daresay both causes apply, but the chief cause, no doubt, is that which has been pointed out by the Chairman. It did not present itself to my mind at the moment.

## VOTE 14.

OFFICERS' WOUNDS PENSIONS AND OFFICERS'  
WIDOWS' PENSIONS.*Chairman.*

4838. (To Mr. Kempe.) As regards the question of Officers' Wounds Pensions which were dealt with in our Report of last year, the Army Council has now taken the responsibility and you have no more to say about it?—That is so.

*Sir Daniel Goddard.*

4839. (To Sir Guy Fleetwood-Wilson) Until this question of the Wounds Pensions was raised by this Committee the officers were paid their pensions for the rest of their lives, were they not, regardless of whether they recovered completely or not?—I do not think that is the point raised in the paragraph.

4840. It has always been stated that until the question was raised in this Committee Wounds Pensions were continued to be paid to officers whether they recovered or not; but I understand that arrangement has now been stopped owing to the Report of the Public Accounts Committee and that the pensions are withdrawn on complete recovery?—I do not follow what the Honourable Member is referring to when he says he understands that to be so.

4841. Is it the fact that it is so?—I do not think so.

4842. Do the Wounds Pensions go on now whether the wounded officer has recovered or not?—Yes, I think so. I do not remember that there was any change of that sort.

4843. The explanation of the saving on this sub-head on page 65, is that the saving was "due to commutations during the year, and to the cessation of pensions of officers who recovered from their wounds"?—There has been no change in the system. If they do recover and are quite well, and it is given temporarily at first with the idea of re-examining the case eventually, then if they get perfectly cured they lose their pension.

4844. The

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Vote 14—Officers' Wounds Pensions and Officers'  
Widows' Pensions—*continued*.*Sir Daniel Goddard—continued.*

4844. The whole gravamen of the examination by this Committee of this question was that the officers continued to get their wound pensions after they were able to return to service—that was the whole point of the question being raised by this Committee?—I did not remember that that was the point. Mr. Gibson points out to me that in the Treasury *precis* Appendix paper No. 15, at page 592 of the Appendix to the Report of the Committee on Public Accounts of last year, it gives the fact that there has been no change.

4845. I thought the point was as I stated. (To Mr. Kempe.) Do you recollect the point?—I thought the point was that the officers received pensions and the men did not.

4846. That was one of the points?—I do not recollect the other one which you mention.

4847. Then I will not pursue it—it is within my recollection that it was so raised and so answered, but I will not pursue it?—(Sir Guy Fleetwood-Wilson) I do not remember it arising.

4848. Do they continue to receive their wounds pensions when they are on full pay?—What I say is that there has been no change of any sort or kind that I am aware of.

4849. Do you mean that the Report of this Committee had no effect?—No. The Secretary of State in his speech in the Debate upon the Reports of the Public Accounts Committee, in August, 1907, dealt with the point and has expressed his opinion that the House of Commons would support him in his determination to uphold these pensions. Both the Admiralty and the War Office did not share the view that was advanced by the Public Accounts Committee. We have made no change and the Admiralty has made no change.

4850. When a commutation is made of a wounds pension, on what basis is it taken?—The value is dealt with by the Pensions Commutation Board. They assess the value of all pensions that are commuted.

4851. On what basis—on the basis of life?—Yes, and the condition of health and everything else—it is an actuarial and medical calculation.

4852. Is it on the basis that the pension continues to be paid to the wounded man all his life?—Yes. (Mr. Kempe.) In the case of the men, if the doctor certifies that a man will be permanently disabled, then the pension is given to him for life, but if the doctor does not certify that, it will be withdrawn if he recovers. (Sir Guy Fleetwood-Wilson.) The question of commutation would go to the Commutation Board, and they would assess the value just as they do with all other pensions. I am not sure that I quite follow the point which the honourable member is raising.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Vote 14—Officers' Wounds Pensions and Officers'  
Widows' Pensions—*continued*.*Sir Daniel Goddard—continued.*

4853. My memory and yours do not quite agree upon the matter, and I cannot find in the evidence the point I have in my mind, and therefore I will not press the points. I understand you to say plainly that there has been no alteration in regard to the system?—There has been no alteration.

*Sir Robert Hobart.*

4854. I understand that with an officer who receives a wounds pension, say for the loss of an arm or leg, that pension is given to him for life, notwithstanding he is employed, say, in the War Office—he could not be employed on active service, but he might still be on full pay in employment, say, in the War Office, and in addition to his pay a pension for disability would be paid to him for life?—Yes.

*Mr. Parker.*

4855. I was not a member of the Committee last year, and I would like to follow up that point for a moment. I understand that an officer gets his full pay and he gets his pension because of the loss of a limb or other disability from which he is suffering? Does the same remark apply to the men?—No, that was the whole point, as I understand, that has been raised more than once by this Committee. They objected, as I understood it, to what they considered savoured of class legislation in the award of pensions.

4856. Could you give us any special reason why officers on full pay should have a pension on those lines and the men should not?—The question has now been rather removed from the arena of this room to the House of Commons. A debate has taken place on the question in the House, and the Secretary of State is prepared to defend his view that this arrangement ought not to be altered, so that I think it is almost futile for me to state any views which might present themselves to my mind. But I may say it has been suggested that a serious injury, like the loss of an arm, does not incapacitate an officer from his duties; for instance, I might give the case of Sir Archibald Allison who went to Ashanti with one arm—whereas on the other hand a private with one arm would be perfectly useless in the Army.

4857. I am not raising this as a sentimental point at all, but rather as a financial point. Here is an officer who is on full pay, and in addition to that you give him smart money, for that is really what it amounts to, because he is suffering. I put it to you that from a financial point of view only, that is a very undesirable thing is it not—it is payment twice over and the State is not so rich that it can afford to pay twice over?—That is hardly a question for me. I can only look at  
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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Vote 14.—Officers' Wounds Pensions and Officers'  
Widows' Pensions—*continued.*Mr. Parker—*continued.*

the facts as to whether the Regulations that are laid down are properly carried out—the ethics of the Regulations hardly come before me.

4858. I am not discussing it as a matter of ethics, but it seems to me bad business?—That is hardly a matter for me to express an opinion upon.

Sir Daniel Goddard.

4859. There is a small point on sub-head G about which I should just like to ask a question. There does not seem to be any reason why the Estimate on that sub-head "Compensation by the Army Purchase Commission to officers on Retirement," should not be still further reduced?—You never know how you stand. You are sure to have an up or a down on it. There may be a small surplus or a deficit—it is impossible to tell how it will fall.

4860. I notice in 1904-05 the Vote was £500 and the expenditure was £45, and in 1905-6 the same Vote was made and there was no expenditure; in 1906-7 £400 was taken and there was an expenditure of only £75. Does not that go to show that you might very well reduce it?—It is a very small matter.

4861. Has the Estimate been reduced?—Yes, it is less than it was.

4862. Is it less than £400?—We spent only £75 in the year 1906-7.

4863. But I mean in the estimate for the following year, was that reduced?—I think we did in point of fact go lower—I cannot tell you off-hand, but I rather think we took less.

4864. Could it go up?—Yes there might be two or three awards for that year. In the year under review there was only one award.

4865. It only applies to a certain class which is dying out, is it not?—Yes, it is an expiring class.

4866. Very few take it now?—Yes.

4867. It could not really rise to £400 could it?—Yes, I think it could. It is a very small matter.

## VOTE 15.

PROVISIONAL AWARDS OF PENSIONS TO  
SOUTH AFRICAN COLONIALS.

Chairman.

4868. (To Sir Guy Fleetwood-Wilson.) In regard to paragraph 85, I see that the War Office have recently requested the Colonial Office to make a further representation to the Cape Government with a view to an early settlement of the War Office claim—was that representation made?—Yes. To be quite candid I do not think we shall ever get it.

4869. Does the same answer apply with regard to the second part of the paragraph?—Yes.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Vote 15.—Provisional Awards of Pensions to  
South African Colonials—*continued.*

Sir Daniel Goddard.

4870. With regard to the Vote itself on page 68, Subhead C, "Chelsea Pensions of Warrant Officers, Etc.," are those pensions paid to the recipients quarterly in advance?—They are.

4871. Has it always been like that?—It has not always been so, but the custom has continued for a long time.

4872. Is not that rather an unusual thing. It must happen that many of these pensioners die in the middle of the quarters, for instance; what happens in those cases?—I suppose it would be written off as a loss; I do not know what influenced the arrangement originally, but it has been in force for a very long time.

4873. (To Mr. Kempe.) Would it not be a better method if it could be arranged that these should be paid weekly or monthly?—I understand the question is under consideration now by a Committee.

4874. A Committee is investigating the question, is it?—So I understand.

4875. Would you advise on that point at all?—No, it is an administrative question entirely.

## PAPER 11.

BALANCES IRRECOVERABLE AND CLAIMS  
ABANDONED.

Chairman.

4876. (To Mr. Kempe.) With regard to paragraph 86, this is a very large amount of balances irrecoverable, but it is chiefly the winding-up of the South African War, is it not?—The largest part of it is due to that. Might I make a small correction to which the Treasury attach some importance in that table? The fourth item in that table is described as "Small frauds not exceeding £5." That should be "petty thefts." The Treasury are very careful not to part with their power of looking after frauds—they reserve that power. These are petty thefts written off on the authority of the Army Council.

Mr. Parker.

4877. (To Sir Guy Fleetwood-Wilson.) In this statement of balances irrecoverable some of the items are pretty large, and I understand that it is largely the winding-up of the South African War?—Yes, some of these cases we have been struggling with for years, and at last we have reached the stage when nothing more can be done on them, and we have received Treasury sanction to write them off. There is nothing new about them. They are old cases that have been going on.

4878. When the Government has a claim against a Contractor for instance for £24,000, does



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## ARMY APPROPRIATION ACCOUNT, 1906-7.

Paper 11.—Balances Irrecoverable and Claims  
Abandoned—continued.

Mr. Parker—continued.

does he get off scot free in a case like the one given here?—The item of £24,000 is a claim against the Orango River Colony on account of customs and railage rebates.

4879. Take the one just above that—"Value of Compressed Vegetables, &c., returned by Contractors and destroyed, £8,936"—Does the Contractor in that case get off scot free?—The whole of these cases were thoroughly gone into with very great care, and the points have been before the Committee for two or three years, and everything was done that could be done, and you may take it that in each individual case we should not write it off unless we had exhausted all the means available for the recovery of the money. The Contractor would certainly either be fined or in some way punished if he was to blame, but in many of the cases of contracts the question was raised as to whether the Contractor really was to blame, whether the storage had not been bad on the part of the Army in the Field and so forth.

Mr. Bowles.

4880. (To Mr. Headlam.) In regard to the little correction which Mr. Kempe has just made in the fourth item in this statement—as I understand, the Treasury reserves authority to deal with any cases of fraud—that is to say, an amount cannot be written off in respect of fraud without Treasury sanction?—That is so.

4881. But losses due to petty thefts, if I understand rightly, not exceeding £5, may be written off under the authority of the Army Council?—Yes, where no suspicion attaches to War Office employes.

4882. Is that now?—Yes.

4883. How now is it?—April of last year.

4884. What the Treasury reserves to itself is the power of writing off frauds over a certain amount?—Yes.

4885. I do not quite follow the distinction between thefts and frauds?—Perhaps I might read a passage from the Treasury letter: "Having regard to the opinion of Parliament on this point, which has been repeatedly expressed through the Public Accounts Committee, my Lords are not prepared to delegate their financial control where fraud, suspected fraud, or gross carelessness is involved, however small may be the amount of the pecuniary loss." Then they go on to say that they are willing that petty thefts within the limits suggested should be dealt with at the discretion of the Army Council. I think the distinction is pretty clear in practice between thefts and fraud.

4886. You think it is?—Yes; the War Office have found no difficulty in accepting that decision, I think.

B

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Paper 11.—Balances Irrecoverable and Claims  
Abandoned—continued.

Sir Robert Hobart.

4887. (To Sir Guy Fleetwood-Wilson) I observe in Paper 11, on page 118, there are several cases of deficiencies at stocktaking discovered at Ordnance depots and so on?—You will find that a good many of those are dealt with on the Store Accounts which have not been taken yet, but which will come before the Committee.

4888. If that will come up again on the Store Accounts that will be sufficient?—I do not say that all of them will, but several of them will come up on the Store Accounts.

## ERRONEOUS ISSUE OF SERVANT ALLOWANCE.

Chairman.

4889. (To Mr. Kempe.) With reference to the decision that no refund should be called for in the case referred to in paragraph 88, have you had any answer to your inquiry as to the authority under which that decision was given?—No, we have had no answer.

4890. (To Sir Guy Fleetwood-Wilson.) Do you know why no answer has been sent to the inquiry?—This is a case of an officer who had a money allowance for a groom as well as personal servants, but horses are not taken at the School of Musketry at Hythe—in fact there is an Army Regulation which lays down that officers must not take their horses to Garrison Schools. At Hythe they do not take their horses, but for years and years it was overlooked, and it was considered it was a custom that had been in force so long that the Army Council thought if they stopped it it would be sufficient without trying to recover the money from the officers. The officers had *bona fide* thought that they were entitled to it, and I think we practically considered that they were, but when we came to try to find the authority for what was done we could not do so.

4891. Has authority been sought since?—No, we have stopped it now.

4892. But the question is, under what authority the decision was given to ask for no refund from the officers concerned?—That was the decision of the Army Council, because they considered this custom had been in practice for so many years.

4893. Is it a decision of the Army Council that did not require Treasury sanction?—(Mr. Kempe.) You will observe in that paragraph I go on to say that Treasury sanction was obtained afterwards. I am afraid I did not quite follow your first question.

RULES AS TO THE RECOVERY OF  
OVER-ISSUES.

Chairman.

4894. (To Mr. Kempe.) As regards paragraph 89, I gather that general principles have now been

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ARMY APPROPRIATION ACCOUNT, 1906-7.  
Rules as to the Recovery of Over-issues  
—continued.*Chairman*—continued.

been laid down with the sanction of the Treasury in accordance with the Report of this Committee of last year and you are satisfied?—Yes.

## BALANCE SHEET.

## MAURITIUS TEAK SUSPENSE ACCOUNT.

*Chairman.*

4895. (To Sir Guy Fleetwood-Wilson.) With regard to the second paragraph under paragraph 91 you will see it is stated that "as against this claim it appears that there was a surplus on the books of 1,042 cubic feet, and it is proposed that this surplus should be handed over to the Contractors as an act of grace on condition that they accept it in full satisfaction of all claims against the Department." Has a settlement been made?—It is not closed yet.

4896. (To Mr. Headlam.) The Treasury sanctioned the arrangement?—The Treasury has agreed to that arrangement.

4897. (To Sir Guy Fleetwood-Wilson.) It is stated here: "The conclusions arrived at by the Committee were that although the contract was badly drawn the system needlessly complex and the Store accounting in the earlier years defective, the general result of the conversion was satisfactory." Has the result continued to be satisfactory—have all these evils been stopped?—I think we have now got the matter well in hand, and I think we should see that it is properly done.

4898. You are satisfied that it is being seen to?—Yes.

*Sir Robert Hobart.*

4899. Might I ask about this Mauritius Teak business? Are you trading in teak?—No. The case has been before the Committee for a great number of years. Your question is a very natural one, because we laid in a stock of teak that certainly might have led anyone to suppose that we were going to trade for ever in teak, but it was not bought with that object.

4900. But you are carrying on this business?—We are carrying it on because we cannot get rid of it.

*Chairman.*

4901. Is it closed now?—It is not closed. We have reduced it from £28,000 to £12,000.

*Sir Robert Hobart.*

4902. Could you not sell the teak?—If we could sell the teak we should be glad to do so.

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Balance Sheet—Mauritius Teak Suspense  
Account—continued.*Sir Robert Hobart*—continued.

4903. Is it a lucrative business?—It is not a business at all—it is a large stock of teak far in excess of any requirements, and we are getting rid of it as fast as we can. We have reduced it from £28,600 to £12,707.

4904. In what period have you done that?—It has been going on since 1900.

4905. Then this trading business has been going on for some time?—It is winding-up the business now.

## NON-VOTED ACCOUNTS.

UNCLAIMED EFFECTS OF DECEASED OFFICERS AND  
SOLDIERS.*Chairman.*

4906. (To Mr. Kempe.) At the end of paragraph 92 you say that "The question has been referred for the opinion of the Law Officers of the Crown." Has an answer been received?—Yes, the Law Officers, I believe, have given their opinion to the effect that the Regimental Debts Act does not affect the Crown right in any way, and therefore all these intestate estates are due to the Crown. The Treasury have, however, allowed them to go to the Patriotic Fund. (Sir Guy Fleetwood-Wilson.) The Treasury have laid down rules for the future.

4907. Which you have accepted?—Yes.

## MILITARY SAVINGS BANKS.

*Chairman.*

4908. (To Sir Fleetwood-Wilson.) Has the opinion of the Treasury Solicitor been obtained on the two points referred to in paragraph 93?—Yes, and the Comptroller and Auditor-General has been informed.

4909. (To Mr. Kempe.) Is the answer satisfactory?—Yes.

4910. In that case, too, I suppose, rules have been laid down?—The Treasury Solicitor admits the War Office principle that interest should be allowed from the date when the investment ought to have been made.

*Sir Robert Hobart.*

4911. (To Sir Guy Fleetwood-Wilson.) As regards these Military Savings Banks, are the numbers of the depositors increasing or decreasing?—I am afraid I cannot tell you without reference. I will be glad to look it up and let you know.

4912. It was contemplated that they would decrease, was it not?—Yes, it is an expiring class. They invest in the Post Office now.

4913. It

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Military Savings Banks—*continued.*Sir Robert Hobart—*continued.*

4913. It is a class that has nearly expired, has it not—is it any advantage to keep up the Military Savings Banks at all? The men go to the Post Office by preference, do they not?—I could not tell you what is being done from that standpoint.

4914. Will you kindly enquire and let me know?—Certainly.

4915. The Post Office Savings Banks are far more satisfactory, are they not?—Speaking from memory, I think there is a special rate. Originally they got a higher rate than the ordinary rate which prevails at the Post Office, and so I suppose those who put their money into the Military Savings Banks would very naturally object to take the lower rate of interest from the Post Office.

4916. The keeping up of the Military Savings Banks with a higher rate of interest than the Post Office is evidently a costly affair?—It might be.

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Military Savings Banks—*continued.*

Chairman.

4917. But you do not take any new depositors, do you?—No.

4918. In fact it is only fulfilling your contract with the old depositors?—Yes.

## OUTSTANDING QUESTIONS.

Chairman.

4919. (To Mr. Kempe.) As regards paragraph 94, there is no remark that you wish to make upon the outstanding questions at present?—No.

## OUTCOME OF THE ACCOUNT.

Chairman.

4920. (To Mr. Kempe.) Paragraph 96 merely states that the total amount to be surrendered is £1,294,678 10s. 9d.?—That is so.

(The Witness withdrew.)

Friday, 22 May, 1908.

## MEMBERS PRESENT:

Mr. Ashton.  
Mr. Bowles.  
Sir Daniel Goddard.  
Mr. Hobhouse.  
Mr. Leif Jones.

Sir George Kekewich.  
Mr. McCrae.  
Mr. Mitchell-Thomson.  
Mr. Parker.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM called in; and Examined.

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

## STORE ACCOUNTS OF THE ARMY. LAND SERVICE STORES IN RESERVE DEPOTS.

Chairman.

4921. (To Mr. Kempe.) In paragraph 1 of your Report you state that the value of the stock of Land Service Stores in Reserve Depots was £19,322,600 on 31st March, 1907, as compared with £17,512,900 on the 31st March, 1906, showing a net increase of £1,809,700, exclusive

B

Chairman—*continued.*

of the value of stores in the hands of contractors and other non-accountants?—Yes, that is so.

4922. I gather that the Valuation Returns show considerable improvement, and the War Office figures are more closely compiled, apparently?—Yes, they are more carefully done.

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4923. With

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Store Accounts of the Army. Land Service  
Stores in Reserve Depots—*continued.**Chairman—continued.*

4923. With satisfactory results?—Yes.

4924. Have you anything further to say about paragraph 1 or paragraph 2?—I have nothing to say as to paragraph 1, and with regard to paragraph 2, the only thing I have to say is that a memorandum has been issued by the Inter-Departmental Conference there referred to, and some important results have been arrived at, the most important one, apparently, being that the Admiralty is to be separated from the War Office in this matter. That, I think, is rather a matter for Sir Guy Fleetwood Wilson than for myself.

4925. (To Sir Guy Fleetwood-Wilson.) I was going to ask you a question upon that—has the correspondence between the Treasury and the Army Council, which is referred to in the latter part of the paragraph 2, been completed?—Yes, and I propose to hand it in. I think it would be of assistance to the Committee to have it printed.

(The same was handed in.)  
(Vide Appendix.)

4926. (To Mr. Kempe.) You have seen this correspondence?—Yes.

4927. Does it comply with your ideas and what you wanted done?—Yes. I agree generally with the recommendations—in fact they fall in with the recommendation made by my predecessor in 1886-7.

*Sir Daniel Goddard.*

4928. (To Sir Guy Fleetwood-Wilson.) These stores were very much increased during the War, were they not, but since the War they have been steadily decreasing?—Yes.

4929. I do not know whether you recall the figures, but so far as I can gather, in 1903-4 they stood at about eighteen and a half millions; in 1904-5 they were brought down to seventeen and a half millions, and they were much the same in 1905-6; and the paragraph in the Report now seems to indicate that there has been a very sudden jump up in these stores?—Yes, that is because we had to take over a very large amount from the Navy on the adoption of what is known as the Fisher policy, which laid up a great many ships which were not up to date. That, of course, caused a jump up of the paper value of the stores in hand. I may observe that is rather an argument in favour of dropping this stock valuation system, because we have had to take these stores at the paper value, and that value does not represent the actual value of the stores. But to answer your immediate question, the increase is attributable mainly, if not entirely, to the stores that we took over from the Navy under that arrangement under the Fisher policy.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Store Accounts of the Army. Land Service  
Stores in Reserve Depots—*continued.**Sir Daniel Goddard—continued.*

4930. That is a point that I should like to go into a little further. The Comptroller and Auditor-General in this paragraph says that the increase appears to be partly due to that; but the stores that were transferred from the Navy to the Army were guns, mountings, and ammunition, were they not?—Yes, mainly.

4931. But every single item of stores in this list here shows an increase; they have all gone up?—Yes, I can give you the reason in each case if you would like to have it. I thought perhaps you would ask the question, and I have got a note in regard to each of the items. In the case of accoutrements, for instance, it is due to the return of buff accoutrements to store. They have been replaced by brown. That change, therefore, has placed into store a large amount of buff accoutrements. A great deal has been disposed of, but we have still got some left.

4932. Those are obsolete, as far as the Army is concerned, I understand?—I think there is some idea of utilising them, if possible, for the Territorial Army, but I do not see that I can pledge myself to anything in regard to that, and you may say they are practically obsolete.

4933. You are disposing of them, I understand, but not to the Army?—We are disposing of them when possible. Then there is the increase in harness and saddlery; that is owing to the revision of Field Army tables—that is to say, they want fewer mounted men and fewer draught horses. Then there is also the return to store of large quantities of harness and saddlery, owing to the closing of the Mounted Infantry schools. I do not know whether you want me to go into minute details of these cases?

4934. No, I do not want to go into detail at all?—I might perhaps give you the case of the barrack and hospital stores. There we have had returned to store many items kept by barrack expense accountants, who were holding more than they had any business to hold, or more than it was thought advisable they should hold. Then in the case of carriages, Field and Garrison Artillery, there were large additions to stock of certain equipment, chiefly extra limbers and wagons required for mobilisation, and the return to store of the equipment which it replaced. Then there has been the change of armament. As regards the item Ordnance R.B.L.; Q.F. and Q.F.C., it is due to quick-firing 6-inch guns having been received from the Navy, and the same applies to the ordnance of various classes. An increase of £130,800 is due to the transfer of breech-loading guns from the Navy, and so on. Then in regard to the item, "Rifles and Carbines," we have an increase of half a million sterling, which is in consequence of the provision of the new rifles and the consequent return to store of the old rifles. I do not know whether you want me to go into further details.

4935. What I wanted to draw attention to is

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[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Store Accounts of the Army. Land Service  
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is the fact that what the Committee has constantly pointed out as the wholesome policy of reducing these stores seems to have had a set-back in this year; is not that so?—No, I do not think it has. I think there is no question here of the policy being set back. There has been a return to store of stores that were no longer wanted either by the Navy or ourselves, owing to changes of pattern; but you cannot say that the policy is affected by it in the least.

4936. I do not know about the policy being affected, but still you admit the great risk of keeping unnecessarily large stocks of these things?—I think it is patent to anybody that there is risk and objection to keeping unnecessarily large stocks.

4937. Changes of pattern, for example, may occur?—Yes, as in the case of the buff and brown accoutrements.

4938. Then there is a sort of natural wastage of articles in store, I suppose, if they are kept in store a long time before they are actually wanted?—You mean through perishing?

4939. Yes?—No doubt there is.

4940. What I cannot help noticing is that in the clothing and in the consumable supplies there is still a steady decrease in the amount of stock; but in this particular item of Land Service Stores there is an increase?—Yes, the reason is very obvious. In the case of clothing, we had surplus stores after the War, and we are gradually working them down by issues to the troops on every possible occasion. In the case of consumable articles you can eat them or you can destroy them, because otherwise they would perish. In the case of munitions of war, such as guns and carriages, you can neither eat them nor utilise them, and therefore if they are returned from the troops, they must swell the amount that you have in store.

4941. You cannot eat cartridges, but we have apparently had a good deal condemned of what we have had in store from time to time?—*Pro tanto* you have got that much less. If a thing perishes you destroy it.

4942. You are taking the line that this sort of stores is not perishable; is that it?—No, I did not take that line.

4943. We have had evidence that ammunition is perishable?—I did not contend that these stores were not perishable. Harness will perish, for instance, if you keep it too long, and so will saddlery.

4944. You agree with me that it is most desirable to keep down these stores to as low a point as is compatible with real safety?—I think it is undesirable to exceed the amount of stores that is necessary for the service of the Army.

Mr. Leif Jones.

4945. Turning to page 81 I see a statement there in regard to the stores transferred from the

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Store Accounts of the Army. Land Service  
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Admiralty to the Army—can you tell me what proportion of that was ammunition?—There was over £591,000 for cartridges of breech-loading quick-firing guns. I have not got the figure as between the Army and the Navy, but probably the bulk of that would be the Navy. Then there was £130,800 in respect of breech-loading ordnance and so forth: that is about £800,000 roughly; it may be more. I am only taking the particular items of which I have a note.

4946. Was that in good condition?—That I could not tell you. It would be for the Master-General of the Ordnance to report on the actual condition of the stores which we took over from the Navy, but from the accounting standpoint we took them at what you may call the book valuation. The valuation was effected by the technical officers, not by us.

4947. The valuation was effected by the officers of the stores?—Yes.

4948. I wanted to know whether the ammunition was taken as a matter of fact at full value as good ammunition, or whether any of it was damaged?—If it had any appearance of not being as good as it should be, no doubt a deduction was made from its value.

4949. Taking it that it was all in good condition, that left about £700,000 of other stores which you took over and which you took on the book valuation at that figure; then the note says: "It is obvious that the actual value was only a fraction of the above amount." Was no attempt made to arrive at what that fraction was?—Your point, as I understand, is, what was the actual value of the stores in their then condition?

4950. Yes?—That was assessed; but then, of course, as regards the value to the Army, it is further affected by the question whether we can use them or not.

4951. Quite so?—We might have some of these stores which we shall never be able to use. Then there might be other cases where, if they were kept beyond a certain time, or if the pattern was entirely changed, they would become obsolete and there would be loss upon that. There is no question about it but that all this taking over of stores from one arm of the service to another is likely to tend to loss.

4952. Is the process now complete?—Yes, I think so.

4953. (To Mr. Kempe.) You say that "The valuation statements this year show an improvement?"—Yes.

4954. (To Sir Guy Fleetwood-Wilson.) It is stated here that "Greater accuracy has been shown in the compilation of the figures by the War Office"; has there been any change of system in the compilation of the figures?—No. This question of the stock valuation system has been gone into very fully by the Committee in previous years; it has now reached a rather acute stage.

My

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My own opinion is that the stock valuation is not of much value. I do not want to repeat all the points which I ventured to lay before the Committee in previous years as regards the stock valuation system. I think the Treasury is also of opinion that it is not worth the trouble and the expense that are devoted to it. We have sometimes, as I have explained in previous years, had to employ what I might call a very inferior class of labour on it, otherwise the cost would be prohibitive. And if it has been more successful this year it is largely owing to our having taken a great deal of trouble over it and having used better men than I think the work is worth. I am putting in the correspondence which has passed with the Treasury on the subject, and, if I may say so with all respect, I hope the Committee will express an opinion one way or the other, because if we may leave off this system, or modify it considerably, I think the sooner we begin the better. In my opinion it is not worth the money that is spent upon it now.

4955. (To Mr. *Headlam.*) May I take it that the Treasury concur in that?—Yes; the papers which Sir Guy Fleetwood Wilson has put in contain the Report of the Conference at which representatives of the War Office, the Admiralty and the Treasury were present, and the Treasury concur with the conclusions in that report.

4956. (To Sir *Guy Fleetwood Wilson.*) Does the report recommend the discontinuance of the system?—Yes. The idea of the change was to guarantee that a proper amount of stores was kept for the Army. We have now got the Mowatt Reserve, which is sacrosanct, and which nobody could touch; and a money value, as shown in the Valuation Return, is, I think, a work of supererogation, and not worth the labour or expense which are devoted to it.

Mr. *Hobhouse.*

4957. What is the expense?—It is a considerable staff of writers, and people of that sort. No doubt we use them for other work when they are not engaged on this work; but it is very laborious and I think very unsatisfactory in the result. Unless we have far more labour, and a far better class of people employed upon it, you produce a return which is not strictly accurate, and which has been found fault with very properly by the Comptroller and Auditor-General, and which has been rather criticised by this Committee from time to time. Personally I do not think it is worth keeping.

Mr. *Leif Jones.*

4958. But this year the Comptroller and Auditor-General says it shows an improvement?—This year he has been good enough to observe that it shows an improvement, but it still leaves a margin of inaccuracy.

4959 I wanted to know if that improvement was due to your having taken more trouble, or

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spent more time upon it, or to a change of system?—No; there has been no change of system. As usually happens, the work has fallen upon the supervising branch, and they have stopped late and looked into it more closely. We have put more staff on to the work. To produce this better result, which I undertook should be produced for the Committee, we have had to detach men from other work, work upon which I think they would have been better employed. The supervising branch has been called upon to devote their spare time to the work.

4960. (To Mr. *Kempe.*) You have seen the Report of this Conference, I understand?—Yes.

4961. Do you concur in it, or have you any comment to make upon it?—I concur; and I may add that from my point of view it certainly seems that a certificate of the character recommended by the Committee that the stores are as they should be is of much more value than a valuation founded upon defective data. (Sir *Guy Fleetwood-Wilson.*) That certificate will be rendered.

4962. That would merely be as to the condition of the stores, or as to the quantity; not as to their value?—(Mr. *Kempe.*) Yes. (Sir *Guy Fleetwood-Wilson.*) That they are sufficient.

4963. (To Mr. *Kempe.*) You think that is a truer measure of estimating really what the nation has got than attempting to turn it into money?—Yes, certainly. The other is insufficient; it is incomplete and misleading. A certificate does not pretend to do more than to say that the stores are sufficient for the requirements of the Army.

4964. The criticism has always been, has it not, that this return could not in its nature be accurate?—That is so; without great expense.

4965. And even then you have such considerations as Sir Guy Fleetwood-Wilson mentioned, that there are in store certain articles which may or may not have a value for the Army, and it is quite unreal to put a money value upon them unless you know the value they really have?—Certainly.

4966. Therefore it would seem better not to turn them into a money value, but to let us know what we have got and whether it is in good condition?—I speak only, of course, from the audit point of view; it is not for me to speak from the administrative point of view. (Sir *Guy Fleetwood-Wilson.*) With the permission of the Chairman I will read a very few lines from the memorandum which I have put in, because it may help the Committee to appreciate the position: "As the present valuation statement cannot safely be relied upon by Parliament as showing the fluctuations in stocks of military stores from year to year, it remains to be considered whether this object can be attained in any other way. Only two methods suggest themselves to the Army Council, (a) that a return be presented annually showing the quantities of certain selected important items of store, or (b) that

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that a certificate be rendered annually with estimates to the effect that sufficient but not excess provision has been made to maintain the authorised proportion of stores both for reserve and for current necessities." If that certificate is rendered annually with estimates you have the full responsibility of the Minister and of the Council behind.

4967. You are fully satisfied with that as Accounting Officer?—I think so. There is nothing I dislike so much as a return which is not accurate, and the difficulty of making it strictly accurate is out of all proportion to the advantage which you could derive from it. (Mr. Kempe.) Might I add that the Admiralty do not fall in with the view of the War Office. The Admiralty wish to go on with the present system; therefore they are separated and are to be treated differently from the War Office.

4968. Why do the Admiralty not share the same view?—I do not think the memorandum shows that. (Mr. Headlam.) There is a statutory obligation on the Admiralty to render certain returns. (Sir Guy Fleetwood-Wilson.) If you would like to hear it, I can tell you what the difference is.

4969. I understand it will arise on the Navy Accounts, and we can deal with it then?—Yes.

Mr. Bowles.

4970. (To Sir Guy Fleetwood-Wilson.) With regard to your new improved return, you told us last year, in answer to a question of mine, that you would not like to say that the return of last year was correct within a million or two. Do you think that this improved return is correct, within a million or two?—It must be nearer than that, because there is such marked improvement.

4971. That is just what I was coming to. After all, as has been pointed out, the real question is whether the valuation is upon a reasonable basis. As I understand, the stores are valued in one of four categories only, namely, as to whether they are serviceable, whether they are repairable, whether they are doubtful, or whether they are unserviceable?—Yes.

4972. And no discretion, I take it, is left to the person compiling this return at the command, except a discretion to put the particular stores into one of those four categories?—Yes.

4973. It is quite possible, of course, as a gun becomes useless and perfectly obsolete, the gun mountings referred to here might not, on realisation, be found to fall within any one of those categories in point of value; you might not be able to get anything like that amount?—Yes.

4974. That really vitiates the whole return, does it not? You could not be sure of the valuation?—Quite so.

4975. As I understand, therefore, the view of the Department is that this Valuation Return should be abandoned, and that we should be left

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with an account of the quantities?—For the security of Parliament it seems to me that what you really want is to know whether the stores are there. We have never had trouble at the War Office on that point since we have had the Mowatt Reserve—that is the War Reserve really. If the House is in a position really to know that these War Reserves that we count upon on emergency are there, and have not been touched, you have got a security which is far in excess of any return of this character.

4976. I take it there would be no difficulty in supplying to Parliament a perfectly accurate list of the quantities of the various stores?—I do not think there would be, unless there was some special reason of a military, secret character; but otherwise, accounting in material, so to speak, instead of in money, ought to present no difficulty.

Mr. Ashton.

4977. You told us that the value at which these stores were taken over from the Navy was very much greater than their real values?—To take one element only which came in, we do not know whether we shall ever be able to use them again, in which case they would be absolutely valueless unless they were sold for scrap.

4978. When they are passed out of account into the Service, would they be passed out at their original value?—They would pass out at the value at which they were taken in.

4979. Is the increase in the number of rifles large? You have taken into store the old rifles, I presume, and that is the reason of the large increase?—There is a change of pattern, as you are aware.

4980. Yes, I am aware of that. Is the increase caused by the old rifles coming into store?—It is caused by the provision of new rifles, and the return to store of the old pattern rifles.

4981. Which you will have to get rid of?—It is very difficult to get rid of military rifles. You must break them up, because otherwise they may get into wrong hands.

4982. Are you going to keep all these things in store?—As time goes on we shall review the stores, and get rid of what is of no use. I have great objection to keeping unnecessary stores, because of the cost of storage room; and there is also the supervision involved in the custody of them. It involves waste of the men who have to look after the obsolete stores; but, of course, one does not like to destroy or press for the destruction of perfectly sound serviceable arms, simply because they are not of the very last pattern, because one never knows what may happen.

4983. As regards the question between values and quantities, it is rather easier, is it not, to keep your eye upon the amount of stock if it is shown in value rather than in quantity?—No, I think not. With stock-taking and a system of

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[Continued.]

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of receipts and issues of stores with tallies, you ought to be able to keep a very close watch on your stores.

4984. One sees a total more readily in sterling than you do in quantities, do you not?—Yes, but that does not necessarily mean that you know what is there; and when it comes to munitions of war the first element of importance is that the article should be there and in a serviceable condition—at least, that is my view.

Mr. McCrae.

4985. If we take the items of "Carriages, Field and Garrison," and "Cartridges," I suppose the same reason would apply to those two items; they come under one head?—The one would go with the other, no doubt.

4986. There would be the stores taken from the Admiralty?—Heavy transfers of carriages from the Navy took place.

4987. How long has this transfer been going on? Since when was it?—It was the year before last, when Mr. Arnold-Forster did away with submarine mining. It is mentioned in the memorandum which accompanied the Estimates in 1905-6. It was in consequence of Mr. Arnold-Forster's policy.

4988. I notice that in 1905 your stock of carriages, field and garrison, was £1,467,000, and in 1906 it was £1,635,000, and this year it is £1,955,000; so that there has been a steady increase year by year?—Yes; but you had also a change of armament in the artillery. It is not all due to the Navy. As you know, we have re-armed the whole of the horse and field artillery.

4989. Then with regard to the item "Rifles and Carbines," in 1905 the amount in store was £1,340,000, in 1906 it was £1,500,000, and in this year under review it is £2,082,000?—Yes.

4990. Is that wholly applicable to the introduction of the new rifle?—I think it is almost entirely.

4991. With regard to the valuation of these stores, I gather the Army really suffers any loss there may be; if you have taken them over from the Navy at a valuation, having regard to their condition, but not with regard to their use, if they are found to be useless the loss is borne by the Army, and not by the Navy, who had bought them?—That is so; but as against that you have to set off that the Navy will no doubt assure you that they have lost heavily by what they took over from us.

4992. There was a transfer between the two departments?—Yes, it was a decision of the Cabinet entirely. It was carrying out the policy both of the Army and the Navy. When you take the Navy Accounts, I think you will be told by the Admiralty that we got a good deal

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the better of the bargain. I am prepared to give you the same assurance in the opposite sense.

4993. As between the two Services, I suppose you have equally suffered?—Yes.

4994. With regard to the buff accoutrements, are they really not obsolete altogether?—The accoutrements are always very much affected by a change of rifle. If you have a clip loader instead of a paper parcel loader, and so forth, you will get a great deal of legitimate waste, as you may call it; but still waste. We have got large orders out now for an entirely new equipment; that will mean a very large cost to the country, both in the new equipment and in what is cast aside; but what are you to do?

4995. Then your only hope is that the Territorial Army will take them over from you?—We hope to get them to take a good deal of it, but whether or not they will do so I do not know.

Chairman.

4996. Is what is known as the Mowatt Reserve comprised in the store reserve?—The Mowatt Reserve would be stores of an actually serviceable character.

4997. Are they included in these store reserves?—Yes, they are included in these figures. I thought you were asking as to the condition of the Mowatt Reserve.

4998. When you said just now with regard, I think, to new equipment, that there would be a heavy loss to the Army, there is no balance sheet, is there, from which such a loss is ever written off—no money would have to be provided in the Estimates to make good that loss?—No.—I meant such a loss as would happen to a private firm, for instance, when their stock became obsolete.—You would, of course, have to find the money for the new stores.

4999. That is quite a different thing—that is a question of Estimate and not of the Appropriation Account?—Quite so.

## CLOTHING IN RESERVE DEPOTS.

Chairman.

5000. (To Mr. Kempe.) I observe the value of the stock of clothing has considerably decreased, by £177,700?—Yes.

5001. In addition to that there was a certain amount of material in the hands of contractors and associations. Is the amount standing in the hands of the contractors and associations about the same as it was in other years?—It is larger this year.

5002. The decrease is owing to getting rid of the War Stores really, is it not?—Yes, I suppose so.

Mr. McCrae.

5003. (To Sir Guy Fleetwood-Wilson.) I notice there



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there has been a steady decrease year by year under this head, has there not?—Yes; we have been using up the war surpluses.

5004. The decrease this year is, I think, about half what it was the year before—you are tapering off?—We are tapering off. The further you go with your reduction the more likely you are to meet with difficulties of sizes, and it does not always follow that you can go the same pace.

Mr. Bowles.

5005. I suppose this account is quite accurate for the purpose of comparison at all events?—Yes, I think it is. We propose to give this up and merely to give a certificate.

Mr. Leif Jones.

5006. Is it made on the same basis of valuation in the two years; to take, for instance, the price of a cap, is it the same in both cases?—No; it would not necessarily be exactly the same, but I do not suppose there would be much difference.

5007. Is it a revised schedule of prices?—Yes.

5008. Do you revise the schedule every year?—You must revise the prices of the clothing, because it is issued on re-payment to soldiers, and so you would get into trouble at once if you did not have the correct prices on the articles.

5009. How often do you revise the prices?—Whenever an article changes in value.

5010. So that you revise them continually?—Yes.

5011. So that the prices really do not enable you to compare?—I do not think they do beyond a certain point.

Chairman.

5012. One question about the Mowatt Reserve. The certificate which it is proposed to substitute for this Valuation Statement is that the stores are in proper condition, as I gather; will that apply to distinguish between those stores held under the Mowatt Reserve and the other stores?—The actual form of the certificate we have not yet considered; we have only dealt up to now with the other side of the question, namely, whether it is worth while keeping this Valuation Return, and I think we are all agreed in the Department that it is not worth keeping. But as to the exact form of the certificate, we have not yet reached that point; it would no doubt come before the Committee.

## CONSUMABLE SUPPLIES IN STORE.

Chairman.

5013 (To Mr. Kempe.) In this case again the valuation of the consumable stores has rather decreased?—Yes.

5014. I see that certain stocks have been for the first time included in the valuation, while other stocks have been excluded?—Yes.

5015. Has that change from inclusion to

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ARMY APPROPRIATION ACCOUNT, 1906-7.  
Consumable Supplies in Store—*continued.*Chairman—*continued.*

exclusion made the total to vary very largely one way or the other?—I have not got the detail of it.

5016. You are satisfied with the new form of stock-taking?—I am quite satisfied with the new form of Return.

Sir Daniel Goddard.

5017. (To Sir Guy Fleetwood-Wilson.) I see there is a very large reduction in certain headings under these consumable supplies?—Yes.

5018. I notice, for instance, under "Hospital Supplies," in the item "Meat Essences and Extracts," there is a large reduction. I think it is referred to particularly in the paragraph of the report. Is that all in regard to South Africa?—It is all either South Africa or the surplus stores after the war. You cannot expect these things to last beyond a certain time.

5019. Is there such a thing as a normal value of stock of meat essences and extracts?—Do you mean as to how much we keep?

5020. I mean have you got a standard fixed?—That will afford a very good illustration of the difficulty of keeping it in cash. You might have a normal cash figure representing the value of your meat essences, and yet you might only have half the amount of meat essence in stock; you may change the quality or the quantity and it may double the price.

5021. I understand that, but that does not quite touch my point. You have a standard quantity which you ought to keep in stock?—Yes, not in money, but in articles.

5022. I am not going into the distinction as between quantity and money. There is some standard stock which you are to have?—Yes.

5023. Is this up to the standard quantity?—The quantity is in relation to the strength of the Army. As regards all war stores, the quantity that is kept is in relation to the number of men who will require them, and therefore if they have a surplusage in them, as there is, whatever it may be, after the war it takes a long time to use them up.

5024. I suppose in arriving at that standard due account has been taken of the rapidity with which these stores can be made nowadays?—Yes, and even more has been taken into account; the rapid deterioration has been taken into account. In some cases we have come to an arrangement with the contractors to guarantee us to a certain extent.

5025. Are you able to say whether at the present time these stores are kept at the minimum necessary to carry on?—I am not responsible for that; the responsibility for that is with the Member of Council concerned, either the Quarter-Master General or the Master-General of the Ordnance, according to the nature of the stores. But I am in a position to assure you that nothing can touch the Mowatt Reserve without my knowing it, and it is my duty to see that it is kept up to the mark.

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5026. Then

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[Continued.]

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Sir Daniel Goddard—continued.

5026. Then the answer to my question is that it is so?—Yes, and I should like to add that occasionally, and to a slight degree, I do agree to a non-replacement, and, in fact, I press for a non-replacement for a short period, of stores which are becoming obsolete, because I know that another quality which can be made very quickly is coming in, and it is better to have a shortage for a short time than to have a surplussage of stores which we should not be able to use.

5027. I think in the evidence of last year you stated that you were not making any of these stores yourselves now?—We should not do so, as a rule; you are referring, I presume, to preserved provisions, and things of that sort?

5028. I think the question arose in regard to pemmican?—Yes I do not think we make any at all now, or if we do it would be only a very small quantity. We make our own bread; but I take it you were referring to preserved provisions.

5029. Yes, I was thinking rather of emergency rations, and so on?—I do not think we make any of those now. The question arose over the difficulty in regard to pemmican.

5030. While there is a very satisfactory decrease in the amount of stores, I notice there are one or two items in which there are remarkable increases; for instance, on page 142, under the head of "Forage," something which is comprised under the name "Miscellaneous" has gone up from £6,230 to £14,270; that seems rather a remarkable increase?—There is a falling off, you will observe, under hay and oats; it is probably an increase in bran, or something of that sort.

5031. Is that what "Miscellaneous" means?—I should think so, because there is obviously other forage than hay and oats. I notice the compressed forage has kept at the same figure; there is a considerable fall in hay and in oats; and "Miscellaneous," on the other hand, has risen, so that it is evidently a counterbalancing. I cannot tell you the details of the change, because I am not responsible for the foraging; but I believe they were reducing hay and oats and substituting something else.

5032. Then under the heading "Fuel and Light," the item "Miscellaneous" shows a remarkable decrease; it includes oil, but what else would it include?—I suppose it includes any other kinds of fuel and light.

5033. It specifies oils, candles, coal, and coke. What other fuel and light would there be?—It might be turpentine and naphtha. I am not prepared to give you the details as to the fuel and light used in the Army, but I can get you further information if you desire.

5034. Can you give me a sort of general idea of what there would be left under the heading "Miscellaneous"?—I should have thought that when you had taken candles, coal, and coke, you had fairly taken most of the articles that would be used for fuel and light. It is rather remarkable

Sir Daniel Goddard—continued.

to me that there should be anything else?—Oil is used very much—petroleum—and wood is largely used.

5035. Does it include electric light fittings, or anything of that sort?—No. But neither wood nor petroleum is included in either of the other two items under the heading, and that of itself would be a very large item, and acetylene gas, perhaps.

5036. Then under the head of "Provisions," I see the "Miscellaneous" item has increased £3,000; is that due to the addition of the stocks that are in large hospitals?—I think it is all due to that. You will observe that there is a note indicative of the cause of the increase.

5037. The note says that it includes stocks held at large hospitals. Do you think it is all due to that?—I think so; that is given as the explanation, and I have no doubt it is perfectly correct.

Sir George Kekewich.

5038. When you enter into a contract for meat extracts and essences, do you obtain guarantees of the length of time that they will keep?—Yes, it varies according to the nature of the article. There is no fixed period. We tried to fix a period. We had great trouble over the Maconochie ration on that account, that we had a fixed time, and the ration did not last for the full time; but as regards some of these hospital essences and things of that sort, I am not sure that the manufacturers will give you a guarantee. There are several preserved things which nobody will guarantee, whatever you pay for them, so I cannot say straight off whether we get a guarantee in every case, but we probably would with the great bulk.

5039. You endeavour to get a guarantee, wherever it is possible?—Yes.

5040. Did you get a guarantee in the case of these meat essences and extracts?—That has been gone into repeatedly for many years; it is the remains of the old war stock, over which there was the War Commission, and incessant evidence given before this Committee.

5041. You recovered from the contractors when you could?—Yes, I think we did all we could.

5042. These meat extracts and essences keep a variable time, do they not?—I believe they do, but I am afraid I cannot tell you. I am not a technical expert upon the matter, but if you ask a chemist he will tell you that certain beef extracts will keep longer than others.

5043. I should have thought you would obtain those which you thought would keep the longest?—That would be interfering with the discretion of the doctors.

5044. Sir Daniel Goddard asked you some questions about forage and the item "Miscellaneous." I suppose the rise on that item is compensated, as you say, by the fall in hay and oats?—I should think that is so.

5045. Of course it includes such items as beans and bran?—Yes.

5046. And

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Consumable Supplies in Store—*continued.*Sir George Kekewich—*continued.*5046. And maize, I suppose, in some cases?  
—Yes.

5047. Would it also include chaff?—I think it probably would include every sort of forage, except those two indicated here.

5048. It would include everything except hay and oats?—I presume so. I am not, of course, an expert on forage.

Mr. Leif Jones.

5049. Under the heading of "Hospital Supplies," I see in two of the items there is a great diminution, but in the third item, "Wine and Spirits," there is an increase from £16,000 to £19,000; can you tell me why that has occurred?—Because in the total for the year ending 31st March, 1907, the stocks held by the hospitals appear, and they did not appear in the previous year.

5050. I thought it was the other way on, that this year there were some things left out of the total which had been included in the previous year?—No, it is the other way, I understand.

5051. Then it does not represent any change of policy?—I do not think it represents an anti-tactical policy.

5052. I asked the question because, as I understand, the policy in the other military hospitals has been the other way in recent years?—It is really only bringing into the total articles that had not been included in the total before.

TRANSFER OF SUBMARINE DEFENCES TO THE  
NAVY.

Chairman.

5053. (To Mr. Kempe.) There is a considerable difference in the valuation of these articles, as between the Navy and the Army apparently?—Yes. That was the question which we were discussing just now.

5054. It is really the same question over again?  
—Yes.

5055. Has a final decision been arrived at, as to the re-transfer of certain buildings to the War Office, and so forth?—Yes, that matter has been settled now at all the stations except Pembroke.

Mr. McCrae.

5055A. (To Sir Guy Fleetwood-Wilson.) Are we to have a final statement as to the amount of this transfer of submarine defences from the one department to the other?—I do not think there is anything more to give you except the statement that was made with this account, as to what the value was. We shall never get a definite value attached to these things. I do not think it is possible; you must take that as what they are supposed to be worth. What it really comes to is that they are in charge of one side of the administration instead of the other.

5056. If I remember rightly, the Comptroller and Auditor-General last year recommended that Parliament should be fully acquainted with the

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ARMY APPROPRIATION ACCOUNT, 1906-7.  
Transfer of Submarine Defences to the Navy—*continued.*Mr. McCrae—*continued.*

financial effect of this large transfer, and that a note should show exactly the final results as between the two departments?—If it is possible to do it, of course it would have to be done. I do not know how you are going to get a very accurate result in that respect.

5057. (To Mr. Kempe.) Are you still of that view?—I think this note on page 81 goes some way to meet what is wanted. (Sir Guy Fleetwood-Wilson.) In any case we should have to wait to see whether we could use these things or not. It would be a long way ahead before we could render such a statement.

5058. The Comptroller and Auditor-General said last year: "It was stated that it would not be possible to obtain the information in time for inclusion in the Appropriation Account, 1905-6, but that it was hoped that it would be available for that of the following year"?—I do not know if I rightly interpret it, but I gather from this paragraph of the Comptroller and Auditor-General, that he is now in possession of such information as could reasonably be furnished, except for one or two things that may not be complete. I do not know if that is so.

5059. (To Mr. Kempe.) Does the paragraph on page 81 meet your views with regard to what is necessary?—I hardly expect to get any more than that. The note shows the impossibility of getting anything very exact. (Sir Guy Fleetwood-Wilson.) I may mention, in regard to the last paragraph, that at any rate the Admiralty have agreed to drop the question of the acquisition of the military property referred to, or else to negotiate for it separately.

5060. (To Mr. Kempe.) Then I may take it that, so far as you are concerned, you are quite satisfied with this note which has been made?—That is so. As I say in the Report, it is subject to some further statement. The return is not quite complete. (Sir Guy Fleetwood-Wilson.) Of course what is not quite clear will be completed.

5061. So that in the Appropriation Account for next year we shall have a further note as to what has been done?—Presumably you will. I do not know what the Comptroller and Auditor-General will do.

Mr. Leif Jones.

5062. The stores transferred to the Army from the Admiralty are valued by the Army at £1,504,250, I understand. That was more than the Admiralty valuation of these stores, which was £1,481,029, so that you have given credit for £20,000 more than the Admiralty wanted?—It is only the price put on them.

5063. Still it is £20,000 more?—I suppose we went by the vocabulary rates of the stores.

5064. What do those vocabulary rates apply to?—They apply to our stores, and I suppose the Admiralty vocabulary store rates are not the same.

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5065. That

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[Continued.]

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*continued.*

Mr. *Leif Jones*—continued.

5065. That is what I wanted to know?—I really cannot tell you as to that.

5066. The valuation of the Army vocabulary rates was £1,504,250, but the valuation made by the Admiralty was £1,481,029; is that so?—That is so.

5067. That is only a difference of £20,000?—Yes.

5068. That seems rather to point to the vocabulary rates being fairly correct?—I am afraid I do not know what the Admiralty did.

5069. (To Mr. *Kempe*.) You adopt the statement of the actual value fixed by the Army; you have to take the word of the Army for that, I suppose?—Yes.

5070. If it said here: "It is obvious that the actual value was only a fraction of the above amount," you have no means of forming any idea what the size of the fraction is?—No.

5071. On the other hand, when we come to the transferring of the Army stores to the Admiralty at vocabulary rates I suppose they were £375,261. (To Sir *Guy Fleetwood-Wilson*.) Is that so?—They were.

5072. The Admiralty valuing of these stores was only £182,992?—Yes.

5073. That is rather a surprising difference in the percentage of variation. In the case where the Admiralty was, so to speak, buying stores from the War Department, they assessed them at 50 per cent. less than in the case where they were selling, both being valued on the vocabulary rates, I understand?—The cost to us would have been the original cost which we had to pay for the articles. The Admiralty would take them over when they had been in use some time; there would be depreciation. The submarine stores, for instance, had been in the water, and so forth, and there were also the boats; they would take the value of the stores as they were at the moment.

5074. And so would you in the other case, would you not? It strikes one as a little surprising that in both cases the Navy seemed to have scored?—They always do.

Sir *George Kekewich*.

5075. I should like to know what is meant by the statement that some of the guns were "disposed of as produce"; what is meant by "produce"?—It means iron, steel, or whatever it may be; it means that instead of being treated as guns, which are of course very valuable articles, these guns, owing to their not being any longer of any use would merely represent the steel, or the iron, or gun metal, as the case might be.

5076. They were treated as scrap?—They were treated as scrap.

ORDNANCE STORE ACCOUNTS.

*Chairman*.

5077. (To Mr. *Kempe*.) With regard to para-

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Ordnance Store Accounts—*continued.*

*Chairman*—continued.

graphs 6 and 7, which we may as well take together, you have nothing particular to say about those paragraphs, have you?—No.

5078. With regard to the last two sentences in paragraph 7, have the inquiries which you made been satisfactorily answered?—I think the answer is given in the last sentence. I have been informed that no further explanation of the accumulation can be given; there is nothing beyond that.

Sir *Daniel Goddard*.

5079. (To Sir *Guy Fleetwood-Wilson*.) Can you tell me what was the amount of this pom-pom stock of ammunition which was condemned?—£250,000.

5080. Was that the original value of it?—Yes, that is what it cost.

5081. I notice that the paragraph says that it was in "a rusty and unserviceable condition, mainly attributable to original bad packing on the part of contractors." It goes on to say that the question of the liability of the contractors was considered, but it was "decided that no claim could be raised." But if the bad condition of the ammunition was attributable to bad packing by the contractors, I cannot understand that?—The case was very carefully gone into with every desire to make the contractors suffer if it could properly be done, but the conclusion came to was that it was fairly a war loss. The contractors were not given time to pack the things properly; the things had to be sent out with the utmost possible despatch, and it was impossible to insist upon those safeguards which as a rule would be insisted upon when there was time. You can easily understand that when you are at war, and have to send out in a desperate hurry a thing like ammunition, which is being used up very quickly, you must take a certain risk. So long as it is so packed as to be perfectly serviceable on arrival, that is all you can expect very often. Then if it is not used but is kept, the inferior character of the packing will tell upon the ammunition. I think this was a very fair war loss really.

5082. The question was thoroughly considered at all events?—It was.

5083. Paragraph 7 points out that there was a large number, 30,870 projectile protectors, transferred to the sale ledger for disposal?—I think I may say quite frankly at once that there was a distinct error of judgment in the excessive number of those protectors that were ordered. The Master-General of the Ordnance has authorised me to say that in his opinion there was an error of judgment. He has been into the case himself, and he has come to that conclusion. It was an error of judgment and that is all.

5084. As I understand, there was a protector provided for every projectile, without taking into account the fact that the protector could be used over and over again?—Yes, that was it. It is freely admitted that there has been an error of judgment. There was great pressure at the time.

5085. Does

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Sir Daniel Goddard—continued.

5085. Does that lie with the contractor of the Ordnance?—Not with the contractor. It was ordered personally by the Director of Ordnance, as he then was.

5086. Did he give the orders?—Yes; there was great pressure at the moment, because we were filling up the Mowatt Reserve to the full number; and I think, under the pressure of ordering all these things which we were short of, the then Director of Ordnance, or one of his officers, lost sight of the fact that it was not necessary to have a protector for each shell. I do not think there is anything more to be said, except to admit quite frankly, as I have done, on behalf of the Master-General of the Ordnance, that there was an error of judgment.

5087. (To Mr. Kempe.) I do not quite understand the last sentence in paragraph 7. It states that "it is considered advisable to retain the bulk of these protectors on the ground that they will eventually be required for transport purposes." Does that mean the bulk of the 30,000 protectors, or the bulk of the whole?—It means the bulk of the remainder.

5088. There were 50,000 of these articles surplus to requirements, and, out of the 50,000, 30,000 were transferred to the sale ledger for disposal; that leaves less than 20,000 behind?—That is the remainder; the bulk of that would be used afterwards.

5089. Does it refer to the 30,000?—It refers to the 20,000.

5090. The bulk of those can be used?—So I understand.

5091. (To Sir Guy Fleetwood-Wilson.) Is that so?—I cannot tell you, but we are keeping them in the hope that we may have an opportunity of using them, otherwise it is a dead loss; and it is worth while keeping them a little time on the chance of being able to use them.

5092. Have you any idea of the value these protectors are likely to fetch if they are sold?—Nothing but the scrap value of the metal, whatever metal they are made of.

5093. Has any estimate been made of what the total loss would be?—I cannot tell you yet; there might be no loss at all on them, we hope, because we may use them. I cannot tell you what the loss on the sales is, but it is very appreciable.

5094. Can you say whether any portion of the 20,000 has been sold?—Yes, some have been sold. You may take it that the loss on these things is very considerable.

5095. I take it the result of this loss will be that in future more care will be taken to avoid ordering such quantities as that?—I do not know that they use these any longer.

5096. Do you mean that they send out the shells without protectors?—I think it is a different shell—I cannot say; I am not sure whether we are going on making these now. If you like, I

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Sir Daniel Goddard—continued.

will find out; but, of course, in any case of this sort, where attention has been specially directed to a loss, special care will be taken to prevent the recurrence of it.

Sir George Kekewich.

5097. Do not the protectors deteriorate by storing?—All metal deteriorates in time—it oxidises; but I cannot tell you what the life of the cap protector is.

5098. Is the reason that you wish to get rid of these that they have deteriorated and become rusty and valueless, or is it simply because there is a kind of shell which does not require a protector?—I cannot tell you that; I can only say we have got a great many more than we can possibly use. The caps are used for transporting shells, and as soon as you get the shell transported to the store into which it is to go, it no longer requires a cap; so that, I presume, the cap would travel about with a great number of shells, instead of each shell having its own particular protector; but I cannot go into the particular merits or demerits of these caps, because I am not an expert.

5099. If you have a new kind of shell which the protector will not fit, then all the protectors become useless?—Yes. I do not know that it is so, but we might have a loss of that sort.

5100. I thought you were indicating something of that sort just now?—If I did I would withdraw it, because I really do not know.

5101. The real reason is that you have a great many more than you can ever use?—Yes, that is so.

5102. It was simply a mistake made in the hurry and stress of the war?—Yes, that was what I endeavoured to indicate at the beginning.

Mr. Mitchell-Thomson.

5103. Do you know what the value of one of these protectors is?—About 4s.

5104. Would it pay to send back these protectors from the out-stations after the shells had been sent out?—Yes, I think so, because probably the shells are in very strong boxes as well.

5105. This leaves in store at the present moment something like 20,000 of these protectors?—I do not know how many are left in store, because we have sold some.

Mr. Ashton.

5106. You say that this was owing to an error of judgment on the part of somebody. Has that error of judgment been visited on anybody?—It was not a case where I think you could visit it on anybody in view of the great pressure, but of course that does not rest with me. In point of fact the Master-General of the Ordnance has gone into the matter, and he told me he could not find out who actually was the person who had committed the error of judgment.

5107. Were

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Mr. Ashton—continued.

5107. Were these made by a contractor, or were they made at Woolwich?—I cannot tell you; but I should think probably they were sent in with the shell by the contractors.

5108. They were contract work and not Government work?—I should think so, certainly.

5109. If it was Government work, would it not have been noticed?—If it had been Government work it might have been noticed, and that is one thing that leads me to suppose it was contract work.

Mr. McCrae.

5110. Of the 30,800 projectile protectors transferred to the sale ledger for disposal, I take it that 20,000 were at the out-stations?—Yes, additional.

5111. I notice here it is stated that "instructions were given that at stations abroad they should be brought to produce." Have they been so brought to produce?—I cannot tell you how many were sold; some have been, I believe.

5112. I notice that Mr. Kempe says here, "I understand that the produce value is very small"?—It would be very small.

5113. You do not know what quantity has been sold?—No; I could find out if you wish.

5114. I suppose the last paragraph here deals only with the Woolwich supply and not with these protectors at the out-stations?—I think the protectors at the out-stations were formerly part of the Woolwich stock that had been sent out.

5115. Is that so?—It is not clear whether they were at Woolwich before or not. I am sorry I have not got the papers here.

## CLOTHING ACCOUNTS.

5116. In paragraph 8 I see it is stated that a great many of the garments were found to be moth-eaten and unserviceable; is there any better central control established at the different depots now?—There was a mistake, certainly, in the case of the rifle depot, for instance.

5117. But is there any better central control of these depots to deal with things of that sort?—Yes; I think so. Under the present system of stock-taking in the presence of my chief accountants, I think unnecessary accumulations will gradually disappear. We drew the attention of the local military authorities to the excess stocks and also to any disregard of opportunity to effect a turnover. I hope we shall improve the situation.

5118. (To Mr. Kempe.) The last words of the paragraph say: "It was added that in view of the smallness of the normal stock no special instructions for turnover were considered necessary." Do you think those stocks appear to be sufficient for the purpose?—Yes, so far as I can tell.

Mr. Ashton.

5119. (To Sir Guy Fleetwood-Wilson.) Is there some official whose duty it is to see that the stocks at the depots are not excessive?—Yes the

ARMY APPROPRIATION ACCOUNT, 1906-7.  
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Mr. Ashton—continued.

Quartermaster primarily, and the officer in command of the depot over him.

5120. Is it nobody's duty, for instance, when they send for new stock, to see that they have not got as much as they ought to have already?—I was in charge at Pimlico at one time, and when I was there I certainly did question the necessity for issues when it seemed to me that they had got large stocks, and I presume that is still carried on.

5121. If that was carried on, I presume a thing of this sort could hardly happen?—Not at all, because you cannot keep back clothing from the troops if they say that they require it; it is for them afterwards to prove their case. Unless you got very exceptional evidence, you could not hold back clothing for the troops, or you might stop a draft from going out to India.

5122. When they did send in their demands, could not you insist that they should also send you a statement as to their stock?—I think one must not centralise too much. I think the present arrangement, at any rate, ought to answer the purpose. There is no doubt that if the local officers keep too much stock, they are to blame and are responsible for keeping it; but I think the best way of checking them is for the stock-taking (which is, after all, the best and soundest check upon them) to be carried out efficiently in the presence of one of the finance officers, who at present at any rate, are independent of the military authorities, and so you get your guarantee.

5123. If they do overstep the line, as they did in this case, and commit an error of judgment, they are reprimanded?—Yes, the Quartermaster's business is to watch the stocks that he has got. I have no doubt in any case of this sort disapproval of it would be expressed to the officer concerned. You may take that as a certainty.

Mr. Leif Jones.

5124. I wish to ask just one question on this case, which is mentioned in the last paragraph but one of the Comptroller and Auditor-General's report under the head, "Clothing Accounts." He says that a condemnation has been made of kit bags which were taken from a bale dated 1897. Do you think it is possible for a thing of that kind to happen now?—"Impossible" is a word which I have been called to account for using. I do not want to use it.

5125. May I take it it is very difficult for a thing of that kind to happen now?—It ought not to happen; but, of course, the more you go over the stocks, and the more you criticise the way they are kept, the less chance there is of this occurring. Of course, the tendency—human nature being human nature—is if a bale comes in on Monday, to rip it up and take the stuff out of it if a demand comes in on Tuesday, instead of

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of going to the back of the store house and getting out an old bale. It wants watching. If it is properly supervised and looked after, the old bales ought to be brought to the front and used. This is a thing that ought not to happen, of course, and, as I have indicated, my Chief Accountants or their representatives will draw attention to any apparent disregard of an opportunity to effect a turnover.

5126. You have made it part of their duty to draw attention to cases of that sort?—Yes, they are quite alive to it. That is the great advantage of having all the accounts work independent of the Military Members of the Council, because you have at once a guarantee that there can be no object on the part of my officers to allow it to be done; in fact, they are to the military side rather what the Comptroller and Auditor-General is to me.

5127. You think they have the right, if they find a new bale being opened when there is an old one in stock, to draw attention to it?—Yes.

5128. Supposing the officer whose attention they draw to it disregards it, what happens then; would he report to you?—He would report to me if he thought it was a bad case.

5129. It would be their duty, at any rate, to report to you?—Yes.

Sir George Kekewich.

5130. Who has charge of this surplus clothing?—The Quartermaster would be primarily in charge of the store, but the whole thing would be in the charge of the officer commanding the depot, unless it was regimental stock.

5131. As regards these garments to the value of £180 11s. 1d., which were found to be moth-eaten and unserviceable, it appears they had been there for several years. You are aware, I presume, that there is no reason whatever why any garment should be moth-eaten, however long it may have been kept, if you have proper preservatives?—I do not agree with that. I have had an experience of six years in regard to Army clothing, and have had charge of over £1,000,000 worth of clothing annually, and I do not agree with that opinion. There is some material as to which you always run great risk of its deteriorating, because you cannot put in the preventive without injuring the material.

5132. You can put it in between the material, can you not?—No. I do not know whether the Committee would wish me to look up my old notes and give, in detail, a technical account of what takes place in chasing moth away from military clothing, but, as I say, I have had some experience, and I have had some anxiety in dealing with the matter in former years, and I know that it is not always easy.

5133. I know from personal experience that there is a preservative which will keep the clothing perfectly free from moth, though it may be put away for any number of years in places which

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are infested with moth?—I am sure the Quartermaster-General will be very much obliged to you if you will tell him what it is.

5134. I will give him some information upon the subject. I see it is said here that many of these articles were "of abnormal size, for which no outlet could be found locally"; I suppose that expression that "no outlet could be found locally" means that you could not find men big enough to wear the garments?—Yes, that is the somewhat obvious meaning.

5135. Is not that rather an extravagant way of proceeding? Is it not far better if a man is of an abnormal size that a suit of clothing should be made specially to fit him, instead of having a number of gigantic garments left in stock?—This is not a case of gigantic garments. I can explain it if you like, though it is rather a long story. In the first place, after the war, we had a great number of sizes which we had to lay in because of the Reservists who were drafted into the Army, who lose their figure when they leave the ranks and become civilians. I found that a number of the Reservists of the Scots Guards had been employed in Meux's Brewery, and there was not a single garment that had ever been made for soldiers that they could get into. There was, obviously, a very great loss in that respect. Then you will find very curious variations in recruiting; there will be waves of tall men, and waves of short men, and waves of thin men, and waves of fat men. You lay in a stock of clothing to meet a wave, and then, if the wave goes the other way, you have got that clothing over. But, undoubtedly, there is a tendency not to issue, and not to alter the large sizes, and if that is not done the person responsible is to blame.

5136. And applies also, I suppose, to the small sizes?—No, you cannot go down below certain sizes, so that you do not have a surplus of the small sizes; it is rather the large sizes that you have a surplus of.

Sir Daniel Goddard.

5137. (Mr. Kempe.) In regard to the case of the West India Regiment, which is referred to in the last paragraph but one, have you reason to suppose that those sort of cases are normal?—No, I have no reason to suppose so. We happened to know of this case. Of course, we do not see every case. (Sir Guy Fleetwood Wilson.) The cases that are all right do not, of course, come under notice; it is just the exceptional ones, no doubt, that are brought to notice.

5138. Have any instructions or orders or regulations been given to the regiments and depots requiring them to limit their stock?—Yes; if they had adhered strictly to the regulations, which are clear and definite, this would not have arisen. There is no question of regulations arising here at all, but they did not

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not take sufficient pains to act upon the letter and spirit of the regulations in these particular cases, apparently.

5139. You do not defend them?—Certainly not. For six years I did nothing but go at them. In fact, many of the regulations were drafted by me.

## ENGINEER STORE ACCOUNTS.

Chairman.

5140. (To Mr. Kempe.) With regard to paragraphs 9, 10, 11, and 12, they are all remainders from the South African War, are they not?—Yes.

5141. And steps have been taken to bring about a better state of things out there?—Yes.

5142. That is referred to in paragraph 17 of your report?—Yes.

5143. In most of these cases where there were deficiencies written off, there were also surpluses?—Yes, they are all due to inaccurate accounting and not to fraud. (Sir Guy Fleetwood-Wilson.) May I mention that the accounting is not accounting that I am responsible for. It is the store accounting of the Royal Engineers.

Sir Daniel Goddard.

5144. When this matter was up last year, the question of certain thefts, and so forth, was before the Committee, and it was said that the case was *sub judice*?—There is no theft case among these, I think. There was a remanet last year, I think. There was a question of the new storekeeping staff, and perhaps the Committee would like to know that the Treasury have now approved the new storekeeping staff, and when the new staff is in full working order good results ought certainly to be expected, and will be required. A Committee is considering the case of the Engineers' storekeeping, with a view to revising the regulations, and we have evidence that in any case genuine improvements are being effected in the Engineers' accounting. That, I think, is an answer which practically covers those three paragraphs 9 to 12, except as regards details.

5145. Was this the case of Engineers' stores which was referred to last year, in which the contractors pleaded, I think, that they did not understand the military routine, or something of that sort?—If you will give me the reference to the case I will endeavour to answer the question.

5146. It is in the evidence of last year; it arises on the Engineers' Store Accounts at Question 5663 and onwards. We were not allowed to pursue the question last year because we were told that the whole case was *sub judice*. There was the case of a storekeeper, you will remember, who was discharged. What I want to get at is, what has been the result of the investigation. (To Mr. Kempe.)

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Is that the Court of Inquiry that is referred to in your Report in paragraph 10?—The Court of Inquiry related to a different Station. (Sir Guy Fleetwood-Wilson.) As regards the case referred to in paragraph 10, a Board of Inquiry was held to inquire into the discrepancies, and, after investigating the matter, they were of opinion that they were due to inaccurate book-keeping and to the inexperience of the acting store-keeper.

5147. Is that the same case that was referred to in the evidence of last year?—I do not think it is.

5148. There was rather a long examination on this point in the evidence last year?—Yes. Perhaps you will let me look the matter up and see what has happened.

5149. I think we ought to know the result of it, because we were not able to pursue the question last year because of its being *sub judice*?—The general position is dealt with in paragraph 17 of this report, but you are alluding, I take it, to a particular case.

5150. It may be covered by paragraph 17 perhaps. I do not know whether it is?—If you look at Question 5665, that refers to the question of the condition of all the Engineer stores.

5151. It has to do with the Engineer stores throughout South Africa?—That is the very point which is covered, as I gather, by these paragraphs 9, 10, and 11.

5152. I see you said in your answer to Question 5665 last year: "The whole question is *sub judice*, and I think the Council will have to take up the question and deal with it as soon as we get reports which we have called for, and as soon as Major-General Ruck is able to get certain proposals"?—I think you will find that we shall come to that on paragraph 17 later on in this report.

5153. I will not take it now if it is covered by paragraph 17?—That paragraph deals with the present position. I quite follow the Honourable Member's point. I think all these cases have been dealt with, but if you will allow me I will look into the whole question.

Mr. Mitchell-Thomson.

5154. Can you say why it has taken so long to get the stock-taking carried out?—The difficulty of stock-taking in South Africa has been very great. One of the reasons, as was indicated last year by the Director of Fortifications and Works, who is the head of the Engineers, was that he had not sufficient staff. Then stores were stacked very unfortunately out in the open in many places where it was very inconvenient to turn them over and get at them.

5155. It is said in paragraph 11 that "the stock-taking was not held to be absolutely complete." That means, I suppose, that you could not turn over the stock, and you had to estimate?—In some cases with large stocks of timber, for instance, you could not get at them.

5156. Would it be fencing material, for instance?—Yes.



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—Yes, it would be either building or fencing material.

5157. Is stock-taking being carried out now?—Yes, stock-taking has been going on, and the results are gradually coming to light, as it were. Stock-taking in South Africa is a very long-business.

## INDEPENDENT TESTS AT BERMUDA.

Chairman.

5158. (To Sir Guy Fleetwood-Wilson.) As regards paragraph 13, I see that the Army Council has expressed its dissent from the action of the General Officer Commanding with regard to this grossly careless and wrong proceeding which is referred to in that paragraph?—Yes. The facts are as stated, and a further reference to Bermuda has elicited the fact that the present Commanding Royal Engineer took the matter in hand immediately on arriving at the station in 1906, and he personally does not appear to have been responsible for the unsatisfactory state of affairs, which he inherited. His predecessors and their subordinate officers, who were held not to be free from blame, have either retired, or been censured, or otherwise punished for their negligence, and steps have been taken to insure better results in the future. Authority has now been given by the War Office to write off the stores deficient, which are much less in value than the surpluses.

5159. Do you know why it was held that the "officer in charge could not reasonably be expected to have discovered the hidden stores?" Surely, he could have discovered them at once?—One of my people found them. They were very ingeniously hidden—there was a false wall—the room was shortened I understand.

5160. If your people found it out, I do not understand why the officer in charge could not find it out just as well?—I could not say why he did not find it out. I suppose he was not quite so much on the look-out as our officer was.

5161. You would agree it is a very careless proceeding from beginning to end?—I quite agree.

Mr. McCrae.

5162. Can you say why this storekeeper was allowed to resign? If, as you state in your evidence, there was a false wall put in, and these stores were behind that wall, there must have been deliberate fraud?—The War Office Accountant who discovered these stores was asked the direct question: Did he consider that the stores in question should have been discovered by the Divisional Officer concerned—and he replied: "No, I think not. My suspicions had been aroused by the Divisional Storekeeper, and I, having myself much experience of stock-taking at other stations, was induced to ask for the

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removal of the partition." I think it was really a case where my man was sharper than the Divisional Officer.

5163. Am I to take it that a false wall is not an unusual thing in stations abroad?—No, you must not take that from me, certainly. I know the military authorities are very alive to the possibility of these partitions, and they are sending a circular out drawing attention to the necessity of great care and watchfulness to prevent stores being hidden away.

5164. That suggests that there have been other cases of this nature?—I do not know of any other personally.

5165. It is stated in this paragraph that "among the hoard was a packet bearing date 1904, and the storekeeper was appointed in 1902." What I want to ask is, why this storekeeper was allowed to resign instead of being punished?—The only explanation I can give you is that which has been given me, and that is that he would have been dismissed if he had not in the meantime tendered his resignation, which the General Officer Commanding accepted. His acceptance of the resignation would have forced the hand of anybody who wished to deal with the matter.

5166. That was practically taking away the possibility of getting evidence as to how the thing occurred?—This man was a local man and not a pensioner.

5167. That makes the reason all the stronger why he ought to have been put under examination and the whole matter investigated?—If you ask me my personal opinion, I think I should have given him in charge if I had had to deal with him. I cannot tell you why that was not done. He was allowed by the commanding officer to resign, and I suppose that precluded the possibility of doing anything more.

5168. The matter was reported to you through your own officer, I understand?—Yes; it came to my knowledge through my people.

5169. What action did you take on that?—The whole thing would be reported to everyone concerned. It would be in the office papers. It would go round to the branches concerned.

5170. Then it would be after you had reported this matter that this storekeeper was allowed to resign?—No, he was a local man, and he was allowed to resign locally before the case was dealt with at Headquarters.

5171. After that false wall had been discovered by your accounting officer?—Yes; I think that was so, but I will not be quite certain.

5172. Do you not think that an explanation is necessary as to why this occurred?—I can only express my regret that the man should have been let off. I do not think we can do anything more.

5173. Have you had any further information from the General Officer Commanding who was called upon to make further explanations? I understand that the Army Council has expressed its dissent from the proceeding, and has asked the

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THIS VOLUME IS TIGHTLY BOUND

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General Officer Commanding for further explanations. Have you received those further explanations?—Your question, I gather, is, why the man was allowed to resign, and I fancy the answer is that they had not got sufficient evidence to lock him up.

5174. My question is whether the General Officer Commanding has given a further explanation?—Yes, he has given an explanation on the general question, which is the one I have already indicated, and that is that the present Commanding Royal Engineer took the matter in hand immediately on his arrival at this station in 1906, and that he is not personally responsible for the unsatisfactory state of affairs which he inherited. That is the last communication so far as I understand from the General, but that does not deal with the question of the storekeeper, and, as I understand, the case in regard to the storekeeper is that there was not sufficient evidence to justify any further steps being taken against the storekeeper, so he was allowed to go.

5175. But the Army Council asked the General Officer Commanding to give explanations on various points in connection with the case?—I do not think the Council raised the question of the storekeeper. They accepted the view that if there was not sufficient evidence to give him in charge, there was nothing to be done but to let him go.

5176. But the whole system of accounting under the Engineers seems evidently to have been carried out in rather a lax way?—You will remember I mentioned that the predecessors of the present man, and their subordinate officers, had been either retired or censured or otherwise punished, so that it is quite evident that a serious view was taken of the case.

5177. My point is this: From the evidence we had before us last year, it would appear that this is not really an isolated case. The system was so lax that there was really no proper control?—I think the Royal Engineers would themselves admit that the accounting in connection with the Engineer stores has not been satisfactory, and General Ruck, who was then in charge of the whole thing, constantly pressed for this new staff, without which he said it was impossible to put it right. He worked very hard to try and produce a better result.

5178. In many of these cases, I take it, of course, it had nothing to do with the pressure on account of the war. It was just the case of an ordinary outstation?—Yes, there was no immediate pressure in Bermuda.

5179. When shall we have the explanation from the General Officer Commanding with regard to this case?—I fancy you have got all the explanation that the War Office asked for, which was in regard to the Commanding Royal Engineer who would be answerable.

5180. We surely have not got all that the Army Council asked for under this paragraph?—I do not think we expect anything more. The Council, as

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I understand, asked to have the views of the General Officer Commanding as to the responsibility of the officer who was responsible for the whole thing, the Commanding Royal Engineer, and as I have stated, the answer is that he is not responsible for the unsatisfactory state of affairs, because he inherited it. Directly he got there in 1906 he is said to have done his best to put matters straight, and his predecessors have been punished.

5181. But there are other questions than the responsibility of that particular officer as to which the Army Council asked for explanations?—The unnecessary accumulation of stores, is one you mean?

5182. Yes—The Army Council received a report, from which perhaps I might read a passage. This is a report from General Wodehouse, who is the Commander-in-Chief at Bermuda. It is dated 24th January, 1908. He says: "The stores had accumulated to a larger extent than was necessary, but a very large number have been returned to the Army Ordnance Department. Much of the old wood has since been disposed of," and so forth. Then he says: "Very great attention has been paid to the question of dealing with surplus stores, but it is a difficult one to put right in a short period of time." "A list of the deficiencies is attached; their money value, when new, is approximately £91." "I am of opinion that the discrepancies in the stores at Prospect and Boaz are not due to either theft or fraud." "At St. George's, however, the case is different, but, as no one under my command is now in any sense responsible for the discrepancies, and there is no evidence to show how the same occurred, there is nothing to be gained from a further Court of Inquiry." I do not think there is anything in that letter which takes the matter very much further than where I left it in my previous answer. Then the War Office answer, sent on the 4th of March, was this: "I am commanded by the Army Council to inform you that, in view of the additional information given by you on the subject of discrepancies in the Royal Engineer Store Accounts, the action taken by Lieut.-Colonel Van Straubenzee, Commanding Royal Engineer, is accepted as satisfactory. It appears from your report, and his statement, that he took the matter in hand immediately on arriving at the station in 1906, representing also to your predecessor the unsatisfactory condition of the stores, and applying to the War Office for additional staff which it was impossible to sanction at the time. From this it appears that the unsatisfactory state of affairs was due to his predecessors, although no doubt there were extenuating reasons for their want of greater care. From your report it appears that there is now every prospect of the stores being brought into a satisfactory condition, and every effort should be made to this end. As the deficiencies reported are much less in value than the surplus amounts, and as the former are reported to be due neither to fraud or theft, I am directed to convey

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convey sanction to their being written off charge. Your proposals in respect of surplus stores are approved, namely, to sell those which the Army Ordnance Department decline to take back, and those which are no longer required in Bermuda, but are not worth sending to Great Britain." That sums up the view of the Army Council.

5183. Have you anything you wish to add?—I have been informed of what I did not know when I gave my previous answer, that my Accounting Officer does not consider that he was quite accurately reported in what I read out. The words which I used, which were those given as reported, ought, apparently, to be qualified to that extent, that my officer who looked after the matter locally was not quite so satisfied in regard to the non-responsibility of the Divisional Officer concerned as the words which I read would make him appear to be. He seems to think that the Divisional Officer might be still to blame for not finding it out, even though he had had nothing to arouse his suspicion in the first instance.

Mr. Ashton.

5184. The General Officer Commanding was asked for explanations, among other things, as to why this storekeeper was allowed to resign, was not he?—No; I see from the letters the Military Authorities did not ask him as to that.

5185. That question has not been gone into at all?—No, I do not see any trace of the Military Authorities having called for an explanation specifically on that point.

5186. Would not that naturally occur to anybody as being rather a peculiar circumstance. Am I to understand that the Army Council never asked for a report on that question?—I do not find that that question was specifically put to him.

5187. I understand you to say the Army Council did not ask for any further reasons?—They accepted the view as put forward by the Court of Inquiry, apparently, so far as I can judge; they looked upon it as the only thing that could be done.

Mr. Bowles.

5188. You told us, I think, that the predecessors and subordinates of this storekeeper had been censured or punished?—Of the officers? That is what I am informed.

5189. Apparently, the only person who has not been censured or punished is the particular storekeeper, who, as I understand, for five years has been conducting this store with these results?—He has lost his place, and his pay.

5190. He has resigned?—Yes, but the result will be that he will lose his appointment.

5191. Now, I understand the Officer Commanding Royal Engineers to say that he did his best on arrival at Bermuda in 1906 to put the matter straight?—Yes.

5192. So that in 1906 this store was apparently turned over to the Officer Commanding Royal

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Engineers, as being in a highly unsatisfactory state?—I suppose he went into it thoroughly, as he ought to do, on taking over, and was not satisfied with its condition.

5193. And yet, being well aware in 1906 that the state of the store was unsatisfactory, and this partition, and this whole thing having been discovered in 1907, the Army Council considered that the responsibility of the Officer Commanding Royal Engineers was not complete?—They apparently took the view that it was his predecessor, rather than himself, who must be held responsible. Of course, it would take a man time to get the thing straight if it were in this state.

5194. I see the Comptroller and Auditor-General states that "a subsequent detailed stock-taking by a Board of Officers revealed discrepancies in more than 75 per cent. of the headings." Surely, that is very unusual?—I think there is no question but that this store was in a very bad state.

5195. And had been in a bad state for a long time?—Undoubtedly. The state of affairs must have been very bad to have admitted of the possibility of a partition being put up so as to tuck the stores out of the way. It showed a very unsatisfactory state of affairs.

5196. I suppose the fact that this store was in an unsatisfactory state would be brought to the notice of the General Officer Commanding?—No doubt the first thing which the Officer Commanding Royal Engineers should do when he found out that the thing was not satisfactory, would be to report it.

5197. Or his predecessor?—Or his predecessor, if he was aware of it.

5198. But surely, he must have been aware of it, because the store was turned over as unsatisfactory. My point is this: This was no new or sudden thing; it was evidently the result of several years of thoroughly bad mismanagement?—I think what really brought the state of affairs to light was my Inspecting Officer of Accounts visiting the place.

5199. All the information, as I understand, of the Army Council is that the General Officer Commanding concurs in the view of the Officer Commanding Royal Engineers, and that in view of the recent date of his appointment he could not be held to be really responsible. That is really all we have got?—Yes.

Mr. Parker.

5200. This storekeeper is not necessarily a Non-Commissioned Officer, I understand?—No, he is a civilian locally engaged. He was not even a pensioner.

5201. By what means would it be possible for him to get rid of the stores, unless he had someone in higher authority to help him? Obviously, there must have been an idea of fraud, or it would never have been worth his while to put up this partition and hide the stores away.

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The point that has been exercising my mind while this question has been discussed is how he would get rid of this material, and turn it into ready cash, which would be useful to himself, unless he had the assistance of some higher official, or some subordinate official?—I think it is not necessary to assume that the stores were hidden away with a view to selling them. I think sometimes there would be a tendency to tuck things away to set off against a shortage. It does occur sometimes that a person in charge of stores, when there is a rigid stock-taking, is found to be short in one or two articles without there being any fraud, and it is possible—I only throw it out as a suggestion—that this man may have been putting by these stores for a rainy day, if I may so describe it. I only throw that out as a suggestion, but, of course, the Committee cannot hold me responsible for the motives which impelled this man to do this.

5202. I can understand the point which you put, but here, in cold print, in paragraph 13, is stated that the stores were found "hidden behind boarded-up spaces in the store houses, and in sheds in the yard." This man, therefore, had evidently deliberately planned this scheme right through, and the point of my question is how it was possible for him to dispose of the goods, or for them to be of any service to him unless he was assisted by some one in the service over him?—The police did make inquiries, and they did not find any trace of Government stores having been parted with, or sold, or being in possession of the wrong people.

5203. If the object was not to sell these goods, what other object could he have had?—I really cannot tell you what influenced the storekeeper in doing what he did, nor can I tell you whether he was alone, or associated with others.

5204. It seems to me that that is all-important. There is no right on the part of the Army Council, or anyone else to prosecute an officer unless there has been a fraud. There is nothing particularly wrong in putting up a partition and separating store if it was not done with a view to fraud, but it appears to me that he could only have had one motive?—I cannot speak as to his motives.

Mr. Leif Jones.

5205. Was your officer, who made these discoveries, particularly careful in his examination at Bermuda—more careful than usual?—He is a very good man—one of the best men I have got in his position, and I think he deserves considerable credit for the way in which he carried out this matter.

5206. You had special reason for looking into these accounts at Bermuda, had you not?—*Yes.*

5207. And I think that the Comptroller and Auditor-General in 1902-3 called attention to the accounting there?—*Yes.*

5208. And again in 1903-4?—*Yes.*

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5209. This is the third occasion on which the accounting at Bermuda has come under notice in the Comptroller and Auditor-General's Report?—*Yes.*

5210. When you found that possibly some discrepancies had arisen, it does not seem as if it had been very strongly dealt with. I gather that a Board of Inquiry was held to look into these proceedings?—That is so.

5211. We have not had the report, but I see from a quotation in this paragraph that the Court of Inquiry held "that the officer in charge could not reasonably be expected to have discovered the hidden stores." But what report did they make upon the storekeeper?—Perhaps it would be almost better to put in the papers. I do not know if there is any objection.

5212. I do not necessarily ask for the whole of the papers, but might we have what the Court of Inquiry said about the storekeeper, because that seems to me to be very important. What did the Court of Inquiry say about the storekeeper?—That is what I cannot say.

5213. The Court declared that the officer in charge could not reasonably be expected to discover the hidden stores, but they also made some remarks, I understand, about the storekeeper?—The Court of Inquiry said: "There can be no doubt that the surplus stores were collected by some one who was well acquainted with the condition of the ledger, and in view of the fact that some of them, viz., the screws, must have been placed there during the time Mr. Boyd has been storekeeper, the blame rests on him, or his former assistant, Mr. Weller, or, at least, that they were aware that the stores had been concealed." Then Colonel Straubenzeck, Commanding Royal Engineer, said: "I concur generally in the opinion of the Court, and recommend that the resignation of Mr. T. C. Boyd, which he has tendered to me, be accepted from the 9th March, 1907."

5214. Mr. Boyd being the storekeeper?—*Yes.* Then that is approved by General Stewart, the Commander-in-Chief at Bermuda. Therefore, evidently, they thought resignation was a sufficient punishment.

5215. What I want to put is this: that, while in words they concurred in the finding of the Court, in act they accepted the resignation of the man whom the Court of Inquiry had practically condemned for the loss of the stores. What I do not understand is why the General Officer Commanding allowed the storekeeper to resign when he was in possession of that finding of the Court of Inquiry. He need not have allowed him to have resigned; he could have dismissed him?—No doubt he could.

5216. The Army Council expressed its dissent, not unnaturally, with this opinion of the General Officer Commanding?—*Yes.*

5217. But, apparently, not in regard to the storekeeper?—They do appear to have dealt with the storekeeper incident.

5218. When

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[Continued.]

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Independent Tests at Bermuda—continued.

Mr. Leif Jones—continued.

5218. When they wrote to the General Officer Commanding, were they in possession of that report of the Court of Inquiry?—Yes.

5219. Then why did they not put the question as to why the General Officer Commanding had not paid more regard to the finding of the Court of Inquiry?—I cannot tell you that.

5220. On reading the correspondence, it occurs to one that the natural thing to do would have been to get the General Officer Commanding to concur with the Court of Inquiry to have condemned this storekeeper?—He appears to have concurred with the Court of Inquiry, and also with the action which it was recommended should be taken as the outcome of it, which is that the man should be allowed to resign.

5221. But the Court of Inquiry did not recommend that the man should be allowed to resign?—No, but in noting the opinion of the Court Colonel Straubensee says: "I concur generally in the opinion of the Court, and recommend that the resignation of Mr. T. C. Boyd be accepted," and that was approved by the General Officer Commanding.

5222. Instead of writing that, what he should have written was, surely: "I concur generally in the opinion of the Court, but recommend that the resignation of Mr. Boyd be accepted"; because it seems to me that in the action taken of accepting this man's resignation, he really went contrary to the finding of the Court of Inquiry. The natural outcome of the finding of the Court of Inquiry was, surely, dismissal, or committal for a criminal offence, and not resignation. I still do not understand why it was done, and still less do I understand why the War Office, in possession of that report, did not make some such comment as I am making?—I do not think I am in a position to give you an answer to that point, because it would not have been within my province to consider what military action should be taken with regard to the Court of Inquiry. My officer pointed out what was wrong, and the full case was laid before the Military Authorities. If the Committee wish it, I can make a collection of the letters, and so forth, and put it in, which will show exactly what took place.

5223. I should like to carry it a little further. I am not so clear that this is a military matter. As I understand, your position is this: Your officer found this out; there was good reason to suspect a criminal offence?—I do not know that it was a criminal offence.

5224. Surely, to make away with Government stores is a criminal offence?—The man did not make away with them—he moved them from one place to another.

5225. I quite follow that, but it does not affect my present point—I may put it in this way: Your officer discovers improper dealing with stores there?—Certainly.

5226. He reports that to you, and it is brought

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Mr. Leif Jones—continued.

before the Army Council: Is the decision as to what action should be taken purely in the discretion of the Army Council? I suppose it is?—Yes, certainly. I do not see who else can decide.

5227. Would they determine whether or not a criminal prosecution should take place, if the facts seemed to justify it?—I think the ordinary course would be to consult the Treasury Solicitor.

5228. If there was clear evidence that a theft had been committed, would it be in the power of the Army Council to overlook it?—If they took a different view, I suppose, they could; I do not know how it would stand.

5229. I was really anxious to know, because I am not clear as to the limitation of the power of the Army Council?—I am afraid I do not quite see your point. I take it the decision to prosecute or not would remain with the Army Council, if that is your point. I think that certainly would be so, because they are the ultimate authority; that is to say, the Secretary of State, of course, is the ultimate authority. What I meant to convey was that the Officers of the Department might express a very strong view that it was advisable to prosecute, but the Army Council would be the authority to decide whether it should prosecute or not. They might not share the view of the Officers of the Department.

5230. You brought the case before the Council?—I brought the case before the proper authority in the War Department.

5231. Along with that, you brought the final finding of the Court of Inquiry?—That would be in the possession of the military side—in fact, they had got it. There is a Minute of the Director of Fortifications and Works on that subject.

5232. Did you advise the Army Council that this was a case in which there had been improper dealing with the stores, and that there might be a case for prosecution?—No, I do not think I should say there was a case for prosecution, because there was no case of stealing, or theft, as far as I can see, but in any case it would not devolve upon me to go very much further than to point out what had happened, and to urge that very serious notice should be taken, and the proper steps taken to punish anybody who was to blame.

5233. But it is clear that your hands would be very much weakened in the matter of accounting, and so on, if the Army Council is not guided by your recommendations in dealing with these cases?—But they have dealt with the case.

5234. But the outcome of it all, as I think you will admit, seems very unsatisfactory, where a storekeeper, who is practically condemned by the Court of Inquiry, is allowed to resign as any honourable man might resign?—I admit it; I do not think it is a satisfactory state of things to allow him to resign, but I think where you have your safeguard is that, so long as the Accounting Officer is in a perfectly independent and strong personal

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[Continued.]

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personal position in his Department, the fact that he has brought the thing to notice and pressed it home will, and must inevitably result in its being brought to the notice of the Comptroller and Auditor-General—at least, I should say it would be so in almost every case; and if it gets before this Committee, I think you have a pretty good assurance that if the action taken by the Financial Officer is right and sound he will be supported.

5235. But, as a matter of fact, nobody has been punished in this case—that is the point I want to bring out?—That is not so. As I have already said, his predecessors and their subordinates, who were not held to be free from blame, had either retired or been censured, or were otherwise punished for their negligence. That is the information I have.

5236. Are you satisfied with the way in which the offenders in this case were dealt with?—I should not like to express an opinion upon that. I am not in a position to do so.

Sir George Kekewich.

5237. What was the nature of these particular stores?—They were general stores—screws, and things of that sort, I apprehend—regular engineer's stores, building stores—what they call small technical stores.

5238. Were they the kind of things that could only have been sold in bulk as general Army stores?—You can form your own opinion as to what, if you have screws, what would be the best way to sell them. I really do not know.

5239. What was their value?—The deficiency, I think, was about £90.

5240. Do you mean that the value of the concealed stores was £90?—No. When the stores were got into proper order, I understand there was a deficiency of £90, but there was a surplus against it.

5241. I am not speaking of that. I am asking what the value of the stores concealed by this man was?—That went into several hundred pounds.

5242. You mean that if he could have got rid of them they would have brought in several hundreds of pounds?—I do not know what they would have brought in, but the value of the stores was several hundred pounds.

5243. Is there no check on any of these storekeepers?—Certainly. There is the check of the superior officers who are in charge of the whole thing.

5244. What I mean is, it must have taken him some time to put up these boards and partitions?—Yes, it was not done in a day, of course. The whole thing was very bad.

5245. It ought to have been discovered by somebody, ought it not?—I think so. I have been storekeeper of very valuable stores, and very great numbers of stores, and I should certainly have been very much distressed if in one of my storehouses there had been a partition put up and things

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tucked away behind it; I should have expected someone to be sent to the right-about.

5246. There is not only a superior officer who ought to have kept an eye on it, but he has also a staff under him, I suppose?—Yes, whatever staff was necessary to run the store, I presume was there.

5247. I take it, of course, that a man could not have done a thing of this kind without the knowledge of the staff under him as well as the man over him. When you come to putting up a partition, one man does not do that alone without other people knowing—you must assume that other people must have stood in with him about this?—I cannot tell you as to that. I really do not know. It is not necessary that it should be so, because a man might say, "I prefer to stock these things in such and such a place."

5248. That disposes of the assumption that he had concealed these stores in order to produce them again in case there was any shortage?—I do not follow the honourable Member's question.

5249. You said that he might have put them away in order to make up stores in case of a shortage?—He might have done so, but the Committee will not take it from me that I am trying to find satisfactory reasons for all this. I only intimated that sometimes that is done without any intention to defraud.

5250. What I am driving at is this: To an ordinary intelligent man outside—to a layman like myself—this does not seem to be a question between resignation and dismissal, but rather between dismissal and prosecution?—I do not think there was any evidence of theft upon which one would have been justified in giving him in charge, if I may put it crudely.

5251. Surely, if you found that the keeper of your petty cash had put some of the petty cash away behind a false wall, you would not assume that he had put it away in order to make up any shortage, but in order to use it for his own purposes?—Yes; but what you would probably do with your petty cash keeper would be to take the money back and dismiss him.

5252. But if you discovered the money behind the wall, you would prosecute him, would you not?—I do not know what you would do under problematical conditions.

5253. What I wanted to come to is this: Is there any reason why this man should not be prosecuted now—why should the fact of his resignation being accepted bar the prosecution of a man who is *prima facie* a criminal?—I cannot tell you, but I think the probable answer would be that if there was not sufficient evidence of theft, or intention to thieve, there would be no prosecution; but I am not a lawyer.

5254. Do you not think that this points to laxity of administration?—Very great laxity of administration in regard to this local store and the part of the local people in charge of it.

5255. As to headquarters you do not express any opinion.

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[Continued.]

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opinion?—Headquarters has nothing to do with the keeping of the stores.

5256. But as to the prosecution of the man?—That would not rest with me.

Mr. McCrae.

5257. Might I ask whether this Court of Inquiry followed upon instructions from headquarters at home, or whether the Court of Inquiry was held when your Accounting Officer discovered these discrepancies?—It was held at once locally.

5258. It took place at once locally?—Yes. When my officer pointed out the state of affairs, it would take place at once.

5259. So that the Court of Inquiry was held, and the decision accepting the resignation of the store-keeper was given before practically anything was known at headquarters or by the Army Council?—Yes, I think you may take that to be so.

Chairman.

5260. Has the Army Council expressed its dissatisfaction to the General Officer Commanding that he did allow this officer to resign?—No, I do not think that point has been taken up.

5261. Are you satisfied that your recommendations as to the enormity of this case have had due weight with the Army Council, and that the Army Council have taken proper steps with all the officers concerned, including the General Officer Commanding, to maintain the authority of the Accounts Department?—Once it had reached the Army Council or the Member of Council concerned, so long as serious notice is taken of the thing, it does not devolve upon me to question the action they take. I have been supported throughout as regards finding fault with the state of affairs, and insisting upon proper methods being adopted in the future; but I do not think it devolves upon me to say, "I am not satisfied with the punishment you have meted out."

5262. You are satisfied that in this case the authority of your Department has been upheld?—I think so. There was no inclination upon the part of anybody on the military side to burke inquiry or anything of that sort.

Mr. Bowles.

5263. This case was discovered at a test verification held by an officer of your department in February, 1907; how long was it since a similar verification had been made?—I do not think anything of that sort took place until I started my Accounts Branch, and sent out officers to examine things on the spot.

5264. Therefore this was really the first appearance of one of your men upon the scene?—I think that is the reason why you are having a good many paragraphs on the Engineers' Stores Accounts this year. But I should like to add that

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Independent Tests at Bermuda—*continued.*Mr. Bowles—*continued.*

in many cases we have been most cordially received and welcomed by the officers in charge of these stores as being very helpful to them; and they welcome inquiry.

Sir George Kekewich.

5265. What is the difference in the advantage to a man as between acceptance of resignation and dismissal?—Obviously there is this advantage that would occur everywhere, that if you resign, less reflection, or even perhaps no reflection, rests upon you, and you get other employment; but if you are dismissed, it is a severe indirect punishment.

5266. There is no question of a pension here is there?—No, he was not a pensioner.

5267. He is not in the established service?—No.

## SURPLUS STORES AT MALTA AND GIBRALTAR.

Chairman.

5268. (To Mr. Kempe.) With regard to paragraph 14, this really came about in consequence of Mr. Gibson's visit to Malta, did it not?—It did not come about in consequence of his visit, but we called attention to it in consequence of his visit.

5269. Have you received any answer from the War Office as to whether effect has been given to the recommendations referred to in that paragraph?—Yes, there has been a satisfactory answer. Among other things I understand it has been decided that all Engineer Accounts should be examined in future annually, instead of triennially, by representatives of the Director-General of Finance. (Sir Guy Fleetwood-Wilson.) I propose to send an officer to Gibraltar, if I can spare him, to inspect—of course I have not too many men to spare.

Mr. Leif Jones.

5270. In what capacity do you propose to send an officer?—As Officer of the Army Accounts Staff.

5271. I think Mr. Kempe just now said the accounts would be examined by representatives of the Director-General of Finance. Should it not rather be of the Accounting Officer to the Army?—I think he really meant the same thing. (Mr. Kempe.) The whole subject of engineer accounting is under consideration.

5272. (To Sir Guy Fleetwood-Wilson.) I want to make that point quite clear: The Accounting Officer to the Army is an officer answerable to this Committee and to the Treasury; the Director-General of Finance is, of course, an Army Finance officer?—I did not mean that there was no distinction between the two. What I meant was that when the Comptroller and Auditor-General spoke of the Director-General of Finance, I think he meant the individual rather than the particular function. (Mr. Kempe.) That is so.

(The Witness withdrew.)

Tuesday, 26 May, 1908.

MEMBERS PRESENT :

Mr. Ashton.  
Mr. Bowles.  
Mr. Brigg.  
Sir Daniel Goddard.  
Sir Robert Hobart.  
Mr. Hobhouse.

Mr. Leif Jones.  
Sir George Kekewich.  
Mr. McCrae.  
Mr. Mitchell-Thomson.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. J. A. KEMPE, C.B., and Mr. M. F. HEADLAM called in; and Examined.

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

MILITARY SAVINGS BANKS.

*Chairman.*

5273. (To Sir Guy Fleetwood-Wilson.) I believe you have some information to give that was asked for at a previous sitting?—Yes. Sir Robert Hobart asked for some information in regard to the Military Savings Banks, which I undertook to produce. Perhaps I might give the answer now, and it might go upon the Minutes, so that the point might be cleared up.

5274. Will you do so?—It is in regard to the Military Savings Bank. In February, 1908, there were 480 accounts in the Military Savings Banks of soldiers whose deposits had been open prior to 1896. There were also, among other accounts, 220 accounts of orphans whose deposits had been opened prior to 1896, when a lower rate of interest was instituted. The question of closing the Military Savings Banks was considered recently by the War Office; but, in view of the fact that these depositors of long standing represent the best class of thrifty soldiers, it was decided that we could not press the matter, at all events for some years. As the Committee are aware, the rate of interest was higher in the Military Savings Banks than in the Post Office Savings Bank, and the point is that depositors would not willingly deposit their money where they would get a lower rate of interest than they are now getting.

STORE ACCOUNTS OF THE ARMY.

ORDNANCE ENGINEER STORES.

*Chairman.*

5275. (To Mr. Kempe.) With regard to paragraph 15, do you know whether the correspondence

*Chairman—continued.*

there referred to between the War Office and the General Officer Commanding is yet finished?—I do not know whether the correspondence is still going on. The results, as indicated in the paragraph, seem to be very satisfactory. A considerable saving has been effected under the new arrangement.

5276. (To Sir Guy Fleetwood-Wilson.) Has this correspondence yet been closed?—No, the correspondence is not closed; because the proceeding is not finished. We are trying to sell these surplus stores. Every effort is being made to sell them, but trade is extraordinarily bad in the Colony, and I think it will be a little while before we can clear the whole lot off. Every attempt is being made to get rid of the surplus stores, the last report received from the General showing that large quantities of stores have been transferred to other stations, where we hope to utilise them.

*Mr. Brigg.*

5277. What kind of stores are they?—They are ordnance and engineer stores of various kinds.

5278. But are they stores that grow worse by being kept?—They are not perishable stores in the ordinary sense of the word.

BARRACK EXPENSE STORE ACCOUNTS.

*Chairman.*

5279. (To Mr. Kempe.) Paragraph 16 is merely a historical statement on your part, is it not?—Yes that is all—it is a statement of the condition of things.

5280. (To



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Mr. KEMPE, C.R., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Barrack Expense Store Accounts—*continued.*ARMY APPROPRIATION ACCOUNT, 1906-7.  
Barrack Expense Store Accounts—*continued.**Chairman—continued.*

5280. (To Sir Guy Fleetwood-Wilson.) There seem to have been a series of incompetents, which is unfortunate, to say the least of it, in this matter?—Yes.

5281. Could not any steps have been taken to see that competent people were appointed to these posts one after another? How did incompetent people manage to get appointed?—No doubt it will be present to your mind that we are dealing in this paragraph with the state of things two years ago. The situation has been very much improved since. It must be remembered that this was a condition of affairs in which the difficulties were greatly accentuated by the war having come to an end not long before this. Many of the best men had been out there all the time, and they had to come back at the end of their service. And, moreover, there really was no store accommodation, and most of the stores were stacked out in the open.

5282. That is another point. Am I to understand from your answer that the best men had to come back before competent men were found to take their place?—I hardly like to put it so strongly as that, but the evidence shows that some of the men were not equal to their duties. They were overworked, no doubt, but I think this very paragraph shows that some of the men were certainly not as satisfactory as they might have been.

*Mr. McCrae.*

5283. I suppose the storekeeper here is under the Officer in charge of the particular district?—Yes, he would be under the Army Service Officer.

5284. Was the storekeeper a civilian, or a military officer?—I believe in this case he was a civilian.

5285. He would be directly under the Ordnance Officer—the Officer in Charge of Barracks?—Yes.

5286. The Officer in Charge of Barracks reported this man as incompetent. Was the Officer in Charge of Barracks over the officer in charge of the depot, or are they one and the same person?—They would not be one and the same person. He would be what you may call the superior officer in the true sense of the word.

5287. Then it appears that the officer in charge was unable to explain how these deficiencies had occurred?—That is so.

5288. It was a little like the Bermuda case we had before us last time, apparently?—It is like it from the standpoint of being unsatisfactory.

5289. This was not during the time when the war was going on, was it—I see it was in 1905—that was after the war, of course?—Yes, no doubt the war period was quite over, but a certain amount of pressure remained and a certain amount of overwork.

5290. Was this the clearing up after the war was over—were things going on in the ordinary way—had your accounting officer been supervising things by this time?—We had not sent out anybody for this particular purpose. My audit is

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*Mr. McCrae—continued.*

a test audit really. The responsibility for the materials—for the stores—rests either with the Ordnance, or the Engineers' Department.

5291. I see it is stated here that the storekeeper was permitted to retire?—He appears to have been permitted to retire. I accept the statement of the Comptroller and Auditor-General as quite correct as to the history of the case.

5292. In that respect also the procedure followed that in the Bermuda case exactly?—You mean as regards allowing the man to retire? That was so.

5293. It is stated here that: "The Treasury were informed that a Court of Inquiry were of opinion that the responsibility rested with the officer who had been permitted to retire"—does not the Army Council think that some action should really have been taken in view of these different cases occurring, and this same course of procedure being adopted in different parts of the world?—As you will see from the Report, the decision of the Council has been given. It is stated in the last sentence: "The Council did not, however, consider the laches sufficiently proved to warrant disciplinary action." That is an administrative point on which I am not really in a position to enlighten the Committee. If a case of this kind comes before the Council and they, after sifting all the evidence, come to the conclusion that they need not take disciplinary action, I am afraid I do not come in.

5294. Of course in this case there was no fraud discovered?—No.

5295. It was really a case of inefficiency and incompetency?—Yes, and neglect, I suppose.

*Mr. Ashton.*

5296. Are these men who are appointed as accountants specially trained, or are they merely clerks taken on from outside?—If they are taken on from outside I expect they are taken owing to the fact that they are supposed to be thoroughly up to their work.

5297. It is not a department of the Army Service in any way?—No.

5298. They are outside clerks?—They are working either under the Engineers or under the Ordnance Department or Army Service Corps.

5299. Would they be men sent out from various places in England, or would they be men taken on for occasional working?—I should think they would probably be local men.

5300. Men just taken on for the time?—Yes.

*Mr. Bowles.*

5301. What sort of discrepancies were these which were discovered; what is meant by discrepancies? Were the books all wrong?—The material or the stocks in store do not agree with the store ledgers.

5302. Things have been taken into store and not entered; would that be the kind of thing?—Yes; very often it is sheer carelessness.

5303. Such

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Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Barrack Expense Store Accounts—continued.

Mr. Bowles—continued.

5303. Such things as entries and issues not shown in the books?—Yes, receipts and issues not accurately entered; that is very often the case.

5304. In the third paragraph there is a point which I do not understand. It says: "The figures of the two stocktakings were combined, and after setting off surpluses against deficiencies of similar nature the net surpluses were found to amount to £2,532 10s. 9d. and the deficiencies to £1,588 8s. 8d.;" so that we got a profit?—Yes, if you like to put it in that way—there is sometimes a profit—that is to say, there are more stores in store than there ought to be. But before you could call it "profit" you would have to go very closely into the question whether other stores had not been used, or something of that sort. I should not accept it as a beneficial condition of affairs. As a matter of accounting, it is certainly bad.

5305. And yet the fact that the balance was, so to speak, on the surplus side rather than on the deficit side was held, as I understand, by the Army Council and by the Treasury to have been a material factor in dealing with the officer concerned?—I cannot speak as to the Treasury, and I can only accept the decision of the Army Council.

5306. (To Mr. Headlam.) I see it is stated here that: "In view of the fact that no trace of fraud was discovered and that no actual loss had occurred, the Treasury acquiesced in the view of the Army Council"; but surely it is difficult to say that no loss occurred, is it not?—There was no apparent loss, as is stated there. The governing factor, I think, was the absence of fraud. There was no formal loss and there was no fraud. The Treasury, as the honourable Member will see, adverted to the appointment of the series of incompetent officers as Store Accountants; but in view of the facts stated, they saw no reason for withholding their sanction to the adjustment of the account.

5307. What occurs to one is that in the state of carelessness which evidently had existed there for a long time, the deficiencies in cash values might quite easily have been greater than the surpluses?—Yes, they might.

5308. The mere fact that it was the other way seems to me to be quite unimportant in principle. The real point is the extraordinary and long-continued carelessness?—Certainly. (Sir Guy Fleetwood-Wilson.) I should like to say that personally from our standpoint as accountants there is very nearly as much objection to finding a surplus as to finding a deficit.

5309. (To Mr. Headlam.) Therefore the fact, as I say, that things turned out on paper to be a surplus is not any mitigation of the offence at all, from your point of view?—The War Office assured the Treasury that no fraud had occurred, and as there was no loss and no fraud, the Treasury had nothing to say.

Mr. Leif Jones.

5310. (To Sir Guy Fleetwood-Wilson.) Who appointed the Expense Store Accountant at

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Barrack Expense Store Accounts—continued.

Mr. Leif Jones—continued.

Standerton?—I cannot say at the moment with certainty, but I have no doubt he would be appointed by the General in command; it would be on the advice, I daresay, of one of his subordinate officers, but he would have the appointment himself.

5311. I see it is stated that the Store Accountant "was reported by the Officer in Charge of Barracks as incompetent." Would the officer in charge of barracks be the natural person to recommend the appointment of the Store Accountant?—I am afraid I do not know that; that is a matter of the internal economy of a Department which is really quite away from my own, and without asking the question specially, I could not give you an answer.

5312. The story seems so extraordinary that I rather wanted to get to the bottom of it?—I should be happy to get you any information I can.

5313. The Officer in Charge of Barracks reported that the storekeeper was incompetent. He reported him to the General Officer Commanding, I suppose?—Yes.

5314. It says: "He was accordingly replaced." Who discharged him?—I should say the General.

5315. And appointed his successor?—Yes.

5316. Then it says: "On the appointment of his successor, a stocktaking was held." By whom? Would it be by the local people?—I should think his successor would take stock.

5317. It says: "Large discrepancies were disclosed which the Officer in Charge"—the same officer who had apparently discovered that the previous Expense Store Accountant was incompetent, said he could not explain, except by his own incompetence for his post. What was his responsibility?—His responsibility was controlling his subordinates, and seeing that all was well in the stores, for which he was responsible.

5318. Then he was really responsible that the stores were right?—Yes, I should say so. He was granted permission to retire, because he was guilty only of inefficiency.

5319. Is inefficiency a complete and sufficient excuse for a man who has undertaken duties?—I do not know that I could answer that question.

5320. Then the story, which is most interesting, goes on in this way. A successor to this officer is appointed who reports that the new Accountant is incompetent. That is to say, the first officer discharges the Accountant for incompetency; then a new Accountant arrives, and says that the officer who discharged the first Accountant is incompetent; then a new officer arrives, who discovers that the second Store Accountant is incompetent, and he is replaced. Then he says: "Another stocktaking was then made, and a further heavy list of discrepancies resulted." Were those supposed to be due to the same set of people or to the first set of people?—I do not know that we can say absolutely. We cannot assert that it was due to the first; but presumably

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Mr. Leif Jones—continued.

ably the unsatisfactory condition of the stores under the first set of people had not been fully discovered by the second set of people.

5321. At what stage of the proceedings did the Court of Inquiry sit?—It would be after April, 1906, I gather.

5322. Was the position really this: A series of irregularities occurred, changes were made in the staff; still the irregularities went on, and, finally, a Court of Inquiry was appointed; then the Court of Inquiry found that the whole of the blame, or rather the responsibility, rested with the officer who had been permitted to retire, that is the Officer in Charge of Barracks?—I think it is as you state.

5323. Then, what action was taken on the Report of the Court of Inquiry—that was a local Court of Inquiry, I take it?—A local Court of Inquiry.

5324. What action was taken when the findings of that Court of Inquiry were brought in?—The Major-General in charge of Administration reported on the Court of Inquiry, and the Council came to the conclusion on the whole case as indicated in this paragraph.

5325. Are you, as Accounting Officer, satisfied with the treatment of this case?—From what standpoint?

5326. As Accounting Officer?—With what portion of the case do you mean, am I satisfied?

5327. With the way in which these discrepancies being discovered, those in fault were dealt with; are you satisfied with the whole of the proceedings from the time the discrepancies were discovered?—If I rightly understand you, your point is whether I am satisfied with the action taken after the state of affairs was disclosed by the stock-taking, and by the Court of Inquiry?

5328. Yes?—I think that becomes purely an administrative question of discipline; and so long as the Council have considered the case, and come to a decision on it, whether in favour or against taking disciplinary action, I do not think it concerns me as Accounting Officer.

5329. That is the point I rather wanted to get at. It very much concerns you as Accounting Officer that these discrepancies should not continue in stocktaking, does it not?—Certainly.

5330. If no disciplinary action is taken, or is taken in such a way that it would have the result of encouraging such discrepancies in future, it is very injurious to you in your work as Accounting Officer, is it not?—As long as the matter has been considered and inquired into in the highest quarters, and they have come to the conclusion (it is after all a matter of judgment in a great many cases) that sufficient punishment has been meted out, if punishment is deserved, to whoever the responsible person or the blame-worthy person may be, I do not consider, as Accounting Officer, I can go behind that.

5331. Do you consider that your hands, as Accounting Officer, have been strengthened by

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the action taken by the Army Council in this case, or weakened, or that it is left exactly as it was before?—I should say it was left exactly as it was before, because there has been no attempt and no desire to minimise the importance of the case. It has been thoroughly looked into, and the conclusion has been arrived at, which might be arrived at by you, if you had been in that position, or by myself, or by anybody in that position. It becomes really a question of judgment against judgment; it is not for me to question the judgment of the Army Council.

5332. You are quite satisfied that nothing was done to minimise the character of the offence?—I am quite satisfied that there was no desire to treat the case except from the standpoint of producing better results and dealing with the individuals concerned in the fairest possible manner, both for and against.

5333. In the result, you think the action taken was such that better results will be produced in stock-keeping at the particular station in future?—Yes. If you grant a man permission to retire, if he has any future before him in the Service it is after all a punishment.

5334. I am not attempting to judge at this moment whether sufficient has been done or not; what I am anxious to know is whether you think steps were taken which would strengthen your hands in dealing with bad stock-keeping at this place?—When I have satisfied myself that a case in all its bearings has been considered by the Council, and the Council has given a decision, I do not think I can go behind that.

5335. You must form a judgment in your own mind whether you have been sufficiently supported or not. Would it not even be your duty to represent to the Army Council that certain action which they might take might have the effect of weakening your authority?—Yes, in a very extreme case I would do so; but I do not think that arises in this case.

5336. You do not consider that arises here?—No, it would have to be a very extreme case for me to take so grave a step, because it would be practically finding fault with the Secretary of State and the Army Council.

5337. With a decision of the Army Council?—Yes.

5338. But still it might become your duty to do so?—If you put it to me, I should not hesitate to do so if it became my duty.

5339. And it might in some circumstances become your duty to do so. However, perhaps it is only a hypothetical question?—I would rather not answer the question, as it is, as you say, purely hypothetical.

5340. In this case you did not think it your duty to do anything more?—No, I did not.

Sir Robert Hobart.

5341. (To Mr. Kempe.) May I ask you to sum up the number of the incompetent persons in this case?

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case?

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case?—I am afraid I cannot summarise it much more than is done in the paragraph.

5342. How many incompetent persons were there in this particular case?—There were the two storekeepers and one officer.

5343. Was there only one, or were there two officers?—Only one officer, I think, the Officer in Charge of Barracks.

5344. Then were there three persons altogether?—Yes.

5345. They were all removed; but then there is a gentleman here who is described in the fourth paragraph as "his predecessor." Who is that?—That is the predecessor of the Officer in Charge of Barracks.

5346. Then may I say that makes four?—I have not mentioned his conduct specifically here; we have not got the data, and I do not know anything about the particular cases.

5347. (To Sir Guy Fleetwood-Wilson.) Then I will ask Sir Guy how many persons were found to be incompetent in this case?—Three, I think.

5348. What do you say about the predecessor?—If you count in the predecessor that makes four.

5349. You will see it says here that: "His predecessor was not free from blame." Was no action or notice taken as regards him, or did he get off scot-free?—You will notice in the next sentence it says: "The Council did not, however, consider the laches sufficiently proved to warrant disciplinary action." That would probably cover it.

5350. Then may I ask you another question—I understand that you consider, and I believe quite rightly—that when these representations have been made, your position and your requirements are satisfied?—I am not quite sure that I follow your point. I should be glad if you would kindly define it a little more clearly.

Chairman.

5351. I think that is exactly the question which was put to you by Mr. Leif Jones, and your answer to his question was in the affirmative?—Yes.

Sir Robert Hobart.

5352. Then I will take it up from that point. With regard to the future, surely your duties do not stop there—you have to provide for the future, and to consider what will happen on another occasion?—I think you were not present at the last meeting, when I explained what had been done.

Chairman.

5353. I think the point of the present position will come up on paragraph 17, will it not?—Yes.

Sir Robert Hobart.

5354. I wanted to know what the arrangements

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Sir Robert Hobart—continued.

were; but if it will come up on paragraph 17, I will ask my question then?—For Engineer Stores there is a new staff especially appointed to deal with it.

Mr. Brigg.

5355. (To Mr. Kempe.) Are you perfectly satisfied with this paragraph as it is given here? It appears, in the first place, there were large discrepancies in connection with the stores; then there was another stocktaking, and a further heavy list of discrepancies resulted; and then in the last sentence, in the paragraph it is said that no actual loss had occurred, and so the Treasury acquiesced in the view of the Army Council, and sanctioned the adjustment of the Account; and in the fourth paragraph, it is said that the Court were of "opinion that the responsibility rested with the officer who had been permitted to retire, whose inefficient supervision of his subordinates had allowed the discrepancies to occur, the blame being mitigated by the state of the stores, and the absence of sufficient storage accommodation." I see, on page 118, it is said, in speaking of the case there, that: "It is considered that the shortages are due to errors of accounting"—is that your opinion?—I can only deal with the Accounts as I find them. My duty is limited to seeing that the Regulations are satisfactory, and are properly applied.

5356. You having noted twice over that large discrepancies had occurred, and also that there was no actual loss, the conclusion come to is that the entire errors have occurred in consequence of bad accounting?—Yes.

5357. The excuse being the state of the stores and the absence of sufficient storage accommodation. That was put forward as the reason for these discrepancies?—The question of what was the cause of the deficiency of the stores is rather an administrative question, and as an administrative question I cannot go into it. I have only to report the deficiencies and to tell, as far as I can, what the reasons have been. I cannot say whether I am satisfied with any measures taken to correct it.

Sir George Kekewich.

5358. (To Sir Guy Fleetwood-Wilson.) We have it stated here that the predecessor's place was supplied by an incompetent officer, and the place of the Expense Store Accountant, who was incompetent, was also supplied by an incompetent officer. What I should like to know is, who is responsible for the appointment of these people?—They would come under different categories. The Expense Store Accountant would probably be appointed locally by the General, but the Officer, of course, would form part of the Army Service Corps.

5359. In appointing Expense Store Accountants, does the General take no steps whatever to ascertain, before appointing them, that they are fit to perform the duties entrusted to them?—  
I should

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I should think he would certainly be guided by the opinion of his officers, but I cannot conceive anybody wishing to appoint an incompetent person.

5360. I do not suggest that; what I suggest is that he took no steps, in all probability, to ascertain the competence of the man?—I cannot tell you as to what was done in this particular case.

5361. But you will agree, I suppose, with me that he ought to have taken steps?—Yes, but you must remember that in South Africa it is difficult to get really good men.

5362. Does the Army Council, who are responsible here, issue instructions to Generals in South Africa to see that competent men are put into this position?—I do not know that specific instructions have been issued, but it is the obvious duty of whoever appoints a man to see that the man is competent for the post in every position of life and everywhere throughout the Army.

5363. And it is equally obvious, is it not, that that is not carried out?—I cannot agree with you. In this particular case they may not have done so, but it does not follow that they have not done so in the majority of cases, at any rate.

5364. You do not know what steps were taken to ascertain the competence of the men in this case?—No.

5365. Either as regards the officer in charge, or the other men?—I cannot tell you what specific steps were taken in this case by the local officers.

5366. My point is whether they are appointed after some inquiry into their competence or in a happy-go-lucky way, as being the next men in promotion for a position of that kind?—I am afraid I could not answer your question, because it would not come within my purview at all.

5367. Would it not come within your purview to make a recommendation?—No, I deal with the results of the stocktaking. I cannot go and dictate to a General what class of man he is to appoint—that is a matter which rests absolutely with whoever makes the appointment.

5368. It is rather a serious matter having these discrepancies constantly occurring?—It is a very serious matter, no doubt.

5369. This series of cases of storekeepers unfit for their duties seems to point to the fact that no sufficient care is taken to ascertain that they are fit for their duties before they are appointed?—Of course you must remember you do not see the cases where there is no trouble. But I quite agree that this reveals a very unsatisfactory state of affairs, if that is what you mean.

5370. I rather meant to ask how it is to be put an end to; but that you say you do not think comes into your competence?—Not the question of the selection of the men for the appointments.

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Sir George Kekewich—continued.

5371. Does it not come within your competence to recommend some mode of procedure by which it could be ascertained whether these men are competent or not?—No, I think not.

Chairman.

5372. As to the present position, we shall come to that on paragraph 17?—Yes.

Mr. Mitchell-Thomson.

5373. (To Mr. Kempe.) I wanted to ask you one question of interpretation as to the words in the fourth paragraph here. I do not know exactly what you mean when you say "the blame being mitigated by the state of the stores"—does that mean that the stores were so good that the loss was inconsiderable, or that they were so bad that it was impossible to take stock?—It may mean various things. One meaning would be that the stores being in so very bad a state, the loss was not so bad as it might have been.

5374. You mean the stores were in so bad a state to start with?—Yes, in consequence of the absence of the proper store accommodation mentioned.

5375. I thought that must be the meaning of it, but it is a little obscure?—Yes.

Sir Daniel Goddard.

5376. (To Sir Guy Fleetwood-Wilson.) You said in answer to a question just now, which was put to you I think by Mr. Ashton, that this storekeeper was a civilian?—I believe he was.

5377. Have you discovered that since last year, because last year when I asked the same question, you were not able to say?—I am speaking from memory; but I believe he is a civilian.

5378. A civilian in uniform?—I do not think he would wear uniform.

5379. He would not come under the disciplinary treatment?—He is simply a salaried civilian.

5380. The officers in charge, I understand, are not engineers, what would they be?—They would be Army Service Corps officers.

5381. A question was asked as to whether inquiry was made as to the competency of these officers. I suppose it is really a matter of ordinary promotion?—They belong to the Army Service Corps. They would fall to a certain station and certain work in the ordinary way.

5382. By promotion?—Or it may be, without being promoted, they would be discharging the duties which they ought to discharge, or trying to do so.

5383. I suppose there is some promotion in it, in the sense of each coming in in turn to fill any new office of this kind, would not that be so?—They would not necessarily be promoted to fill a particular post, they would be appointed to it.

5384. Then of course there is no reason why their competency should not be gone into?—I am

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am afraid I do not follow your point; are you speaking of the civilian, the storekeeper?

5385. No, I am speaking of the officers?—The officers come under the same condition as any officer in a corps in the Service.

5386. It is clear that they ought to know their business, and it is clear that the men who were appointed in this case did not know their business?—I entirely agree with you on both points.

5387. You said that your business was to deal with the results. If the stores came out wrong, or if there were discrepancies, then it became your duty to deal with it. But, as discrepancies have been discovered, does it not become your duty to see that proper information is given, and that the attention of the officers who make the appointments, is called to it?—Why do you assume that that has not been done? It is not left for me to do that. That would be the ordinary and normal way of dealing with the case. You have evidence here that it has been dealt with by the War Office.

5388. I am only dealing with your own answer. You said that you were not responsible for the appointments or for discipline, but what you had to do with was the results?—I am not answerable for discipline in the Army, nor for the competence of the officers in any way whatever.

5389. As Accounting Officer, you must be in a sense responsible for the proper keeping of the accounts of the stores?—I am not in the least responsible for the proper discharge by officers in the Army of their duties, and I cannot conceive how the question could ever arise.

5390. Surely you have already said that you have some responsibility as regards store accounts, and if stores are improperly kept, it affects your store accounts?—I must adhere to my answer. I have nothing whatever to do with disciplinary action.

5391. It is not a question of disciplinary action at all that I am dealing with, it is a question whether, having discovered faulty discrepancies in the accounts and incompetency, it does not behove you, as Accounting Officer, to see that proper instructions are given to secure that suitable and competent officers are appointed. I do not say that you have to give such instructions, but surely it is your business to draw attention to it. What is the Accounting Officer for, if he does not go into questions of that kind?—I have nothing to add to my answer.

Mr. *Bowles*.

5392. On the facts, I should like to be quite clear as regards one point, which seems to me to be very important. As I understand, a Court of Inquiry inquired into all these circumstances on the spot?—That is so.

5393. And they came to the conclusion that the responsibility rested entirely with the officer who had been permitted to retire, and their opinion

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was reinforced by the opinion of the Major-General immediately in charge there?—Yes.

5394. He was also of opinion that this officer's superiors were in part to blame for not having exercised a more effective supervision over them. Therefore what the Army Council had before it in this case was the considered finding upon evidence of that Court of Inquiry of Officers acquainted with all the circumstances, backed up by the opinion of the Major-General in charge of Administration?—Yes; whose duty it would be to call attention to it. It would not become the duty of the Accounting Officer so long as proper attention was drawn to it by the officers who should do it.

5395. That being the state of the case, without calling for any more affidavits or without having any more evidence at all, the Army Council, if I understand rightly, set the whole thing aside, and took the view that these laches which had been considered to be proved by the Court of Inquiry and by the Major-General, were, in fact, not proved, or, at any rate, not sufficiently proved to warrant any effective action being taken. Is not that so?—I should say that you have put it correctly. I have no doubt it would go to the Quartermaster-General, who would go into it.

Mr. *Leif Jones*.

5396. Do you know whether any facts were put before the Army Council which were not before that Court of Inquiry?—I could not answer the question.

Mr. *McCrae*.

5397. There is one point I would like to have quite clearly; I asked the question whether the officer in charge of the depot was the same person as the Officer in Charge of Barracks, and I think you said he was. In that case, who was the "officer's superiors" referred to by the Major-General, who was the intermediate officer having responsibility?—He would be the senior Army Service Corps officer in the Station.

*Chairman*.

5398. You have taken advantage of the liberty which is open to you in preferring not to answer a question put by a member of the Committee just now, but I think you had already answered it, because I think you said a little earlier, in answer to Mr. Leif Jones, that in the last resort if you thought that proper disciplinary action had not been taken to uphold your authority, you would consider it your duty to report to the Army Council that those steps had not been taken?—If there was any evidence that the case was being burked, or anything of that kind, I certainly then would bring it to the notice of the Council through my member.

5399. I was not asking you about a case being burked; my point is this: May not a position arise in which you would say to your members

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of the Army Council: "I cannot continue to carry on the work if proper disciplinary steps are not going to be taken, and therefore, as I cannot continue the work under those conditions, I must resign unless proper steps are taken"—My difficulty is as to the word "proper"; it is not for me to judge what is proper disciplinary treatment.

5400. That is exactly the point I want to get from you. May I take it that a time may come when you may be in a position to say to the Army Council, "Proper steps in my judgment have not been taken, because the authority of the Accounting Officer has not been upheld, and proper steps have not been taken to insure that my duties are carried out efficiently, and unless I get those steps taken I cannot be responsible for the work"?—If you will accept my answer in different words I would say "Yes," but I should not take it upon myself to say what was proper or improper as regards disciplinary treatment. I can conceive a case arising where I would say, "If no notice is to be taken and nothing is to result from such and such a state of affairs, it is impossible for me with any advantage to carry on the actual examination of the accounts," and so forth.

5401. I will put it still clearer if you wish me to put it clearer, for I want to get the question clearly answered. There may come a case in which conduct so gross has taken place on the part of some officer that nothing but dismissal of that officer would satisfy the necessary conditions which would enable the accounting to be properly done. We will assume for some reason or other the Army Council have simply reprimanded him. Then, as I understand it, you are in a position to say: "If that man is not dismissed I resign, because that is not sufficient punishment." Is that so?—No, I would not say that; I cannot insist upon the dismissal of an officer.

STORE ACCOUNTING IN SOUTH AFRICA.

*Chairman.*

5402. (To Mr. Kempe.) I gather from paragraph 17 that you are satisfied so far that matters are in a much better condition than they were before?—Yes, so far I am satisfied.

5403. But I also gather from the last sentence in this paragraph that certain adjustments had been reported to you as final, which now turn out to be provisional?—Yes, that is a most important point.

5404. That is not satisfactory at all?—No.

5405. Whose assurance did you get that they were final transactions?—I found it stated in the War Office letters and in Reports to the Treasury from the War Office that certain matters had been cleared up and were finally adjusted. The War Office now discover in many cases they have been, to a certain extent so to speak, misled by

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Store Accounting in South Africa—*continued.**Chairman—continued.*

the reports that they have had, and that the transactions have not been finally adjusted. (Sir Guy Fleetwood Wilson.) That is so.

5406. (To Sir Guy Fleetwood-Wilson.) Can you explain that?—The facts are as stated by the Comptroller and Auditor-General, and we have received a letter from the General Officer Commanding, stating that he hopes to report in a few months that the accounts are in a satisfactory state.

5407. But can you explain, or how do you explain, the fact that the War Office reported these accounts as final, when it now turns out that they were provisional; is that the fault of the Major-General in charge of administration?—I think the answer is, Yes.

5408. Has the Army Council taken disciplinary notice of the action of the Major-General in charge of administration who allowed that false assurance to be sent in his name?—A mistaken answer was sent on by the General Officer Commanding, and in reply to the War Office letter inquiring about the state of the accounts, the General Officer Commanding has admitted that they are not yet in a normal satisfactory condition.

5409. Pardon me, that is not the question I am asking; we have had that answered before. What I want to know is, what was done about this particular misleading report where the word "Final" was substituted for the word "Provisional"?—I am not aware that any special action had been taken. The Army Council in their letter to the General Officer Commanding expressed their "regret that various large adjustments have been sent home for their sanction without drawing their attention to the provisional nature of these adjustments." That, so far as I know, is the action that has been taken.

5410. Was that your letter?—That is a letter from the War Office.

5411. From your Department?—I think so.

5412. May I ask, are you, as Accounting Officer, satisfied that the Army Council should simply write to the Major-General in charge of administration or the General Officer Commanding in South Africa and express their dissatisfaction: not that the word "Final" has been used where the word "Provisional" should have been used, but in the very mild words which you have read to us from that letter, which hardly seemed to represent the facts—will you read the paragraph again?—It is the letter of the 13th February, 1908, which is a Council letter being signed by Sir Edward Ward; but I should say it was drafted in the Accounts Branch, to be perfectly frank. The second paragraph in the letter is this: "While admitting considerable force in the arguments put forward by you, the Army Council regret that various large adjustments have been sent home for their sanction, without drawing their attention to the provisional nature of these adjustments upon which you now lay stress."

5413. May I ask, does that satisfy you as head of

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Chairman—continued.

of the branch—that the attention of the General Officer Commanding should not have been called to the fact that they were sent home as final adjustments—that he stated that they were final although they were not final?—Of course the case is not closed yet; we are waiting to know what his final report is.

5414. Now upon the paragraph generally, can you tell us what steps have been taken to remedy these very unsatisfactory Store Accounts, and accountings through the Army generally. This has occurred, as you know, under paragraph 13, both at Bermuda and at Malta, and we have had it again, under paragraph 16, at Standerton. We have heard, on some previous paragraphs, that certain steps have been taken, or certain procedure has been adopted, to prevent the recurrence of such an unsatisfactory state of things. Can you inform the Committee whether that is so, and whether that procedure has been satisfactory?—As covering all the Engineer Accounts, as I have had the honour of informing the Committee, the Treasury have sanctioned the creation of a special staff which will deal with the Engineer Store accounting, and which we have every reason to hope will immensely improve, or greatly improve, the state of the Engineer Store accounting, and will remove, I hope, the possibility of anyone who may be to blame pleading, as they always have done in the past, that they were overworked, that they had not the time to devote to storekeeping, and that it was inevitable that the stores should be in an unsatisfactory condition. That takes away really the great bulk of the difficulties that have been brought to the notice of the Committee, because they are mainly in the Engineer Stores. The particular case we were dealing with just now was an Army Service Corps case, and I think it must be admitted that there was either incompetence or neglect on the part of a certain number of officers in that special case. But as a rule I do not think we have now any number of serious cases in connection with that service; and as regards the Ordnance storekeeping, I think the condition is distinctly satisfactory as a rule.

5415. Have proper steps been taken to ensure that the officers or men put in charge of stores have been instructed in their duties, and that their being put in that position is dependent upon their knowledge of the duties of the position?—I cannot answer the question as to what steps have been taken in a military corps to ensure the efficiency of their officers.

5416. But have you represented that such steps ought to be taken in the way of promotion, rules, and so forth?—I cannot assume that they are not. In the particular case these are officers who are not satisfactory; but I cannot assume that the great bulk of the officers are not satisfactory, or that proper steps are not taken to ensure their being satisfactory. That would not come within my province at all.

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Sir Daniel Goddard.

5417. Is this the matter which was considered to be *sub judice* last year?—I think you alluded to it at the last sitting, and you wanted me to find out what had been done in the case.

5418. As I understand, you were last year waiting for certain recommendations or suggestions from Major-General Ruck in regard to putting the storekeeping on a proper footing, were you not?—What was not settled last year was the creation of this Store Accounting Branch of the Royal Engineers to grapple with this difficulty of accounting properly for stores.

5419. In your evidence last year you said: "The whole question is *sub judice*, and I think the Council will have to take up the question and deal with it as soon as we get reports which we have called for, and as soon as Major-General Ruck is able to get certain proposals which he is advancing considered."—Those proposals were what I have just alluded to—the creation of a staff to deal with this difficulty. That has been sanctioned by the Treasury, and the staff is, if not complete, at any rate far advanced.

5420. Then am I to understand that all the suggestions are made; that the whole thing is complete? There is nothing further to be reported about the method of keeping these stores? You see that the Comptroller and Auditor-General says in this paragraph: "A further communication will be made by the War Office to the Treasury, when final reports are received from South Africa." I want to know if you have got those final reports yet?—No, that is as to another question; that is the condition of the stores in South Africa, not the general question of how to deal with store accounting. I take it that what you are quoting is the last sentence of paragraph 17.

5421. Yes?—That is the question of the stores in South Africa; that is not yet closed.

5422. That, you say, is not finally closed?—No.

5423. But this whole paragraph deals with South Africa?—Yes, but, as I understand, what you were dealing with before was the question of accounting generally for Engineer stores.

5424. No, I am dealing with this paragraph. The question which was *sub judice* had to do with stores in South Africa?—Yes; but the point which Major-General Ruck was dealing with was the creation of a staff to enable him to deal with the Store Accounts, not only in South Africa, but everywhere.

5425. That did not show itself in the evidence last year at all. This matter is no longer *sub judice*, I understand; there is no reason now why any explanation should not be given, I take it?—If you want to know what the situation is about Pietermaritzburg and Middleburg, which is referred to in paragraph 17, I have endeavoured to ascertain the position there, as I thought you might want to know about those cases.

5426. I shall be glad to have the information?—In the two cases of Middleburg and Pietermaritzburg,



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maritzburg, we have been able to put the results of the stocktakings before the Treasury. Their Lordships have given their sanction to the write-off of the deficiencies. In neither case did the War Office consider that disciplinary action was necessary. It was explained to this Committee last year that the War Office recognised the very difficult position of the Royal Engineers after the war, who were overwhelmed with work. The bad results are considered to be mainly due to the inexperience and bad management of the subordinate storekeepers employed; and though there may have been occasional thefts, broadly speaking, the War Office contention was that there is no question of fraud, but it is rather a question of muddle. The other stocktakings that have been before the Public Accounts Committee have not yet been settled, and if any question arises in which it appears to be necessary for disciplinary action to be taken, I understand there will be no hesitation in taking that action; but some of the cases are still *sub judice*. I have given you the two which were settled.

5427. One of the reasons given was on account of the Engineers being builders, and the difficulty of withdrawing stores, and so forth. I believe that was one of the points that was raised?—Quite so. They are busy with their building, and therefore they have not time to devote to the watching of the condition of their storehouses.

5428. What change has been made in regard to the keeping of these stores?—As I have already mentioned several times, the change is that there has been a creation of the Stores Branch of the Engineers to deal with these stores.

5429. That is what you referred to as a separate storeholding staff?—Yes.

5430. The difficulty you had last year was a difficulty of money?—It was.

5431. But that has been got over since?—Yes, the Treasury have sanctioned the expense necessary for the creation of this staff.

5432. Then do you now consider that the whole of this question of the Engineer Stores is put on a satisfactory and sound basis?—I can only repeat what I have said, that we have every hope that, with the special staff to deal with this difficulty, we shall have good results; and if we have bad results we shall certainly be able to pin down the responsibility without the reason being adduced that there was nobody to do this work.

5433. Is this the definite scheme that was suggested by General Ruck?—Yes.

5434. It has been considered and approved by the Army Council, I take it?—It is in force; it is actually in being; the staff is there.

5435. I am aware of that, but it receives its money, in the first instance, through the Treasury. (To Mr. Headlam.) Is that so?—Yes. (Sir Guy Fleetwood-Wilson.) The Treasury sanctioned the expenditure.

5436. As regards this new method, do these

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officers (these storekeepers) come on to the Estimates now?—Yes.

5437. In a separate heading?—Yes, partly.

5438. I take it you mean it comes in in a form in which we can easily see what it is costing?—Yes; I dealt somewhat fully with this staff when we were dealing with paragraph 9 of the Store Accounts; that was what I gave as the reason for hoping that the state of affairs in future would be very much better than it had been in the past.

Sir George Kekewich

5439. Have you any idea how many storekeepers there are altogether?—I could not tell you.

5440. There would be a very large number, I suppose, scattered up and down the country, and in the Colonies?—Yes, there must be a considerable number.

5441. What I wanted to get was this: the percentage of those who are incompetent, or who are discovered to be incompetent, is comparatively small, I suppose?—I should think so.

5442. If we get all the cases it must be small?—Yes.

5443. Of course we only get the cases that are found out?—Of course, in all those cases where everything is all right, you never hear of them at all; it is only the exceptional cases (as I hope they are) where anything is wrong that come before the Committee.

5444. One never hears of a case unless somebody finds it out?—Quite so; but I should like to emphasise the fact that most of these things have been found out by my own staff.

5445. Do you think that the appointment of this storeholding staff will lead to great changes, and better storekeeping and accounting?—Yes, I hope so.

5446. Are they all skilled officers?—They will be trained men, whose specific duty it will be to look after these stores, and to look after them properly; then we shall have no question as to disciplinary action if they go wrong, because it will be their duty.

5447. Do I understand that future storekeepers will be appointed from the body of the storekeeping staff, or that this body will have anything to say in recommending them?—They will be trained to these particular duties; they will be selected for the posts, as I understand.

5448. Would the storeholding staff, the Engineer staff, be only a staff of supervision, then?—Yes, the officers.

5449. Will the supervision staff be only a visiting staff?—No, they will be permanent at their station. But I think the intention is to have several storeholders under them. But where the difficulty has arisen up to now has been that the officers of Royal Engineers have said: "We have no time to supervise these places; our chief duty is to carry out the works, often under pressure, and stores must come in as best they can." Now

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we are going to have a supervising staff which will be personally responsible for the possession of the stores, and who will be trained to understand store-keeping and storeholding, and will be officers whom we shall hold personally responsible for the proper discharge of these duties, and they will not have the excuse of saying that all their time is devoted to other duties, and they have been obliged to neglect this one.

5450. Will they take the place of the gentlemen who are referred to here as the officers-in-charge?—Yes, they will.

5451. And there will be no more incompetent officers-in-charge?—I hope not. You will be able in future, I think, to insist on the officer doing his full duty by his stores, and you will be able to hold him responsible, and, if necessary, punish him if he has not done his duty.

5452. Because he ought, at any rate, to be competent?—Yes, he will have little else to do.

5453. That is to say, if anything goes wrong in future it will probably not be on account of incompetency, but on account of general neglect, or something of that sort?—Quite so.

Mr. Brigg.

5454. I should like to ask whether this Committee will ever have an opportunity of seeing, or having submitted to them, these accounts which were supposed to be final transactions, but which are now declared to be provisional. Will this Committee have an opportunity of having these accounts brought before them, and hearing from Mr. Kempe, or somebody else, whether these accounts are finally disposed of or not?—Yes, certainly.

5455. I ask the question because it is stated in the last sentence of this paragraph that "a further communication will be made by the War Office to the Treasury when final reports are received from South Africa." Will those accounts be submitted to Mr. Kempe?—I have no doubt Mr. Kempe will take care that they are submitted to him; but they will not be ready for submission to him until the correspondence between the War Office and the Treasury has been completed with regard to the final accounts, when they are received.

5456. My only object is that these accounts should not escape the criticism of this Committee?—I do not think you need be afraid as to that; but the question should, perhaps, be rather addressed to the Comptroller and Auditor-General than to myself.

Sir Robert Hobart.

5457. May I glean from what you have said that there is an establishment of Engineer Store Accountants?—There will be. I cannot give you the technical term, but there is a body of Royal Engineer officers who will discharge this duty.

5458. Not only officers, but subordinates?—Some subordinates are soldiers, and some will be of the civil class.

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5459. Are they appointed haphazard, or will they have passed some examination and be known to be competent for the duties which they undertake?—They will be trained as they come in.

5460. They will not be employed until they have been trained?—No, that is the case with the Army Service Corps.

5461. It is a very serious state of things to have people, even subordinates, who are not fit for the duties which they have to carry out, and who are merely pitchforked into the place, and have to learn their duties as they go on?—I cannot tell you what the curriculum is that they have to go through.

5462. My point is that it should be a thoroughly sound system, so that the sort of cases we have had brought before us should not be able to recur?—I think no one has studied the question more carefully and with a greater desire to remove what has been, as I think he would himself admit, a reproach upon the Royal Engineers, as evidenced by the paragraphs in this report, than General Ruck, who has only just left the War Office, and who has worked at this subject very hard for a very long time. It is fair to General Ruck to say that he drew attention to the necessity for the creation of an expert staff some two or three years ago; he only got his money and his sanction for it last year, and I hope as time goes on you will see good results as the outcome of his efforts and my own, because I did what I could to help him. But, for this year under review, and possibly for the subsequent year, you will have before you the same state of affairs. I do not know, but you may, perhaps, have just the same sort of cases. I think you may take it he has done his very utmost to produce a system that will very materially improve the state of affairs, and which it is not unreasonable to hope will render these cases, I will not say impossible, but very unlikely to occur, or anything like them.

5463. I quite recognise that General Ruck and yourself have taken a great deal of trouble about it. One further question: Is this Engineer Store accounting system only fitted for time of peace, or do you make provision for war?—The same system would obtain in peace or war. Of course, the probability is that these large stores would be at the base, and would not be at the front.

Chairman.

5464. Is that what is referred to in paragraph 24 under the heading "Accounting for Stores and Supplies on Active Service"?—No, those are stores like rifles, which are in the hands of the troops and possibly lost in action.

5465. I thought the last sentence would refer to this?—No, I think that does not touch this case; that is merely a matter of the form of account.

Sir Robert Hobart.

5466. My only point is that if war broke out, or there were rumours of war—which Heaven forbid  
—you

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—you are absolutely ready to deal with this class of thing, and have got your men and know exactly what you are going to do, and there would be no haphazard arrangement?—I think you may take it that the peace system would in that case apply to the war system.

Mr. Leif Jones.

5467. (To Mr. Kempe.) I see you say at the end of this paragraph: "I gather that some of the adjustments effected since the War, which have been referred to from time to time in my reports as final transactions, can only now be regarded as provisional"; how did you gather that?—I gathered it from the War Office letter, the letter, in fact, of which Sir Guy has read a part.

5468. Might we have the parts of the letter which refer to this point?—Sir Guy has read the first part of the paragraph dealing with this matter, and, as it is very short, perhaps I might read the whole paragraph.

5469. Will you please do so?—I will read from the beginning of the paragraph: "While admitting considerable force in the arguments put forward by you, the Army Council regret that various large adjustments have been sent home for their sanction without drawing their attention to the provisional nature of these adjustments, upon which you now lay stress. In your letter of 1st September, 1906, it was stated that 'All the accounts are now in order, except at Roberts Heights, Pretoria.' Consequently, they have led the Treasury and Parliament (through the Public Accounts Committee) to believe that store accounting in South Africa is in a better position than would now appear to be the case. They trust, however, that the results of the investigation which you are now having made may show that the adjustments remaining necessary are less serious than you fear. They note with satisfaction that you have the matter under close and constant review, and, before dealing finally with it, await your further report, which they will be glad to have as soon as possible." (Sir Guy Fleetwood Wilson.) I think you ought to have the letter of the General Officer Commanding, to which that is an answer; you should not have the one without the other.

5470. That contains what I want?—I should like to put in the other one as well. It will give you the complete case.

Chairman.

5471. We might have the two letters put in?—Yes.

Mr. Leif Jones.

5472. The point I wish to ask you is this: In 1906 the statement was made apparently that "All the accounts are now in order, except at Roberts Heights." That was the statement made by the General Officer Commanding in 1906, I understand?—Yes

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Mr. Leif Jones—continued.

5473. That was repeated to this Committee and to Parliament?—Yes.

5474. Now we gather that the War Office has learnt that that statement is an absolutely incorrect statement?—In the case of the accounts at the two places to which I referred, Pietermaritzburg and Middleburg.

5475. When it speaks here of "some of the adjustments," does not that practically apply to all the adjustments?—No, it is not all.

5476. But, still, a good many?—Yes, I am not prepared to say there are not several.

5477. It was the General Officer Commanding who was responsible for that statement, I understand, in 1906?—Yes.

5478. We now know that the adjustments, instead of being final, were provisional?—Yes.

5479. You characterised that as a "mistaken answer"?—I think you ought to have his letter put in before judging of the situation. I think he honestly believed that they were final at the time.

5480. I hope so. I cannot doubt that he honestly believed it; but I presume he did not speak on his knowledge—it was reported to him that it was so?—Yes.

5481. It would rest upon the reports of the responsible officers at the different stations?—Yes, and of course I should have to accept his statement.

5482. But he accepted their statements?—Yes.

5483. The statement that an account was finally adjusted is not one on which a mistake could be made by a man who knows the account, I take it. Of course, the General Officer Commanding might be misled, but somebody who knew must have misled him?—You will bear in mind, of course, that these are Store Accounts and not our money accounts. I think they considered that they had got them right; but it is admitted that the stores were in a bad state, and in the confused condition in South Africa they sent returns which I have no doubt they honestly believed represented the true state of affairs. Then, as time went on, they found that some discrepancies one way or another still existed; I think in point of fact it was owing to our test audit that this came to light.

5484. Are you not a little too kind when you suggest that they were in perfect order. Surely it is not a point upon which there can be much doubt, as to whether an account is finally adjusted?—I should prefer not to express a distinct opinion until we have the conclusion of the cases. I think, as he is still hoping to give us a satisfactory clearing up of this affair, I would rather be kind than unkind (adopting your term) in dealing with the situation. I do not think it is satisfactory, I admit, at present.

5485. It does seem to me that it must be very difficult for a man who understands storekeeping and account-keeping to say truthfully that an account is finally adjusted if it has not been finally adjusted?—The defence which, I suppose, will be made is that the stores were in such a state that it

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was very difficult to go over them in a sufficiently satisfactory manner to produce absolute certainty as regards the accounting. I think under those conditions it would have been better if they had not said it was a final adjustment.

5486. That is the very point of the case. The point that I am trying to make is that the offence committed is not that the stores were not in order, but that they were stated to be in order when they were not; perhaps, in the very nature of things, they could not have been, but in fact they were not in order?—I quite agree with you.

5487. The General Officer Commanding, unwittingly no doubt, has misled Parliament and the Committee and you, and also the Comptroller and Auditor-General, in regard to these Store Accounts?—Yes.

5488. How has he dealt with the officers who misled him?—I do not know.

5489. Has the attention of those officers who are responsible for this mis-statement with regard to the stores been drawn to this at all?—It must have been, because the whole question is under investigation. They are on their defence now.

5490. In two cases which the War Office investigated they came to the conclusion that in neither case was disciplinary action necessary, I think you said; those I think were the words?—I am not sure that we are dealing with the same cases.

5491. You referred to the two cases of Middleburg and Pietermaritzburg?—Yes.

5492. Those two have been adjusted finally, I understand?—I should not like to say that.

5493. In both those cases there have been adjustments made after the investigation by the War Office?—Yes.

5494. And they have decided that in neither case was disciplinary action necessary?—They attributed the bad result mainly to the inexperience and bad management of the subordinate store-keepers employed.

5495. Does it come to this, that the War Office, provided there is no fraud, deals very lightly with these offences?—I must frankly admit that a very marked distinction is drawn by the War Office between cases of incapacity and cases of fraud. I think the distinction is very marked.

5496. I presume you would not care to express an opinion as to whether we have suffered more from incapacity or from fraud?—I would rather not express an opinion, if you give me the option.

5497. Do you consider, as Accounting Officer, that the War Office, who are very much alive to the evils caused by fraud or possible fraud, are sufficiently alive to the mischief caused to our system of account-keeping by incompetence?—Yes, I think they must be alive to that. They are incessantly reminded of it by myself and by my staff, and, as I said, in the case of the Engineer stores, which represent the bulk of the difficulties, I think the thing has culminated in their being given what they asked for, which is a staff *ad-hoc*. I can certainly assure the Committee that the

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state of affairs, where unsatisfactory, and the causes that led to that unsatisfactory state of affairs, are constantly before the War Office, and very seriously considered by the War Office.

5498. We may take it that the assent of the Department to the change of system which has been asked for by the Accounting Officer and others concerned with accounting is an admission on the part of the War Office that the past system was unsatisfactory?—I think I can frankly admit that. It is difficult for me to answer for the whole office, but I think that is obvious.

Mr. Ashton.

5499. Although you have drawn the attention of the authorities in South Africa to the fact that the store accounts are not final, I do not gather that you have asked them the question definitely how it was that they came to state that they were final when they were not final?—The time to ask that, I take it, would be when we have got it as a final account. It would not be asked by me, but it would be asked by the Member of Council concerned; and I have no doubt it will be asked when we have got the final account; it will be dealt with once and for ever then.

5500. Surely, under such extraordinary circumstances as these, it would have been natural to have asked the question how it came about that they were called final when they were not really final accounts?—I cannot say that that question has been asked specifically, because I do not know; but it will be raised. What I am now trying to do is to get this account straight; that is the first thing, so far as I am concerned. Whether blame attaches, and to whom it attaches, is, from my standpoint, a secondary question. What I am trying to do first is to get the account straight. Directly we do that, I shall report upon the whole thing.

5501. Does it strike you as very extraordinary that the Army Council should not have asked the question?—I think they are probably waiting for the outcome of the whole thing, which I trust will not now be long delayed, and then they will make all inquiries. I think we shall have a report upon the whole case. But one does not want to settle the question of blame until the final report comes in.

Mr. McCrae.

5502. The first part of paragraph 17 does not deal with these adjustments, but with the general system of store accounts in South Africa. The Army Council have asked the sanction of the Treasury to write off some deficiencies, and the Treasury drew their attention to the state of these stores, and the Army Council thereupon "called upon the General Officer Commanding in South Africa to furnish an assurance that the system of store accounting in that command is now on a normal and satisfactory footing"?—Yes.

5503. And he was requested to report fully on any

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any store accounts of the various arms which were not on a satisfactory footing?—Yes.

5504. You have not yet got a final report, I understand?—No; because we were insisting that it shall be a thoroughly satisfactory state of affairs, and I do not think in every case it is so yet.

5505. All that the General Officer Commanding, up to the present time, has done is that he states that the store system of accounting is in a far better condition than previously?—That is so.

5506. You are still awaiting the final report from that officer?—Yes.

5507. When did he report last?—About six months ago, and we have pressed him to send in a report as soon as possible.

5508. But you have not yet got the final report?—No. There was a change in command in South Africa, as you are aware, and I think the advent of Lord Methuen will accelerate everything. He is a man of great energy.

5509. With regard to the other matter of this final adjustment, will the change of command not rather affect the continuity of the investigation and dealing with any person who may be found to be at fault?—I do not think so.

5510. I suppose you will be able, from the report which you get from South Africa, to fix responsibility upon whoever is to blame?—If there is blame, I hope it will be possible to fix responsibility.

5511. And then it will be for the Army Council to take the necessary disciplinary steps?—I think it is possible in some cases that the General Officer Commanding might take steps himself without waiting; or, at any rate, he would recommend certain steps.

5512. You do not know whether any such local action has been taken?—I do not think so; not that I know.

## SUPPLY ACCOUNTS.

Chairman.

5513. (To Mr. Kempe.) Paragraph 18 deals with a case of fraud at the hospital at Singapore?—Yes; the fraud has been discovered and punished.

5514. It did not come under your notice, because this did not happen to be one of the places where you had made a test examination during that period?—That is so.

5515. (To Sir Guy Fleetwood-Wilson.) It is stated in this paragraph that "The erasures were skilfully made, and had on previous occasions escaped notice when the accounts were examined at the War Office"?—Yes; so skilfully was it done that when we had some of these accounts home you could not see that there had been erasures when you held them up to the light. It was extraordinarily cleverly done.

5516. How were the erasures found out elsewhere?—I forget exactly how suspicion first arose, but I think that at one of our examinations

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of the accounts certain points arose which drew our attention specially to this, because we found that the diet sheets did not correspond with the account.

5517. Are you perfectly satisfied that the fact that the erasures were not found out was not due to carelessness, but that the erasures were really so skilfully done that they baffled your people?—Some of them, no doubt, were in that condition. The real point is this: that the officer did not consider that it was necessary for him personally to check the diet sheets against the account.

5518. I am talking about the erasures having escaped notice at the War Office when the accounts were examined there on previous occasions. I want to know if you think that is satisfactory, and if the erasures were all so skilfully done that your people at the War Office could not find them out, or whether they ought not to have found out some of these erasures?—When suspicions were aroused, you could in some cases detect the erasures, but in others you could not. I am not prepared to say that it did not escape notice.

5519. It is said here that "The fraud seems to have been rendered possible by the duty of comparing accounts with diet sheets having to a certain extent been left to the clerk." Whose duty was it to compare them?—That was the real point. The officer concerned, who, I should have thought, might with advantage have checked the one against the other, considered it was sufficient if they were checked by the clerk.

5520. Who was the officer?—The Supply Officer in charge. I may say we went into this matter very carefully; I went into it myself, and one could argue that the Regulations, as they then existed, did not specifically state that the Supply Officer should himself personally carry out the check, and on that ground he was absolved from responsibility. We have altered that since.

5520A. That brings me to my next question: Whose fault was it that the Regulations were so faulty?—They were old-standing Regulations; I could not say when they were drafted. They were probably drafted by a committee of officers, very likely civilians, as some of them are. I may say I thought it was a very strained interpretation to put upon them.

5521. But those Regulations had been acted upon for many years without anybody having ever found that there was this loophole?—I think so.

5522. Is it anybody's duty to revise the Regulations from time to time?—Yes, they are revised, and many of them are revised almost too frequently. But I think this was a case of the wording, and, in my opinion, it was a very strained interpretation to put upon the wording.

5523. Is there anybody whose duty it is to see that the wording is more correct?—Yes, certainly. When you say, "to see that it is correct," of course it is very difficult to frame any Regulations that do not admit of some small loophole somewhere.

5524. But

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5524. But surely this was a very great loophole ?  
—It is really a question of how you interpret  
“checking.”

*Sir Robert Hobart.*

5525. May I ask the date of these Regulations ?  
—They were the Regulations which were then in  
force. I believe they were issued in 1899.

5526. The original Regulations, you say, were  
issued in 1899 ?—Yes. I might mention that  
there is a Regulations Branch in the War Office,  
under the Secretary of the War Office, who is sup-  
posed to focus and issue the Regulations, but the  
Departmental Regulations would rest with the  
department concerned.

*Chairman.*

5527. Would they not come under the Regula-  
tions Branch ?—Yes, as a question of general  
review they would ; but the responsibility for the  
detail of the Regulations in this case would rest  
with the Army Service Corps Branch.

5528. Is the Regulations Branch not responsible  
for seeing that the Regulations are, on the whole,  
good ?—Yes, as a general rule they are, certainly,  
and also to see that one Regulation does not clash  
with another.

*Mr. Mitchell-Thomson.*

5529. It is stated here that this fraud had been  
going on for several years ; have you any idea how  
long it had been going on ?—It had been going on  
for some years.

5530. (To Mr. Kempe.) If it had happened that  
you had fixed upon Singapore Hospital as one of  
the places for making your test stocktaking, was  
this fraud of such a character that it would have  
been discovered on your test stocktaking ?—I  
could not say that it would ; we only examine the  
accounts themselves—we do not make a test of the  
stock.

5531. (To Sir Guy Fleetwood-Wilson.) Was this  
a Chinese contractor ?—I do not know who the  
contractor was.

*Sir Daniel Goddard.*

5532. I understand these Regulations have now  
been altered to prevent the recurrence of this sort  
of thing ?—Yes.

*Sir Robert Hobart.*

5533. Do I understand that there are local  
Regulations, so to speak, in addition or supple-  
mental to the General Regulations ?—No, these are  
the ordinary Regulations.

5534. I thought I gleaned from you that there  
were special Regulations ?—No. I think you are  
referring to an answer I gave to the Chairman, who  
asked whether there was a particular portion of the  
office answerable for the Regulations, and I said  
that there is a Regulations Branch. As you know,  
when you come to Departmental Regulations, such  
as the Army Service Corps Regulations, or the  
Ordnance Store Regulations, they are drafted

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Supply Accounts—continued.*Sir Robert Hobart*—continued.

originally by the department concerned ; that was  
what I wanted to explain.

5535. But the Regulations in force at the  
stations are the General Regulations for the Army ?  
—Yes.

TEMPORARY SUSPENSION OF ISSUES OF AMERICAN  
PRESERVED MEAT.*Chairman.*

5536. (To Mr. Kempe.) In paragraph 19 you say  
that the examination of the Supply Accounts by  
your Department has not disclosed any large con-  
demnations arising out of the temporary suspension  
of the issue of American brands of preserved meat ?  
—That is so.

5537. Do you know whether the Navy have  
entirely rejected those brands ?—The Navy have  
entirely rejected them. I have dealt with the case  
of the Navy in a special paragraph in my Report  
on the Navy Appropriation Account.

*Sir Daniel Goddard.*

5538. (To Sir Guy Fleetwood-Wilson.) I suppose  
the War Office are quite satisfied that the con-  
ditions of the packing in these cases are really all  
right now ?—I understand that the matter has  
received the closest attention of the Quartermaster-  
General and of the Director of Supplies, and that  
they are quite satisfied that the action they have  
taken is quite a safe one.

5539. Do you know what was the practice of the  
officer who went to investigate the circumstances  
under which the meat was packed ? Did he make  
surprise visits to these factories ?—I cannot tell  
you ; I know nothing about that.

5540. I should think the value of his inspection  
would depend very largely upon whether he gave  
notice or whether he made surprise visit. ?—Yes.  
I would have nothing to say to that. I do not  
know at all what he did.

5541. Can you say how many firms were con-  
cerned in the matter ?—I think five.

5542. Have the contracts with all of them been  
resumed ?—No. They have only been resumed  
with three of them, I think.

*Sir Robert Hobart.*

5543. May I ask whether there are issues now  
made of preserved meat to the troops ?—Yes, three  
of these brands are still being issued.

5544. Are they supplied from time to time to the  
troops at home ?—Yes ; after very close investi-  
gation it was considered quite safe and satisfactory  
to issue these three brands.

5545. Is the turnover of the stock of meat very  
frequent ?—I think we have got a new system  
now, by which the contractor undertakes to keep  
a large stock for us ; so that the turnover would  
be very much more quick than what we had got.  
That is the Navy system, I think.

5546. (To

26 May, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## LOSSES AT SEA.

## Chairman.

5546. (To Mr. Kempe.) In the last sentence of paragraph 20 it says: "The Admiralty were informed that Counsel was unable to advise proceedings to recover the value of the stores." Why was it the Admiralty who was informed? Was the "Lisrora" an Admiralty transport?—The Admiralty provide the vessels for transport. (Sir Guy Fleetwood-Wilson.) And we have to pay for them.

5547. (To Mr. Kempe.) You state that counsel advised that there could be no claim against the contractor; you are satisfied with that?—Yes.

## LOSSES BY FIRE.

## Chairman.

5548. (To Mr. Kempe.) These paragraphs 21 and 23 all hang together, and they are merely a historical statement as to certain fires that have occurred; is not that so?—Yes, it is a summary of the various fires that have occurred.

5549. (To Sir Guy Fleetwood-Wilson.) In paragraph 22 I see it is stated that "The Court drew attention to certain defective arrangements which, in their opinion, probably tended to increase the loss. New Regulations have since been issued to remedy the defects in question." Do you know what the defective arrangements were in that case? Was it the case in which the Fire Brigade could not get into the building?—The defective arrangements were in regard to the non-admission of the London County Council Fire Brigade; there was an account of the case in the papers, you may remember; and also there was a defect as regards the turning on of the high-pressure water supply.

5550. You are satisfied that the new Regulations will remedy the defects?—Yes, I think so. It would come under Mr. Donaldson, and perhaps you might ask him about it when he comes up before you. I do not like to speak as to the Regulations, because I do not know what regulations he has made.

5551. It is stated in paragraph 23 that in some cases the fires have been due to disregard of orders and regulations. That is out in South Africa again. Has that been remedied there, do you think?—The contention in South Africa is that they are very liable to these fires on account of the inflammable nature of the building and the dry climate.

5552. That is all the more reason why proper Regulations should be observed?—We have impressed upon them again that every care should be taken, and the last state of affairs is, I believe, that the General Officer Commanding has asked for further appliances. I do not know that I followed the particular point of your question.

5553. I asked whether the disregard of orders and Regulations had been put a stop to so far as it could be. It evidently has been. The General Officer Commanding has taken steps, no doubt?—The General Officer Commanding reports that he has

## ARMY APPROPRIATION ACCOUNT, 1906-7.

## Losses by Fire—continued.

## Chairman—continued.

done his best to prevent carelessness in future. I do not think it is so much a question of regulation as of carelessness.

## Mr. Leif Jones.

5554. In paragraph 21 it says that: "The fire was due to a faulty stove flue." Is it anybody's business to inspect these buildings and see that they are in a proper condition?—Yes, it was gone into very closely, but it was not at all definitely established that the fire was due to a faulty stove flue. It was rather by a process of elimination that they attributed it to a faulty stove flue.

5555. If it had been a faulty stove flue, would it have been the duty of somebody to look after it?—Yes, somebody would have been called to account. Perhaps I might say that on the 20th February, 1907, a circular letter was issued by the Director of Fortifications and Works, calling attention to the danger from stove pipes, and directing special attention to all stove pipes in each Command.

5556. With regard to the case referred to in paragraph 22, what arrangements have you at Woolwich to provide for putting out a fire if it breaks out?—I cannot tell you; it has nothing to do with me. Perhaps you would put the question to Mr. Donaldson, who will be here on the Factory Accounts.

5557. Would he be able to speak about the new Regulations also?—Yes.

5558. I observe in paragraph 23 that you have ceased to insure bungalows. That seems to be the only case of fire in which you got anything back?—It is well to be consistent, and we brought it into the ordinary rule of not insuring Government property. The original idea was to let these bungalows out to officers to live in. They were very inflammable, and we thought it better to make quite certain of their being insured than to come to some arrangement with the tenant who might not insure them. But I do not know whether it would be strictly legitimate to insure them if they were Government property; at any rate, many are now turned into quarters, and, of course, we do not insure them.

5559. Those let to officers are insured, I understand?—Yes, but many of them are now turned into quarters.

ACCOUNTING FOR STORES AND SUPPLIES ON  
ACTIVE SERVICE.

## Chairman.

5560. (To Mr. Kempe.) As regards paragraph 24, this is really carrying out the recommendations of this Committee of last year, is it not?—It was not a recommendation of the Committee, but the Committee quoted the statement with approval. It was not actually settled then.

5561. They gave their approval to the scheme which is now in action?—Yes.

5562. (To

26 May, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Accounting for Stores and Supplies on Active  
Service—continued.

—  
Sir Daniel Goddard.

5562. (To Sir Guy Fleetwood-Wilson.) The result of the Departmental Committee referred to in this paragraph was that in future supplies issued to parks and columns should be treated as final issues to the troops?—Yes. We found that it was hopeless to try and keep accounts of the stores once they were in the hands of the troops.

5563. That really means, I take it, the prohibition of sales of stores by units?—I do not quite follow the question.

5564. It says here that units are forbidden to sell these stores?—Yes, they are not allowed to sell; but I do not quite see the point of the Honourable Member's question.

5565. It says here that the interests of the public are further safeguarded by the provision of sales by units. You are safeguarding the stores; that is the recommendation?—That is one of the recommendations.

5566. Have these recommendations been before Parliament at all?—No, these would not go before Parliament. These are regulations which received Treasury sanction.

5567. The changes are considerable?—But this Committee practically approved the principle upon which they are based.

5568. All this Committee said, I fancy, was that there ought to be some alteration in the method?—I think they went further than that. You will see the question is dealt with in paragraph 31 of the Report of the Committee of last year.

5569. These Regulations, I take it, are not absolutely in force because there is no war?—They are ready.

5570. (To Mr. Kempe.) Will there really be any check on the consumption of stores in this way?—I think in principle it is better to make sure that the stores are not wasted on the spot than to keep imperfect accounts. I think it gives a fictitious sense of safety if you have accounts kept which cannot be correctly kept. (Sir Guy Fleetwood-Wilson.) Every care will be taken as regards the issues from store. It is when once the stores get into the hands of the troops that it is hopeless to account.

5571. What is in my mind is, that there is no check on the stores being consumed in an inordinately rapid way?—No, there is not; but if they eat all their rations on one day they will not have them the next day; that is really the situation.

5572. (To Mr. Kempe.) Do you consider that these recommendations are a sufficiently effective check?—I think they are much better in principle than the old system; that is to say, a system of imperfect accounts.

—  
Mr. Brigg.

5573. (To Sir Guy Fleetwood-Wilson.) It seems that we are leaving the control of this stock-taking for the prevention of waste of material to the "supervision of specially designated officers on the spot." Are those military officers?—

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Accounting for Stores and Supplies on Active  
Service—continued.

—  
Mr. Brigg—continued.

Yes. This is only in war time, you will understand. You can only employ military officers on duty of that sort in the field.

5574. We depend entirely upon them in time of war?—Absolutely.

—  
Sir Robert Hobart.

5575. I see in the last paragraph but one it says: "The recommendations of the Committee have been adopted by the Army Council and approved by the Treasury, and I understand that the necessary steps will be taken to embody them in regulations." Have they been embodied in regulations?—Yes; in fact, they will be published in the Army Orders, so that everybody will be acquainted with them.

5576. Could they be produced before this Committee?—Certainly.

5577. I think it would be interesting if we had them?—They are embodied in the big books of Regulations. I do not suppose the Committee would care to have the big book, but I could send a copy to the Honourable Member if he desires it.

5578. You say, of course, in time of war it would be difficult to check issues to the Army in the field, but there is no difficulty as regards the stores coming on from home, is there?—It does not touch that at all. It does not touch issues from the base or the depot in the locality.

5579. Then there would be no difference in regard to the regulations as to issues from home in time of war?—No, this is merely as to the question of keeping accounts when once the stores have got actually into the hands of troops fighting; that is the only change that has taken place. It was found to be absolutely impossible to attempt to get accurate accounts.

5580. This is only as regards troops in the field?—That is so.

—  
Mr. Leif Jones.

5581. Could you tell us of whom the committee referred to in this paragraph consisted?—It consisted of all the Directors or representatives of all the departments concerned in accounting. Mr. Flynn sat upon the committee as representing myself, and there were representatives of the other departments.

5582. I would like to know exactly who were on the Committee; or rather what offices were represented?—Every branch of the office concerned was represented.

5583. That is to say, the accounting offices?—Yes, and the supply offices; all branches that kept stores, such as the Ordnance Department, the Supply, Remounts, Veterinary, and so on.

5584. It was a very authoritative committee on the question of stores and supplies?—Yes. The members were selected from people who have had actual experience in the war.

5585. And they were also people with experience in



26 May, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Accounting for Stores and Supplies on Active  
Service—continued.

Mr. Leif Jones—continued.

in accounting?—Yes. As I said, Mr. Flynn was on the Committee as representing me.

5586. And their recommendations were accepted in their entirety by the War Office?—That is so. I have here a copy of the report of the committee, which I will hand in. (*The same was handed in, vide Appendix.*)

## STOCK-TAKING AT WOOLWICH.

Chairman.

5587. (To Mr. Kempe.) I see an independent verification of stores in charge of the Army Ordnance Department at Woolwich was carried out in respect of 8,164 items of a value of £1,092,071, as compared with 12,774 items in 1905-6 and 11,317 in 1904-5, valued at £1,324,000 and £4,000,000 respectively, but the decrease is satisfactorily accounted for by the War Office. You are satisfied with the War Office explanation of the decrease?—Yes.

5588. In reporting this deficiency to the Treasury the Army Council stated "that the stock of all stores in Army Ordnance Department charge affected by transactions during the War has now been verified and adjusted." Have you reason to believe that that is so now?—Yes, so far as I can tell.

Mr. Mitchell-Thomson.

5589. As regards that last sentence of paragraph 25, is there any reason to apprehend that this is really a final verification and adjustment? Is there any more reason than in the previous case which we were dealing with on an earlier paragraph?—I have every reason to hope that this is final.

STORES UNDER REPAIR IN ORDNANCE  
FACTORIES.

Chairman.

5590. (To Mr. Kempe.) Paragraphs 27, 28 and 29 are practically all historical statements, are they not?—Yes.

5591. There is no observation that you particularly wish to make about them?—No.

5592. (To Sir Guy Fleetwood-Wilson.) Under paragraph 28, in the fifth sub-paragraph it says, in regard to the Royal Laboratory, that the past stock-takings had not been "entirely exhaustive." Why were they not? Were they supposed to have been exhaustive?—I am afraid I cannot answer the question at the moment, but I will let you have an answer at the next meeting if you desire.

Sir Daniel Goddard.

5593. (To Mr. Kempe.) In paragraph 29 you refer to the methods of accounting and the recom-

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ARMY APPROPRIATION ACCOUNT, 1906-7.  
Stores under Repair in Ordnance Factories  
—continued.

Sir Daniel Goddard—continued.

mendations of the Interdepartmental Committee; those recommendations were not agreed to, were they?—Not altogether. The Admiralty dissented upon one point.

5594. Only on one point?—Yes; it was a question between the two methods of keeping the accounts. From our point of view I do not think there was anything to choose between them, but the Admiralty considered that it would be more troublesome and more expensive to carry out the recommendation of the committee than it would be to take their own method.

5595. Do you consider that the new method arrived at between these two departments is an improvement upon the old one?—I think so, so far as I can judge.

5596. (To Mr. Headlam.) Are the Treasury satisfied with this?—Yes; the Treasury consider that any arrangements that will prevent or reduce the discrepancies between the accounts and stocks, which have been rather considerable, would be an improvement. I think the Treasury would perhaps have preferred the proposal as originally made, apart from the recommendation of the Admiralty, but they think that the proposal as adopted is a distinct advantage.

5597. The Interdepartmental Committee have dissented from the Admiralty on that point, I understand?—Yes, the Admiralty and the committee differ.

5598. That is what it means, is it?—Yes.

5599. But did not they arrive at their recommendations unanimously?—(Sir Guy Fleetwood-Wilson.) Yes. The Admiralty took a different view.

5600. You mean the Admiralty members on the committee?—Yes.

5601. But the committee has reported in favour of a certain course; and the Admiralty members as well as the others signed a report, did they not?—Yes, the committee all signed the report, but there was apparently a mental reservation on the part of the Admiralty members as regards that point.

5602. (To Mr. Kempe.) Do you know what the grounds were why this could not be accepted by the Admiralty?—It was on the ground of expense. They said it would involve a great increase of staff and considerably more expense. I find that in the Admiralty letter another reason given is that the Admiralty think it is essential that they should retain the control over all components issued from the Admiralty as that control is exercised under the present system of free issues. Perhaps the most important change is the institution of duplicate records, which will be compared annually.

Mr. Bowles.

5603. Do I understand that under this new arrangement a complete stocktaking of all the stores and materials in the ordnance factories will be made every year?—No, we are only dealing here

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26 May, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Stores under Repair in Ordnance Factories  
—continued.

Mr. Bowles—continued.

here with the case of what is sent back for repair. What used to happen was that the component parts got lost sight of. A wheel would go into the Wheel Department and something else would go somewhere else. It is really a check on the articles sent back for repair. It does not apply to the great mass of the stores there.

5604. So far as those articles are concerned, there will be a stocktaking of them annually?—Stock-taking will be resorted to only if discrepancies cannot be cleared up by other means.

## STOCK-TAKING AT PIMLICO.

Chairman.

5605. (To Mr. Kempe.) With regard to paragraph 30, are you satisfied that the new system is having good results?—Yes, quite satisfied.

ARMY APPROPRIATION ACCOUNT, 1906-7.  
INDEPENDENT STOCK-TAKING AT OUT STATIONS.

Chairman—continued.

5606. With regard to paragraphs 31 and 32, here again I think you are satisfied with the result of the independent stock-taking?—Yes.

5607. (To Mr. Gibson.) This last paragraph refers to your visit to Malta?—I made a special point of looking into the question of R.E. Store accounting when I was at Malta. The results of the independent stock-taking by the local Army Accounts Branch at Malta were very satisfactory in bringing to light the very large discrepancies which existed, and to which attention had been drawn at an earlier period by a query from the Exchequer and Audit Department.

5608. (To Mr. Kempe.) The "administrative action" referred to in the last paragraph here is the action of the Army Accounts Branch?—It resulted from the action of that Branch.

(The Witnesses withdrew.)

Friday, 29 May, 1908.

## MEMBERS PRESENT :

Mr. Ashton.  
Mr. Brigg.  
Sir Daniel Goddard.  
Sir Robert Hobart.  
Mr. Leif Jones.

Sir George Kekewich.  
Mr. McCrae.  
Mr. Mitchell-Thomson.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

## ARMY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM called in; and Examined.

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

## STORE ACCOUNTS OF THE ARMY.

Chairman.

5609. (To Sir Guy Fleetwood-Wilson.) I believe you have some papers to hand in?—Yes, I have to put in two letters, one from the General Officer Commanding in South Africa, and the other our letter in reply in regard to the point referred to in paragraph 17 as to stocktaking adjustments which were believed to be final, but which have been reopened; I should like to be allowed to say that

Chairman—continued.

in these letters you will find an indication from me that I am very anxious that anything that my Accounting Officers do should in no way relieve Departmental Officers who are in charge of the stores, and who have to take stock, of any responsibility which attaches to Military Officers. I think mine ought to be a purely critical attitude, and not more than that; and I hope that attitude will meet

29 May, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1906-7.  
Stores Accounts of the Army—continued.

Chairman—continued.

meet with the approval of the Committee. That is indicated in this correspondence which I will hand in. (*The same was handed in. Vide Appendix.*)

5610. I think you have some further information to give us about stocktakings at the Royal Laboratory?—Yes. You asked me a question last time, on paragraph 28, as to "past stocktakings at the Royal Laboratory not having been entirely exhaustive," which I was unable to answer at the moment, and I should like to give a brief account of the position. Stocktaking of stores in course of various operations in the factory shops, or under inspection and proof, cannot be carried out without stoppage of work. In the case of the earlier stocktakings referred to by the Comptroller and Auditor-General, an attempt was made to carry out a stocktaking of these stores during the one day upon which the factories close at the end of each financial year for determining the value of semi-manufactures, &c., in hand, for the purposes of their annual accounts. Experience proved that this one day did not provide sufficient time in which to accurately ascertain, in sufficient detail for comparison with book balances, the articles in factory possession, but belonging to the Army and Navy respectively. After full investigation of the matter by a Departmental Committee, and conference between representatives of the Departments concerned to settle details, it was decided to take advantage of the fact that the Easter holidays of 1907 extended from the 29th March to 1st April inclusive, to make a full and complete stocktaking during that cessation of work. Additional stocktakers were employed by the Ordnance Factories, and a large number of men were lent for the occasion by the Army Ordnance Department, with the result that a fairly comprehensive stocktaking was made, without causing dislocation of work or abnormal expense.

5611. I believe you also wish to give some further information in regard to a question that was put to you about the storekeeping staff of the Royal Engineers?—Yes; some questions were put to me at the last sitting as to the storekeeping staff of the Royal Engineers, and where the charge for them would be found in the Estimates, and I think, perhaps, it would be for the assistance of the Committee to know exactly how the matter stands, what duties will devolve upon the staff and what it is composed of, as well as where the charges are to be found in the Estimates; and perhaps I might supplement my answers by saying that the necessity for improving the store accounting for works services, has led to the creation of one general establishment for engineer store duties composed largely of men of experience and of a status adequate to the responsibility involved. The remedy for the unsatisfactory conditions existing, was considered to lie rather in the re-organisation and improvement of staff, than in a revise of the regulations, which are not in themselves

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ARMY APPROPRIATION ACCOUNT, 1906-7.  
Store Accounts of the Army—continued.

Chairman—continued.

inadequate, though these also are being carefully considered. The new scheme is based on the experience gained in dealing with technical stores in the submarine mining service, this branch of engineer storekeeping having been efficiently worked by a special establishment of quartermasters, engineer storekeepers and storemen. The staff set free by the transfer of submarine mining to the Admiralty, together with that retained for defence electric light services, is therefore being enlarged and developed to include the charge of building materials. Under these arrangements, the bulk of the present civilian storekeepers will gradually be replaced by trained military storekeepers. Where such men are not already available from the surplus submarine mining staff, care will be taken to select those who are regarded as best fitted for the duty. The numbers available from the submarine mining and defence electric light services are 19 Quartermasters, six Warrant Officers, 29 Non-Commissioned Officers—54 in all; the additional staff will consist of eight Quartermasters, three Warrant Officers, 14 Non-Commissioned Officers—25 in all, making a total staff of 79. These are all provided as soldiers in Vote 1, the supplementary civilian staff being shown under Sub-head A of Vote 10. Details of the Vote 1 Staff are given at pages 18 and pages 142 to 144 of the Estimates for 1908-9. If the item, "Staff for Colonial Garrisons, Coast Districts and Works Services" on page 18, be compared with the similar item in the Estimates for 1907-8, it will be seen that provision is made for an addition of three Warrant Officers (105 as against 102), 14 Sergeants (585 as against 571), and if the item "Quartermasters" on the same page is compared, it will be seen that provision is made for an addition of nine of these officers (56 as against 57). One of these is for the War Office. The remaining eight, with the extra Warrant Officers and Sergeants, represent the additional storekeeping staff. Similar figures will be found at pages 142 to 144. On page 143, under the column "Storekeepers," are shown nine Sergeant-Majors instead of six (an increase of three Warrant Officers), under the same column are shown 41 Engineer Storekeepers instead of 27 (an increase of 14 Sergeants), and on page 144, under the item "Quartermasters," 49 are provided for, as against 40, the same increase of nine as shown on page 18. The eventual cost of this additional staff will be a net addition of £1,850 to Effective Charges, and an addition of £2,150 to non-effective, together £4,000 a year, to which must be added £2,135 for the submarine mining staff, which would otherwise have been reduced, making £6,135 in all. In arriving at this total, allowance has been made for an eventual saving of about £3,300 to be effected in the cost of civilian storekeepers. The extent of this saving for 1908-9 is put at £1,100, as shown on page 79 of the Estimates under the item, "Civilian Storekeepers."

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5612. (To

29 May, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

MILITARY WORKS ACTS ACCOUNT,  
1906-7.*Chairman.*

5612. (To Mr. *Kempe*.) Paragraphs 1 and 2 of your Report upon this Account are merely historical statement, are they not?—Yes.

*Sir Daniel Goddard.*

5613. (To Sir *Guy Fleetwood-Wilson*.) This does not imply, in any sense, does it, that the works will be done at less cost, but simply that they will be done out of the ordinary Votes, instead of out of the Military Works Loan?—If your question is as to what the paragraph implies, perhaps you would address it to the Comptroller and Auditor-General.

5614. What I am asking is this: The paragraph states that the sum under the Military Works Act has been reduced or restricted, bringing the total down from £20,810,500 to £16,502,323. I do not understand that any part of that reduction is due to the works being carried out at less than the estimated cost, but it simply means that they are to be carried out under the ordinary Army Votes, instead of out of the Military Works Loan?—It does not imply that there is any more economical treatment of the works, it means that either the works will have to be dropped or that they will in future be carried out and charged to Votes.

*Chairman.*

5615. (To Mr. *Kempe*.) Paragraphs 3 and 4 are practically the same thing,—they are merely historical statement, are they not?—Yes, they are merely historical statements.

5616. And the same remark applies to paragraph 5—that states the total of the annuities created under the Military Works Act?—Yes.

*Mr. McCrae.*

5617. (To Mr. *Headlam*.) I would like to ask for what term is this terminable annuity of £41,358 14s. ?—It is for 20 years

## PURCHASE OF LAND.

*Chairman.*

5618. (To Mr. *Kempe*.) Paragraph 6 simply deals with the statement which is given on page 19, does it not?—Yes, the Table on page 19 is given at the request of the Committee. (Sir *Guy Fleetwood Wilson*.) That is the Table which Sir Daniel Goddard wished to have, I think.

*Sir Daniel Goddard.*

5619. (To Sir *Guy Fleetwood-Wilson*.) This statement on page 19 has been modified in accordance with what was stated in the Committee last year?—Yes, we have endeavoured to draw up the Table so as to meet your wishes, as expressed before this Committee.

5620. I observe there are still a good many valuations which are not given?—We only give the valuation, and I think it was agreed at the time that we could only give the valuation where

MILITARY WORKS ACTS ACCOUNT, 1906-7.  
Purchase of Land—continued.*Sir Daniel Goddard*—continued.

the transaction is completed—that it was not advisable to give it in other cases. Where the transaction is complete then we give you the result as set against the valuation. I think that was what was agreed upon, and I think that is now given.

5621. I believe that is in accordance with what was stated last year, but at the same time, taking this case Number 2 as an illustration, I see up to 31st March, 1906, there had been expended £36,115, and there has been expended in the year under discussion £4,551, or a total of £40,667. Is no indication to be given at all as to how much more is necessary to complete it?—When the transaction is completed you will have the total sum that the purchase has cost, and set against it the valuation. That is the point of the Table.

5622. Quite so, but I think it is within my right to ask this question, taking a case like this Number 2 in the Table. I understood last year you were not prepared to state either the place or the seller of the land, in cases where the transaction was still incomplete; but surely we have some right to know whether, in a case like this Number 2, it is very nearly complete, or whether as much again is to be added on to this before it is complete? Will it be completed in the course of this year?—I cannot tell you, I do not know. I can know very little about these purchases of land; they are in the hands of the lawyers and in the hands of the valuers until the purchase is completed. I understood that your point was that you would like to set the final sum which the tax-payer had to pay for the land against the valuation upon which we were induced to embark upon the purchase. That we give you, I hope, in a way which meets your approval, in all cases where the transaction is completed; but where the transaction is in process, I do not know that I could give you very much information.

5623. I am quite willing to admit that the present statement is a great improvement upon the past statement—it is much fuller; but at the same time it leaves us tremendously in the dark. Taking this case Number 2, for example, we know nothing about this land; we do not know what is the valuation of it; it may be £100,000 for aught we know. I am only stating what may be the case; that is so, is it not?—Yes.

5624. Therefore it is impossible for us to criticise it in any way from this statement?—If I might respectfully suggest, would not the proper time for you to criticise it be when the transaction is completed?

5625. When as in this Case No. 2, you had already paid up to the 31st March, 1906, £36,000, and when you have paid in the year under consideration £4,551, surely you have arrived at a time when you know the valuation of the land which you are going to buy?—In many cases we know the valuation before we begin to buy.

5626. Then what can be the objection to putting in the valuation?—The objections were very

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## Purchase of Land—continued.

Sir Daniel Goddard—continued.

very fully stated last year or the year before, when it was discussed before the Committee.

5627. I do not remember that they were?—I stated them in accordance with the instructions I received in having to give the Departmental reasons. There is a correspondence with the Treasury upon the subject which perhaps would help you. It is considered very inadvisable to give too much information in any way with regard to the purchase of land while the transaction is still in process.

5628. I put it to you that in the case of a piece of land like this you must know the limit of it?—When you say “you,” I take it you mean the Department?

5629. I mean the Department. You, of course, are the Accounting Officer. If you do not know it yourself, you have some officer who does know it?—Yes, the War Office would know it.

5630. And you answer for the War Office. You either know it, or you can send somebody here who does know it, who could speak to it?—Certainly.

5631. You must know what that piece of land is going to cost when you have progressed with it so far. It has been going on for two years, if not more. I cannot say how much longer it has been going on, but I do not suppose the £36,000 was paid all in one year. You must therefore know what the limit of valuation is. That being so, who will be injured or hurt by your telling us what the valuation of this land is?—I think it is not unusual, even in ordinary civil life, not to state publicly what you are prepared to give for a piece of land before you buy it.

5632. But you have bought this land?—No, the purchase is not completed.

5633. Do you really mean to suggest to this Committee for a moment that having paid £40,000, you have not bought this piece of land?—I mean to suggest that the whole transaction is not completed.

5634. You surely could not mean to suggest that you have not bought this land, and if you have bought it, what is the object of keeping the Committee in ignorance how much the valuation is? We have no knowledge whether it is £100,000 or £180,000, or whatever it may be?—The purchase is not completed—that is the whole point. The moment the purchase is completed you will get the fullest information; but supposing the piece of land which we require is held by several people, it seems to me a most reasonable thing (I am not the person who has to decide it, but it presents itself to my mind as being a most reasonable thing) that we should not inform the public generally what value we place upon pieces of land which we have not yet purchased, but which we are expecting to purchase.

5635. I cannot carry it further if you will not give any evidence, but I confess these figures do leave a great deal of these transactions in the dark. We admitted last year that you had some

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

## Purchase of Land—continued.

Sir Daniel Goddard—continued.

grounds for not giving the name of the seller of the land, or even of the position of the land?—Would you allow me to interrupt you for one moment to remind you that you have had what I undertook to give you last year. If you raise a new point and want more information it will be my duty to represent your wishes, if the Committee endorse them, to the Secretary of State in Council, and it is not for me to say what the decision will be; but I submit to you that you have had what I understood it to be generally agreed would be sufficient, and what certainly I understood you to ask for last year, as I think you will admit.

5636. I will put my question in another way. You have already expended £40,667 about this piece of land?—Yes.

5637. How much more are you going to spend?—I do not know.

5638. You did answer this question last year when I asked you the question in regard to a piece of land?—That was land as to which the purchase was completed, I think.

5639. I do not think so, but it may perhaps be so. Very well. Then I shall have to take other means of getting the information if you cannot give it to me. Now I wish to ask one question about Item 16 in the Table on page 19. The valuation of that piece of land was £125,250?—That is so.

5640. You have already expended up to the 31st March, 1907, £182,821 19s. 10d.?—That is so.

5641. May I ask concerning that, as the valuation has been already stated, whether there is any further payment to be made on that?—That is complete—that is one of the cases where we have given you the result.

5642. You have spent up to the 31st of March, 1907, a certain amount of money; may I take it that that is complete?—Yes, the figures are as stated in this Table.

5643. I see the explanation given of the enormous increase in the amount paid for the land over the valuation is that you had to resort to compulsory purchase?—Yes, that is indicated in the note.

5644. (To Mr. Headlam.) This had to come before you, I take it?—The War Office informed us in July, 1902, that the original Estimate of £123,000 would have to be exceeded, and that it was possible that a considerable excess would be incurred on resort to arbitration; and the Treasury accepted that. If a resort is made to arbitration, we of course have to abide by the result. The War Office did all they could, by informing us that a considerable excess on the original Estimate would probably be incurred.

5645. Do the Treasury examine into the details of these cases?—Yes, the War Office have to make out a case. They explain the circumstances, and ask the sanction of the Treasury to purchasing so many acres. Their land agent fixes a price, and

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## Purchase of Land—continued.

Sir Daniel Goddard—continued.

and if the Treasury see any reason to object to the price they inquire about it.

5646. Can you give me the reasons why compulsory purchase, which was not originally contemplated, was obliged to be resorted to?—I can give you the reasons put forward by the War Office and accepted by the Treasury. The land was not in one piece to start with, and in several cases the owners, we were told, were without power of sale. That was one reason.

5647. You say they were without power of sale?—I suppose their title was not complete.

5648. How does that affect the question of compulsory purchase?—(Mr. Headlam.) The Treasury accepted the statement that the War Office were advised that compulsory purchase would be necessary. I do not think they went into the origin of the necessity.

5649. But you will observe that the Treasury sanctioned an Estimate for the purchase of this land, which has been exceeded by more than one-third of the original amount?—Yes; we were never given any figure of the amount of the excess; we were merely told that there would be a considerable excess, and the Treasury accepted that.

5650. Then, I take it, the answer to my question, whether the Treasury does go into the details, is in the negative?—I do not think it would be possible to tell what the excess will be if you go to arbitration.

5651. The War Office selects the land to be purchased, I take it?—Yes, for military reasons.

5652. They do not consult you in any way, except that they say they are going to buy a piece of land of which the estimated value is so much?—Yes, they assure us that it is necessary to purchase certain land.

5653. You take their assurance without any investigation, do you?—As I say, we make an investigation to this extent: we examine into it, not from the point of view of experts, but from the point of view which would strike a person buying land; and if the price seems to the Treasury excessive, they note it to the War Office, and ask for further explanations. They do not question the policy or the military necessity.

5654. They would not question the policy whether this was a piece of land which the War Office required?—Certainly not.

5655. Then would you inquire whether the land was a suitable piece of land, and whether the price was excessive?—I do not think we should question the suitability of the land; I do not think we should have grounds for that. The only question would be whether *prima facie* the cost was excessive.

5656. I do not suppose this is the case; but supposing it was a piece of land on Salisbury Plain, would the Treasury say, "The amount you have put down per acre is far too high a price"?—Perhaps they would ask questions.

5657. Do they ever ask questions of that

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

## Purchase of Land—continued.

Sir Daniel Goddard—continued.

sort?—Yes, they would require the War Office to make out a *prima facie* case as to the price.

5658. Then it would appear that, in regard to the purchase of land, the Treasury has very little control over the War Office?—I do not think we could be expected to examine into questions of military necessity. The responsibility for buying the land, or saying that the land is necessary for military purposes, must rest with the War Office.

5659. Yes, I take that to be so. Do you often, or do you ever, object to a purchase of land because you think the price is too high?—I think we have frequently raised queries. If you remember, there was a case in the Army Appropriation Account of the purchase of land at Melton Mowbray for a remount depot. The Treasury asked a large number of questions, and, finally, they were convinced that, although the price seemed excessive, it was so important to have the land in question for the special purposes of the War Office, that it was necessary to buy it at that price.

5660. Do I understand that the increase of over one-third of the value of this particular piece of land is due entirely to the compulsory purchase?—The Treasury has had no details of the actual amount of the increase.

5661. Was the increase due to the arbitration?—We expected there would be an increase due to arbitration; but, as I say, we have had no details as to the actual amount.

5662. Does the Treasury think that an increase of one-third over the valuation is an excessive amount?—I am afraid I can only say that in arbitration cases one can never say what the increase will be.

5663. But you do not know that this was an arbitration case, do you?—It was a case of compulsory purchase. Under the Act, of course, there is power to take land compulsorily, and that involves arbitration.

5664. When you speak of an increase, you mean, I presume, something beyond the 10 per cent. for compulsory purchase under the Lands Clauses Act? I wish to get it quite plain, if you do not mind my asking the question. So far as I gather, you do not know what is the excess amount which has been paid on account of this compulsory purchase—the Treasury has no knowledge of that?—No.

5665. Then I was not far wrong when I suggested that the Treasury has very little control over the War Office in these matters?—Very little direct control.

Chairman.

5666. (To Sir Guy Fleetwood-Wilson.) I should like to ask with regard to the note at the foot of the Table on page 19, "when compulsory powers became necessary the allotment of funds was increased to £200,000," who increased the allotment?—We would increase it.

5667. You

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Purchase of Land—*continued.**Chairman*—*continued.*

5667. You gave an answer to Sir Daniel Goddard just now as to the inadvisability of giving a valuation before the purchase was completed, and I think you said the reason was because in many cases there were several interests, and until you had bought the last interest you could not give a valuation of the whole. I quite follow that. But where there is only one single interest, although no money is paid until the bargain is completed, and in that sense the transaction is not completed, surely when the contract is signed the bargain is completed, and the valuation might be given?—Yes; but the completion of the sale must be the "Signed, sealed, and delivered" proceeding. If there is any loophole by which the seller might get out of it, the transaction would not be complete.

5668. Clearly until the contract is signed, the contract is generally signed on a 10 per cent. payment?—It is inadvisable to make anything public until the transaction is complete.

5669. May I take it that in each of these 17 cases in the Table where there are asterisks where no valuation is given, are cases where there is more than one interest, and it would have been impossible in the public interest even to have stretched the point and to have given the valuation?—No, I should put it in another way; I should say they are cases which are as yet incomplete, and where there are reasons which make it inadvisable to make any public notification as to what the valuation is.

5670. Then may I take it what is done is this: The question has been asked "Is the transaction complete?" and the answer is, "No"; and then the details are not given?—That is so.

5671. But has the question ever been asked, when the answer to the first question has been "No"; but even if it is not complete, is there any reason why a valuation should not be given?—In fact, have you tried to give a valuation, if it be possible; or have you tried not to give a valuation?—No. So far as I am aware we have acted in accordance with what we understood to be the understanding last year, that this Committee would be satisfied to get a valuation when the transaction is completed; and therefore in these cases where the transactions are not completed the valuations, so to speak, automatically do not appear.

5672. You would not object therefore to an amplification of the Committee's request that a valuation should be given in all cases where it would not be detrimental to the public service that it should be given?—I do not think there would be any objection to that. I think that is the basis upon which we have gone, but certainly, I personally see no objection to that.

*Mr. McCrae.*

5673. With regard to Item 9, there is a very large sum, £567,696, of which I see last year you only spent £184. Can you tell me whether that

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Purchase of Land—*continued.**Mr. McCrae*—*continued.*

is nearly complete?—I am told it is nearly complete.

5674. So that we shall have the details before long?—Yes. The Committee will appreciate that the moment you come to the purchase of land, the whole thing is handed over to the lawyers, surveyors and valuers, and it is not possible for me to be in touch with the various steps as to how it is going on. I should be very sorry that the Committee should think that I was holding back anything, or not taking trouble to get information.

5675. One question with regard to Item 16. I notice that you spent £72,952 Gs. in the year under consideration. May I take it that a large proportion of that would be for the final cost in connection with the transaction—would it include all the costs practically?—You will see the costs are given in the Table on page 21, but beyond that I am afraid I cannot answer the question.

## HEAD 1.

## DEFENCE WORKS, COMPENSATION TO CONTRACTORS.

*Chairman.*

5676. (To Mr. Kempe.) As regards paragraph 7, has the Treasury decision there referred to been communicated to you yet?—Yes, Treasury sanction has been given.

## HEAD 2.

## BARRACKS (A) HOME STATIONS.—DEFECTS OF CONSTRUCTION IN CONTRACT BUILDINGS.

*Chairman.*

5677. (To Sir Guy Fleetwood-Wilson.) I imagine the arbitration referred to in paragraph 8 is not completed, and therefore the Committee had better not ask any questions upon that paragraph?—I think that would be best. It is indicated in the Comptroller and Auditor General's paragraph.

5678. We shall be able to deal with it next year, when we may hope the arbitration will have been completed?—Yes.

## INACCURATE MEASUREMENTS.

5679. (To Sir Guy Fleetwood-Wilson.) In paragraph 9 the Comptroller and Auditor-General says that "the circumstances of pressure and the lack of experienced staff which existed" at that time "are unlikely to recur"—can you confirm that?—I think so, because the great pressure was owing to the imperative necessity, as I am informed, of having these buildings ready for the troops as they were withdrawn from South Africa, and undoubtedly things had to be pressed on very fast. It ought not to occur again unless similar pressure after a war occurs again. I should say that the Committee may take it that much greater care will be exercised under normal conditions.

5680. The

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## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Inaccurate Measurements—*continued.**Chairman—continued.*

5680. The bills are satisfactorily dealt with now as regards the technical examination of works?—I think so. I think it will be quite satisfactory.

*Mr. Ashton.*

5681. I suppose the "responsible officials" who are referred to in this paragraph were only temporary officials?—At any rate the officials individually concerned are not at present in the Service—they have all left except one, who is a temporary surveyor's clerk in a very minor position. They do not seem to think that, having regard to his very subordinate position, any further action was necessary.

## DUKE OF YORK SCHOOL.

*Chairman.*

5682. (To Sir Guy Fleetwood-Wilson.) As regards paragraph 10, I gather that the disposal of the site at Chelsea is still under consideration?—Yes, that is so; it is not settled.

*Sir Daniel Goddard.*

5683. The School is to be at Dover?—It is still in London at Chelsea. We are building at Dover.

5684. Has it been finally decided to move the School?—Yes, I believe so. The building is being done by the Office of Works, and we are finding the money out of the loan. That is the present situation. I wanted to raise a Suspense Account, but the Treasury, no doubt, had very good reasons for not agreeing to that. The situation is that the Office of Works are building the School, and we are paying for it out of loan funds.

5685. Has anything been decided about the present site at Chelsea?—Everything was decided. I do not know whether very recently anything may have been done to modify the decision which had been arrived at. The London site has not yet been sold, and it will not be for sale, I suppose, until the new School is ready.

5686. Has it been decided what Department shall take the audit for the sale, when it occurs?—No, the present arrangement is that we are advancing money out of loan funds to meet the cost of the building which is being carried on by the Office of Works, and in regard to which we have no say, and we are eventually to recoup the loan by the proceeds of the sale of the London site.

## NAVAL BASES AND COALING STATIONS.

## FREIGHT AND LOCAL TRANSPORT.

*Chairman.*

5687. (To Mr. Kempe.) Paragraph 11 is merely historical again, is it not?—Yes, it is a summing-up of the expenditure under that head.

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Naval Bases and Coaling Stations—  
Freight and Local Transport—*continued.**Chairman—continued.*

5688. In the last line but one of the first paragraph it states that "the total expenditure amounts to £671,380 4s. 6d."; that means that the total expenditure out of loan amounts to £671,380 4s. 6d.?—Yes. Besides that there is £270,000 spent out of the Votes.

*Mr. McCrae.*

5689. (To Sir Guy Fleetwood-Wilson.) I notice that that expenditure is £413,380 4s. 6d. in excess of the original Estimate—can you tell us how that came about?—It was a decision arrived at subsequently to add the Land Transport Charges.

5690. Was it simply a question of allocation as between Vote and Loan?—No, it was a question of adding the Land Transport charge to it.

5691. To the Loan Account?—Yes.

## SOUTH AFRICA BLOEMFONTEIN (TEMPE) DRAINAGE SCHEME.

*Chairman.*

5692. (To Sir Guy Fleetwood-Wilson.) With regard to paragraph 12, is this drainage work really going to be completed and finished by September, 1908?—It is *hoped* that this work will be connected with the town system by September of this year—1908.

*Mr. Leif Jones.*

5693. Is the War Office contribution of £250 a year, which is referred to in this paragraph, payable in perpetuity?—I think we are liable for it.

5694. Even if there were no military hospital at Bloemfontein, should we still be liable?—I am afraid so.

5695. Who is responsible for that arrangement?—I think the defence, so to speak, for it is that the General Officer Commanding when he embarked on this work (as was, as you know, the case in some other instances) did not and could not foresee the changes of policy in regard to the garrison and the curtailment of the loan.

5696. But in every case there must be changes of military garrisons sooner or later; surely all the arrangements made ought to be conditional?—It is practically the same sort of thing as we had at the Standerton Waterworks.

5697. It is an admitted blunder?—Yes, I think so. It is very much on all fours with the question of the Standerton Waterworks.

5698. In the event of this ceasing to be a military hospital, I suppose some endeavour will be made to compound?—What really happened is that these men were led to believe that they had a perfectly free hand to spend the money that was allotted to South Africa, and they landed us in cases like the Bloemfontein Drainage Works and the Standerton Waterworks, and we are saddled with them.

5699. This



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[Continued.]

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—South Africa Bloemfontein (Tempe)  
Drainage Scheme—*continued.*

Mr. Brigg.

5699. This is only part of the scheme, as I understand?—Yes; this is what applies to the hospital drainage scheme.

5700. The contribution of the War Office, I understand, is to be £250 a year?—It may be as much as £250 a year. We are liable up to that figure.

5701. But I see it is anticipated that there will be a saving of £31 a month; that is £370 a year?—That is an estimated saving. I should not like to pledge myself to it, because we have not yet begun the hospital drainage, and I would not say that I am quite satisfied that we shall get £31 a month.

5702. The contribution is a direct relief to the hospital to that extent?—Yes.

Sir Daniel Goddard.

5703. Is this paid to the local authority, or to the hospital?—The Town Council main drainage scheme draws the contribution.

5704. I suppose it is always possible to arrange for a commutation of it?—I hope so. We thought we had done so in the Standerton case, but it has fallen through.

## SALE OF MAIN BARRACKS, CAPETOWN.

Chairman.

5705. (To Mr. Kempe.) With regard to paragraph 13, has the correspondence referred to there been closed yet?—Yes.

5706. And the loss has been written off?—Yes, the Treasury have agreed to the write off.

Sir George Kekewich.

5707. (To Sir Guy Fleetwood-Wilson.) Was this £334 the whole claim?—In regard to this particular portion it was.

5708. Are there other claims against the same auctioneer?—I do not think so.

5709. This represents the whole loss, does it?—I think so, so far as I know it is so.

5710. Are you taking any steps to trace this man?—The auctioneer has either gone bankrupt or disappeared; there is nothing to be got from him, I understand—in fact, he has disappeared.

5711. When people disappear, surely you put other people upon their track. Is there anybody on the track of this auctioneer or of the sureties?—No, it would be a pure waste of money, I suspect.

5712. You think you would not get anything out of him?—No.

Mr. Brigg.

5713. Have you anything further to report on the loss on the sale of the plot of land which was mentioned in the Report last year. That was 12 months ago, and I understand correspondence is still going on?—I take it you are referring to the case mentioned in the fourth

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## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Sale of Main Barracks, Capetown—*continued.*Mr. Brigg—*continued.*

sub-paragraph. It is a consequential loss of £45. That is now closed, because the Treasury have written off the whole loss.

Mr. Ashton.

5714. Do you know whether any inquiries have been made as to whether this auctioneer was supposed to be a good man when they employed him?—I cannot tell you what special inquiries were made. I have no doubt he was the leading auctioneer of the place.

5715. I want to know whether the War Office has inquired whether any steps had been taken by the people out there to see that they got a good man?—They called for a report on the whole thing. It would be left to the General Officer Commanding to select the man; he would be responsible, and no doubt he would make inquiries.

5716. He would have done that?—He certainly would—I cannot tell you that he actually did, because I do not know; but I have no doubt he would.

CONSTRUCTION OF BRANCH LINE FROM BLOEM-  
FONTEIN TO TEMPE CANTONMENTS.

Chairman.

5717. (To Mr. Kempe.) As regards paragraph 14, apparently the ownership of this land was allowed to lie dormant?—I think it has been settled now by legal opinion that the War Office had no ownership at all.

Mr. McCrae.

5718. (To Sir Guy Fleetwood-Wilson.) I notice that the deficit between the total receipts and the working expenses of this branch line of railway is to be made good by the Army?—That is so.

5719. In 1905 the deficit amounted to £1,420, and in 1906 to £1,654?—Yes.

5720. Then in the next paragraph we are told that the ownership of the land belongs to the Bloemfontein Town Council?—Yes, we think it is so.

5721. So that the War Office has no ownership whatever?—We built the railway.

5722. On land which did not belong to you?—Yes. The railway was built after the war for military reasons. I may inform the Committee that the military officers who have looked into this case with care, are of opinion that we have really saved so much in the transport of goods and stores, by having this railway available, that there is really no loss, but if anything there is rather a credit. I give you that as it is given to me. I think it is quite likely.

5723. What return do we expect for the sum we have handed over?—It is our line still.

5724. On land that does not belong to us?—The ownership of part of the land is in question.

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[Continued.]

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Construction of Branch Line from Bloemfontein to Tempe Cantonments—*continued.*Mr. McCrae—*continued.*

We built the line. I may mention that I brought this up to the Finance Member recently, and his decision was that we should endeavour to get rid of the ownership of the railway itself and steps will no doubt be taken to endeavour to come to arrangements, if possible, with the Central South African Railways.

5725. Is this agreement with regard to making good the deficits a perpetual obligation?—Yes, it might be. It is a sort of debenture stock.

5726. They seem to be very fond of perpetual obligations in South Africa?—I do not know if they were fond of them, but I can assure the Committee that I am not.

Mr. Ashton.

5727. I suppose the railway would cease to be used in case the cantonments came to an end?—Yes.

5728. So that the liability would then cease?—No, we should still be liable to make good their deficit; I take it they would use it for a passenger line, or for their own goods line.

5729. Then this is a similar case to the one we have just had?—Of course in any of these cases where officers, without reference home, embarked on engagements and undertakings on behalf of the War Office, they are bound to lead us into these difficulties.

5730. It is a similar case to the one we had just now?—It is not so bad a case, because we have got an asset here.

Chairman.

5731. Then if it is an asset, could we take up the railway, and take it away?—I should think we could. I should not like to answer that question offhand, because I do not know what the actual terms and conditions are.

5732. We should like to have an answer to that question if you could obtain an answer to it?—I should have to refer out to South Africa, I think, but I will find out all I can about it; I would rather not answer the question at the moment.

Mr. Leif Jones.

5733. This railway was built by you during the war?—After the war.

5734. Who works the railway now?—The Railway Administration; I think they call it now the Central South African Railways Administration. They undertook to work it for us. We were, I believe, working it by the Military Staff.

5735. I understood you to say that there was no loss really upon the railway, because we got a saving in transport?—I said I had been so informed. You cannot prove that, but it is a strong argument put forward that we should have had to spend so much money on other methods of transport if this railway had not been in existence, and therefore we really have not lost on it; I do not pledge myself to that being the case; I only say that that is what has been represented to me.

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Construction of Branch Line from Bloemfontein to Tempe Cantonments—*continued.*Mr. Leif Jones—*continued.*

5736. I suppose you pay to the Railway Administration for all the goods and men transported over this line?—I take it we do.

5737. At special rates?—At military rates. But of course the cost of any sort of transport other than railway would be very, very costly in South Africa.

5738. Then as to the termination of this arrangement, as I understand, you, as it were, lease this line which belongs to you to the Railway Administration?—Practically that is so.

5739. Then I suppose there are arrangements for terminating that lease on notice?—I cannot answer that question straight off; I really do not know.

5740. But this handing over to the Railway Administration was not done during the war, was it?—No, it was done as the next best thing that we could do afterwards. I may say that negotiations are in progress between the Central South African Railways and the local military authorities for a new agreement by which the material would, under certain conditions, become the property of the War Department upon the termination of the agreement. But I think now the idea is to endeavour to carry out the policy which the present Finance Member has adopted, which is, if possible, to get rid of the railway altogether.

Chairman.

5741. You say it becomes the property of the War Office on the termination of the agreement?—Yes, we hope so.

5742. Therefore there is a termination to the agreement?—Yes, to the new agreement that we propose trying to establish.

5743. Will you let us have all the information about it?—Yes, I will put in a memorandum upon it.

Mr. Leif Jones.

5744. Is there not a lease or document leasing this railway?—Yes, there must be. I have not got it with me, and I do not think I have ever seen it. There is an agreement, and perhaps I had better put it in.

Chairman.

5745. Yes, that will be the best thing?—I will put it in at the next sitting.

Mr. Leif Jones.

5746. I take it for granted that if there is any document in existence, there would be some method of terminating?—Yes, there is a terminating clause. I will put in a copy of the agreement, which is really what you want, I understand.

5747. I wanted to ask whether this agreement was made in South Africa, or whether it was referred to the War Office for their decision before it was concluded?—It was made in South Africa.

5748. In

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Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Construction of Branch Line from Bloemfontein to Tempe Cantonments—*continued.*Mr. *Leif Jones*—*continued.*

5748. In the same way as these others to which reference has been made to-day?—It is so.

Mr. *Mitchell-Thomson.*

5749. When you draw up your memorandum you will perhaps direct your attention to exactly what is the liability on us to carry this on?—I do not propose to prepare any memorandum now. I propose to put in the actual agreement, the exact document which constitutes the relations in regard to this line between us and the Railway Administration.

5750. But then I understand you to say that we have some relations or some obligations as regards the public—did I understand you to say that in the event of the cantonments being disused and this line becomes useless for military transport purposes we should still be under some obligation to somebody to carry passengers by it?—No. What I said, or what I intended to say was that so long as this line is going I presume, even if we did not use it, it would be used for a passenger line or for civil goods.

5751. And we should have to pay?—I do not know—that would depend upon whether we would have the right to terminate the agreement and whether we could take away the railway. I cannot answer the question at the moment. The document itself will show that.

Sir *Daniel Goddard.*

5752. Do I understand there is one agreement?—I think so.

5753. You used the expression just now that there was an agreement that we proposed to enter into. You were referring to something fresh then?—We are going now to alter the whole situation, and if possible get rid of the railway. That would necessitate a departure from the old agreement. I think it would be much better for us to get rid of the whole thing if we can on reasonable terms.

5754. The only point was if there are two aspects of the same thing—a memorandum stating the whole position would be much better than having merely the old agreement which you are now apparently trying to get rid of?—I do not think I am prepared to give the Committee anything which is purely problematical as to what may happen, or may not happen. I have informed the Committee that the policy of the Department is now a policy to get rid of the railway altogether; but I do not think it would be of assistance to the Committee to indicate what steps we may try to take to bring about that result.

Mr. *McCrae.*5755. I notice in the first part of the paragraph it is said that the War Office have "recently called upon the General Officer Commanding in South Africa to consider terms for a new agreement with  
B

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Construction of Branch Line from Bloemfontein to Tempe Cantonments—*continued.*Mr. *McCrae*—*continued.*

the Railway Administration"?—Yes, that was the first idea.

5756. "And submit a draft for approval"?—Yes, but we have gone a step further, I think, and instead of a new agreement we would prefer (it would be in the nature of a new agreement in a sense, because it would be a departure from the old one) to get rid of the line altogether. The new agreement will not come in if we could sell the railway at all.

JURISDICTION OF COLONIAL COURTS OF LAW IN  
ARMY CONTRACTS.

Chairman.

5757. (To Sir *Guy Fleetwood-Wilson.*) In regard to paragraph 15, have the King's Regulations now been amended?—I may say that a circular letter has been issued to Commands abroad explaining that, to safeguard the prerogative of the Crown, it is essential that any such case be fully reported to the Army Council, and instructions awaited before any consent to be sued in an official capacity is given.

5758. Have the King's Regulations been amended?—They have been amended in the Army Orders of May, 1908.

Sir *Daniel Goddard.*

5759. This paragraph 15 refers to a contract with a firm at Durban for the supply of drain pipes?—Yes.

5760. He supplied some that were all right, and then the second lot were inferior—not up to sample, I gather?—I think I must tell the Committee quite frankly that this is not a satisfactory case. There are two elements in it. There is, first, the question of the General Officer Commanding, who allowed himself to be made a party in a suit, instead of proceeding by Petition of Right; and the other point is that the contract was not sufficiently satisfactory to put us on sound ground in regard to the goodness or the badness of the pipes.

5761. I quite understand that; but what I was putting was this: The second lot of pipes were found to be inferior to the first lot, and useless, were they not?—If I remember rightly, it was a question of the size rather than the quality—but I am not sure.

5762. Would they not be sent back if they could not be used?—I was not sure whether it was because they were the wrong size, or because they were of the wrong quality; but in any case they were unsuitable.

5763. Does an Officer ever receive authority to waive the Royal Prerogative?—He might receive permission under certain conditions; but the point here is, he did not ask for permission, as he ought to have done.

5764. But I want to get it clear as regards these pipes. Had the War Office no remedy at all  
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Sir GUY D. A. FLEETWOOD-WILSON, K.C.B.

[Continued.]

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Jurisdiction of Colonial Courts of Law  
in Army Contracts—*continued.*Sir *Daniel Goddard*—*continued.*

all against the contractor?—I do not think they had, because I do not think the contract had been sufficiently clearly drawn up.

5765. Were there no specifications?—It was not a sufficiently carefully drawn contract to enable us to go for the contractor.

5766. There was no possibility of going for him on the ground of delay?—No, I do not think so. We are very keen to go for a contractor if we can do so; but sometimes the contracts have not been sufficiently carefully drawn.

Sir *George Kekewich.*

5767. Who is responsible for the contract?—The Officer immediately responsible in this case has been informed “of the grave displeasure of the Army Council,” and he is passed over for promotion by twelve officers; so that he has been very severely dealt with. And the Commanding Royal Engineer has been informed that a note of the occurrence has been made in his confidential record, and the General Officer Commanding has been informed that he should have referred the matter home. So you will see considerable notice has been taken of it.

5768. What would have been his proper course; ought he to have referred the contract home for authority?—No. What is said about his duty to refer it home has reference to his not proceeding by Petition of Right. The contract could have been made as a local contract, and if the man who makes it makes it badly, instead of in accordance with the rules which are laid down, and which he has before him, governing contracts, he must suffer. We do not want everything of that sort referred home.

5769. The Officer out there was, or ought to have been, cognisant of those rules?—Yes. You have proof of what was thought of his conduct in the fact that he has been passed over for promotion by no less than 12 officers, which is a very serious thing for a man.

5770. He had the rules before him, I take it, and could have referred to them?—Yes, he knew what he ought to do, and did not do it.

5771. The rules were there handy—they were part of his stock-in-trade?—Yes.

Mr. *Brigg.*

5772. The King's Regulations, I gather, were not sufficiently definite, and now they have been amended?—As regards the King's Regulations, that relates to the other point as to waiving the Prerogative of the Crown.

Mr. *Leif Jones.*

5773. Was the officer who was responsible for the contract also responsible for returning the pipes to Durban?—Yes, I should think it was the same thing—it was one transaction.

5774. Blunder on blunder appears to have been

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 2—Jurisdiction of Colonial Courts of Law  
in Army Contracts—*continued.*Mr. *Leif Jones*—*continued.*

committed?—It was a bad case, and the punishment is very severe.

## STORES PREMATURELY DEMANDED.

*Chairman.*

5775. (To Sir *Guy Fleetwood-Wilson.*) What action has the Army Council taken in regard to the matter referred to in Paragraph 16?—The loss of £190 4s. 9d. is held by the War Office not to be a real loss, because some of this packing may hold good. But what took place was, that the things were ordered in too great a hurry and there is a loss, no doubt.

5776. Was that again the fault of the General Officer Commanding?—I think it was a case of too much zeal. The work was to proceed, and they wanted to get on quickly and so gave the orders very rapidly.

5777. But was it too much zeal on the part of the General Officer Commanding in South Africa?—Yes, it is excess of zeal, or hurry on the part of the General Officer Commanding, or his Officers, in South Africa. I think it is quite admitted that it was an error.

Mr. *McCrae.*

5778. Apart altogether from the loss in money, it is rather a serious position that, in anticipation of final approval of a scheme, orders are to be given for stores?—I quite agree.

5779. This was not, of course, during the war, because I notice the date is 1905?—No, no question of war pressure arises here at all. I think it was a *bona fide* case of error of judgment—a serious one, no doubt, but I think what often happens is that a man says, “These things have got to come, they will take some time, let us order them at once.” They know there is very often delay in the delivery of things of that sort.

5780. That is the point I wish to clear up. Is it at all a usual occurrence that they take the final permission as granted, and just go on feeling that the work is necessary?—No. I think the Public Accounts Committee would be able to form an opinion upon the matter just as well as I can, but I think, if there is a difficulty it is rather the other way round, that there is so much delay that we do not get on with the building quickly. In this case it was an error in the opposite direction, but I think as a rule it is the other way about—that there is rather delay in ordering than too much anticipation.

Mr. *Brigg.*

5781. I do not wish to go back upon the previous paragraph 15, but might I ask, do you know whether this is the same General Officer Commanding as in paragraph 15?—I should think it would be the same General Officer Commanding, it is in the same year.

Sir *George Kekewich.*

5782. What I understand to be the case here was

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Head 2—Stores Prematurely Demanded—  
*continued.**Sir George Kekewich—continued.*

was, that the General Officer Commanding sent home a demand for drainage stores before he had obtained a sufficient survey on which any estimate of expense could be based. He drew his bow at a venture. Is that it?—No, I do not think that is it.

5783. What were the grounds for supposing that these drainage stores would be sufficient?—I really cannot answer the question. I can only say that the error is admitted. It is impossible for me to explain what passes through the man's mind, or what led him to think that he could do the thing, and that it was advisable to do it on the strength of an order in anticipation of sanction. It is impossible for me to answer the question. No doubt they thought that this scheme would be proceeded with, and I suppose, when they came to look into it more closely, they found it was much more costly than it had presented itself to their minds. You can never tell what you may find, you may find rock.

5784. He might have taken steps to find rock before?—I do not know that it was so in this case. I merely give that as an instance of what happens sometimes.

5785. You call it an error of judgment?—I am speaking of the action of somebody else, and I do not like to use strong terms in speaking of other people's action.

5786. The phrase covers a great many things. I hardly like to suggest that you should use the term, but it was really a gross case of incapacity?—You will hardly expect me to answer that question.

5787. I do not expect you to endorse that?—Everybody is liable to make mistakes.

5788. This was worse than a mistake—it shows great incapacity. Now, I suppose the scheme is at an end altogether?—I think this particular scheme is at an end.

5789. I mean, the scheme to substitute any water-borne system of drainage for a dry earth system of drainage, is at an end, and Middlesburg will have to put up with the dry earth system of drainage?—I cannot tell you how that stands but we are going very cautiously now in view of possible reductions.

5790. But the military authorities have not got other schemes on now, have they?—I do not know. This is two years ago. I cannot say what the drainage schemes are. I really do not know.

## HEAD 3.

## ARTILLERY AND RIFLE RANGES.

## "PURCHASE OF FORESHORE."

*Chairman.*

5791. (To Mr. Kempe.) As I understand this long story, in paragraph 17, it was decided at

MILITARY WORKS ACTS ACCOUNT, 1906-7.  
Head 3—Artillery and Rifle Ranges—"Purchase  
of Foreshore"—*continued.**Chairman—continued.*

last that it would cost more to fight this question of the rights of the owners to the foreshore than to pay the money demanded?—That is practically the view taken by the Office of Woods.

5792. And by the War Office?—Yes, it is the War Office conclusion. (Sir Guy Fleetwood-Wilson) The Office of Woods' attitude, I think, was that it was worth nothing at all—which is stronger.

*Sir Daniel Goddard.*

5793. Is there any reason why the Army Council did not give any answer to the suggestion made by the Treasury Solicitor, that the Commissioners of Woods and Forests should be informed of the fact that the War Office were giving £5,500 for this foreshore, and that if the Commissioners should establish their title, this sum might be saved to the public?—The suggestion of the Treasury Solicitor was, that the Commissioners of Woods and Forests might try to establish their title to this land; but the view of the Commissioners of Woods and Forests was that it was not worth the money. Then the question does arise as to whether we might not have returned to the charge; but we knew that the view of the Commissioners of Woods and Forests was that it was not worth while fighting, and we did not return to the charge, but acted upon the view which they originally held.

*Mr. Mitchell-Thomson.*

5794. Does not that seem to be an extraordinary position: here is the Office of Woods in possession, as I understand the story, of this piece of land for 40 years?—It is only foreshore.

5795. Yes, but they were in undisputed possession of it for 40 years. You were paying them a rent during that time for the use of it?—Yes.

5796. Then do I understand that at the end of that time, the neighbouring owners put in a claim to the land and got paid for it?—Yes, the Office of Woods and Forests were very clear and definite on that; they did not consider they could claim the foreshore. I think where we might possibly have done more would have been to have been more tenacious in pressing the Office of Woods and Forests to prove their title—that is the point.

5797. Do you think that they sufficiently appreciated the value of this piece of ground?—That is the point. I think if we had returned to them, and, if I may use the expression, rubbed it in, they might have taken a different view; instead of which, we were satisfied to act upon their original opinion. If there has been any mistake on our part, that has been it. But we should have had to pay the money in the end in any case; if the Office of Woods had proved their title, we should have had to pay them for it.

5798. What

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## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 3—Artillery and Rifle Ranges—"Purchase of Foreshore"—continued.

Mr. Leif Jones.

5798. What is this land used for now?—It is used for firing over.

5799. Is it exclusively used for Artillery firing—For Artillery firing and there may be rifle ranges. It is used for ranges, at any rate.

5800. It has been rather a costly enterprise from the point of view of the public?—All these questions of ranges involve great cost, and they are getting more difficult every year.

5801. Taking this particular transaction, in 1892 the War Office took these 1,760 acres at a rent of £10 per annum?—Yes, till then.

5802. That arrangement came to an end, and then £265 a year was demanded, which you thought excessive?—Yes.

5803. Why did you think it excessive?—I cannot tell you what actually influenced the decision which was arrived at at that time. It would have been dealt with by the Lands Branch, and no doubt very carefully gone into, and that was the conclusion they came to; but I cannot tell you what the actual reasons were.

5804. Would they not look at it from the point of view of the value which the Service would be obtaining. If you were offered a lease at £265 a year of this land for artillery purposes, you would ask whether you were getting £265 worth a year out of it?—Yes; there may have been a number of collateral questions—whether it was the whole of the land, or whether somebody else had land alongside of it. I should not know exactly as to that.

5805. At any rate, you did think that £265 a year was an excessive sum to pay for it?—Yes; that was in 1892, and I do not know exactly what took place. It was long before my time, but, of course, I quite accept it.

5806. You decided to make by-laws under the Ranges and Military Lands Acts?—Yes.

5807. Did you take advice before making the by-laws?—Yes, I presume so. I do not know if they were so careful in those matters so far back as that, but now we are very careful about making by-laws. I could hardly answer as to what took place then, because it is such a long time back.

5808. Looking at the history of the transaction, do you think that advice was taken?—I think it is very unlikely we should not have done so. It was decided to make by-laws under the Ranges and Military Lands Acts to cover the area in question, and to leave the owners to establish a claim for compensation.

5809. That was done under the advice of your legal advisers?—Yes, no doubt.

5810. Did you consult the Law Officers of the Crown?—We would consult the Treasury Solicitor.

5811. You got a legal opinion from him?—It was on that that we acted, no doubt.

5812. It was thought that the right course was for you to make by-laws under the Ranges and Military Lands Acts, and leave the owners

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 3—Artillery and Rifle Ranges—"Purchase of Foreshore"—continued.

Mr. Leif Jones—continued.

to establish a claim for compensation?—That appears to have been considered the right thing, and it seems to me reasonable.

5813. In 1900, however, the owners, instead of seeking compensation, got an injunction against you?—Yes.

5814. Then you took legal advice?—We are bound to do so. We submitted the case to the Law Officers.

5815. You at once got an opinion that you were in an untenable position?—They said it was doubtful.

5816. They said it was so doubtful that they advised not fighting?—Yes, they very often do advise not fighting.

5817. But still, it is rather odd that in the first instance your legal advisers tell you that you have powers under the Ranges and Military Lands Acts to make by-laws, and to leave the owners to establish a claim for compensation; and then, the moment the owners proceed against you, the same legal authority advises you not to fight?—No, pardon me; in the one case it is the Treasury Solicitor, and in the other case it is the Law Officers of the Crown. There is a very great difference. In the first case we act on the advice of the Treasury Solicitor—that is to say, we almost always do so, and I presume we did in this case—but you will see this is as long ago as 1892, and I really cannot tell you definitely about it; but it is quite possible that you may have a case where your lawyer advises you to do a certain thing, though you are not on absolutely sound ground, but he may not advise you to embark upon a more serious law suit.

5818. Arising out of that there came another dispute in regard to the adjoining foreshore to the extent of 890 acres?—Yes.

5819. For those 890 acres you had been paying £10 a year to the Office of Woods?—Yes.

5820. Then did the Law Officers advise upon that. When the owners of the 1,760 acres raised their claim, did the Law Officers advise that the position of the Office of Woods was not tenable, or how did they advise?—I do not know what they would advise the Office of Woods; they would have their own legal advisers.

5821. At any rate, it was decided not to fight?—Yes.

5822. Then why did you not drop the matter? It was a question of getting land for Artillery purposes. At the earlier stage £265 was considered an excessive payment; and yet now you have spent £17,389 on buying this land—that is the total cost?—Yes; what we really did pay was £15,665.

5823. Taking it at £16,000, that, at 4 per cent., is £640 a year—or at 5 per cent. it is £800 a year. Those are the rents which you are paying for the use of this Artillery ground which you, at an earlier stage, said was not worth £265?—The £265 only applies to the 1,760 acres to begin with.

5824. Yes.

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[Continued.]

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

Head 3—Artillery and Rifle Ranges—"Purchase  
of Foreshore"—continued.

Mr. Leif Jones—continued.

5824. Yes, that is quite true?—Then I do not know how it may be in this case, but very often you could not compare the value of land in 1892 with the value in 1907.

5825. I do not know this particular range, but does it not occur to you that it might have been a wiser plan to draw back altogether. These people had, surely, no power to compel you to buy the land?—Giving my opinion for what it is worth, I think it is a cheap thing to buy anything rather than to allow your Shoebury Range to be interfered with. It is of the first importance that you should have that range from the military standpoint.

5826. Then why did they say that it was not worth £265 a year?—I presume because they thought they could make better terms; but I cannot tell what actuated the Lands Branch at that time. I have no doubt it was very carefully gone into and put up to the Finance Member at that time.

5827. There seems to have been a want of foresight somewhere, if, at the beginning, when all that knowledge was in the hands of the Department, they said the place was not worth £300 a year; and now you say in your evidence that it is so important that you had to pay practically what the owners demanded?—I am afraid I agree with you.

Mr. McCrae.

5828. Up to the year 1892 the 1,760 acres were leased to the War Office for £10 a year—was that a long lease, do you know?—I do not know at all, but it was probably the remains of a long lease.

5829. It was only when you came to dispute about the increased rent, amounting to £265 for the 1,760 acres, that the owners claimed this other portion, which you had previously been renting from the Commissioners of Woods and Forests. I notice that it being 1892 when you came to an actual agreement you had to pay interest from 1892 to the date when the price was paid—that was going on for 10 years. Do you not think that had the thing been gone into more vigorously at the time instead of being allowed to hang for 10 years you could have got at the question of the ownership of this ground?—I cannot answer that question; it is so long ago—quite beyond my time. But of course, the enormous importance of Artillery Ranges was not nearly so prominent then as it is now. We are getting every day into greater difficulty owing to the longer range of guns and also the great damage to property that very often occurs by the mere firing. In those days, if people had a shadow of a right to a piece of the foreshore, they did not realise what it was worth; but now they do, and they will fight us on every occasion.

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Head 3—Artillery and Rifle Ranges—"Purchase  
of Foreshore"—continued.

Mr. McCrae—continued.

5830. Were these private owners, or was it the Corporation?—I think they were private owners.

5831. Was it more than one owner?—I think it was more than one, but I am speaking from memory.

Mr. Leif Jones.

5832. I wish to ask one more question. You said that the increasing range of guns makes it very important to get ranges?—I said it made it more difficult to get ranges.

5833. Does not that occur to you as a reason why, as far as possible, it should be done by renting, rather than by buying?—No, I do not think so.

5834. Because existing ranges may do very well for the present range of guns; but it may possibly be that in future they may become quite unsuitable?—I would rather not deal with that point; it is not my business. It is a matter for the Master-General of the Ordnance, but I think where you have got facilities for long-range firing you ought to close on the best terms you can, because building goes on everywhere, and the difficulty of getting ranges increases so rapidly that it is better to take a little risk.

5835. Seeing that the range of guns is constantly changing, does it not occur to you that renting ranges may be more economical than buying them, seeing that what is a suitable range to-day may in 30 years' time be very unsuitable?—I would rather not answer that question; it involves so much technical knowledge, both in regard to the question of guns and the necessity for firing, that I would ask to be excused.

## GENERAL.

## LOSSES INCURRED OWING TO CHANGES OF POLICY.

Chairman.

5836. (To Mr. Kempe.) In paragraph 18, you say that you have not the information at your disposal to enable you to carry out the suggestion of giving a table as regards the losses consequent on changes of policy. Do you imagine that you will be in a position next year to do so if the question is asked, or must we finally abandon the idea of getting a table?—I think it will be quite impossible, for the reasons stated in this paragraph, to tabulate figures of this kind. It is possible to find cases where common sense shows that there had been a loss, but you cannot tabulate the exact loss, nor can I find out what uses the War Office may ultimately make of what appears to be an unprofitable purchase.

Sir Daniel Goddard.

5837. The general effect of your paragraph is that it is not possible to prepare a statement showing these losses?—That is so.

5838. In

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MILITARY WORKS ACTS ACCOUNT, 1906-7.  
General—Losses Incurred owing to Changes of  
Policy—continued.

Sir Daniel Goddard—continued.

5838. In regard to Sub-section (2) of your paragraph, you say that the total expenditure to the 31st March, 1897, under Head 1., "Defence Works," amounted to £2,809,617, and you state of your knowledge that certain works amounting to £59,660 will no longer be required; that money is practically lost. Is that all you know that has been lost out of that amount?—That is the whole that we know of, or that we can see in the accounts and papers that have come before us.

5839. Do I gather, then, that what you set out here are those cases which you do know of, and that you do not know of others?—No; these are the most important specimens which have come before us.

5840. You do not think that materials could be found for a full report setting out the aspects of this very serious loss from changes of policy?—I do not think it would be possible. Looking at these cases given here, the figures are not definite; a certain amount of expenditure has taken place, and it has been abandoned, and we do not know how far that expenditure has been turned to use by the War Office. Therefore, you cannot say that it is wasted; it is impossible to tabulate it as so much waste due to a certain policy.

5841. There was a certain portion of this money that was expended on the London defences—something like £160,000, I think?—It is possible that the War Office might be able to give the figures, but it would be impossible for me to tell from the papers.

5842. If such a statement could be compiled, it would be a very valuable paper, would it not?—It would be very interesting.

5843. It might serve as a very useful check against rash policy?—That depends upon the view taken of it by the Government in power at the moment.

Sir George Kekewich.

5844. I suppose most of these losses were inevitable. I mean, for instance, taking the reduction of the South African Garrison, that would be included in the change of policy?—That would be included in the change of policy.

5845. In several of these cases, I suppose, there would be eventually some sale of the buildings or materials, as a set off against the loss?—I should suppose so. I have stated that as one of the possibilities.

5846. That does not come within your knowledge?—I could not set off the gain under some other policy against the loss.

5847. So far as I can gather from this, the loss may be a gross loss and not a net loss. It may be somewhat overstated because the set offs are not set against it?—Yes, in certain instances it would be so, but every instance is a little different. All one can say is, what for instance I have

MILITARY WORKS ACTS ACCOUNT, 1906-7.  
General—Losses Incurred owing to Changes of  
Policy—continued.

Sir George Kekewich—continued.

said in the last paragraph, that the total amount spent out of loan in South Africa is £2,916,470, so that at any rate the loss cannot exceed that.

Mr. Leif Jones.

5848. (To Sir Guy Fleetwood-Wilson.) Do you accept this paragraph as describing the loss which has occurred?—No, I do not accept the paragraph in any sense, because I do not think it deals with a subject which comes within my province. This is a reference to loss incurred by changes of policy, and that does not arise on the accounts.

5849. You would agree, probably, with Mr. Kempe, that a statement of this kind would be very interesting?—I do not quite know what statement Mr. Kempe had in his mind, so I am unable to answer your question.

5850. I think I can point that out to you. If you will look at paragraph 40 of our Second Report of last year, we had a number of cases in which, owing to change of Army policy, heavy losses had been incurred in regard to works, that is to say, that permanent works, costing a large expenditure were not allowed to work out their full effect, but were discarded as useless, and a large amount of loss was, therefore, incurred to the public. I take it you do not dispute that loss of that kind took place, I mean in general?—I do not dispute that change of policy, as a rule, does entail loss.

5851. Quite so. You do not disagree either. I presume, with the suggestion that it would be an interesting thing to know, taking the history of the last 10 years, what the loss has been through changes of policy of this kind?—I do not know that you could, even if you wished it, lay down exactly what the loss would be that arose out of change of policy.

5852. Probably not, but in certain cases you could say what the loss was. For instance, in Sub-section (2) of this paragraph, Mr. Kempe says, "Two cases have come under my notice in which Defence Works, on which expenditure, under the Loans Act, amounting to £59,650 has been incurred, are no longer required, and steps have been taken to dismantle them?"—That is your estimate of the loss.

5853. There is definitely a loss there?—Yes.

5854. It would be rather interesting to know what the loss, say, in any given period, had been through changes of this character?—Very possibly.

5855. I was going to put to you whether you have ever formed any idea of what sort of loss does take place in regard to permanent works through defences, which are held necessary at the time they were put forward, being found in the course of a very few years to be unnecessary?—No, that would involve going through every loss which arose out of every change of policy through successive years. I do not think it is within my province



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[Continued.]

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

General—Losses Incurred owing to Changes of  
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Mr. Leif Jones—continued.

province to note the loss attributable to change of policy by His Majesty's Government.

5856. I dare say not, but it occurs to me it might be very interesting to know it?—You might ask for a return in the House.

5857. You could not tell me at all what percentage of the annual expenditure during the last 10 years has been wasted in this way?—It is not proper for me to admit that there has been waste.

5858. Then I will alter my question, and I will ask whether you can tell me what percentage has been lost in this way?—No, I am not aware that there is any Account that would show that. All the Accounts that I have access to, the Comptroller and Auditor-General has access to, and he has indicated what his view of the situation is in this paragraph. Personally I do not consider that I am called upon to make special Returns to show loss which may, or may not, be attributable to the policy of the Government of the day. It would not come within my province, and I do not think it would be proper for me to do so unless ordered by the House of Commons.

Mr. Ashton.

5859. (To Mr. Headlam.) In Sub-section (2) you will see that a sum of £59,660 is said to have been lost on Defence Works—could you tell me how many years the Loan runs against that work?—It would probably be within the ordinary loan term of 30 years. Works of that kind are nearly always 30 years.

5860. (To Sir Guy Fleetwood-Wilson.) How long ago was it since that Defence Work was undertaken?—They are a number of works.

5861. It is not all one work?—No; I do not know how the figure there is made up.

5862. It would probably be for various periods?—Yes, it might, or it might not be—I really do not know.

5863. Anyhow, we shall be paying this in all probability for many years to come. These works did not exist 50 years ago, I take it. Of course, the Military Works Acts do not go back anything like that; so we shall be paying for many years to come on works that are entirely useless. Then with regard to Sub-section (3), I see the expenditure at Wei-hai-wei out of the Loan amounted to £76,326, would that be upon barracks?—That is not my paragraph, and I do not quite know what figures those represent. Mr. Kempe would probably be able to give you the information.

5864. (To Mr. Kempe.) Can you tell me whether that £76,000 would be in respect of barracks?—It is stated at the end of the paragraph: £23,000 was incurred under Head I.—that is Defence Works—and £53,000 under Head II.—that is Barracks.

5865. I see that these lands and buildings at Wei-hai-wei have been handed over to the Colonial

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## MILITARY WORKS ACTS ACCOUNT, 1906-7.

General—Losses Incurred owing to Changes of  
Policy—continued.

Mr. Ashton—continued.

Office. Are those works being used now, or are they perfectly useless?—I do not know.

5866. (To Sir Guy Fleetwood-Wilson.) I suppose you do not know?—No.

5867. (To Mr. Headlam.) There again, I suppose that money has been raised for 30 years?—Yes, they are loan works, but they are handed over to the Colonial Office on the understanding that, if they are wanted again by the troops, they will be handed back again.

5868. Perhaps you can inform us whether these buildings are being used by the Colonial Office?—Yes, I think they are in use as buildings for the Police Force, and so on.

5869. Then that is not a dead loss. I suppose again, in South Africa, all these Loans for Barracks would be running for 30 years?—Yes, they are all, I think, Military Works Loans. Some of the loans, of course, were earlier than others, and if there was any expenditure in South Africa under the Barracks Act of 1890, the period would be 20 years from that date.

Mr. Mc'rae.

5870. (To Sir Guy Fleetwood-Wilson.) I see in Sub-section (2) of this paragraph the total expenditure to 31st March, 1907, under Head I., "Defence Works," amounted to £2,809,617, and the Comptroller and Auditor-General says he understands "the changes recently adopted in coast defence armaments will affect the utility of a considerable portion of this expenditure." Now, "considerable portion" of an expenditure of £2,800,000 is rather a serious matter. Can you not give us any idea at all as to what portion of that expenditure is owing to change of policy?—No, I am not prepared to answer any questions on losses by changes of policy; that does not come within my province. That is a matter for the Government of the day. The House of Commons has accepted the policy, and the loss involved by that change of policy is not a matter which comes before me at all on the question of account.

5871. But you are the Director of Army Finance, and you, surely, must be aware if any works are now obsolete on which we are still paying an annual annuity?—I am aware of the facts of the case, but I am not prepared to discuss the merits or demerits of a money loss which results purely from a change of policy on the part of the Government of the day.

5872. Then who could give this Committee the real details as to these works which have been abandoned?—As to what brought it about?

5873. No, I only want the actual facts. Certain works are now practically of no use, or their utility has been impaired by change of policy; surely there is someone connected with the Army who can give us that information?—I think that the person primarily concerned in such a decision would be the Secretary of State for the day.

5874. But it is not a question of the decision;

I am

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[Continued.]

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Policy—*continued.*Mr. McCrae—*continued.*

I am not discussing the merits or demerits of the change of policy. What I wish to get at is the financial results of the change of policy. When we, the Committee, have a paragraph like this brought before us, where a considerable loss has been incurred, where expenditure has been made which is evidently now no longer useful owing to change of policy, surely there is some method by which we can arrive at the approximate amount of the loss?—The Comptroller and Auditor-General states that he cannot arrive at the amount, and he has access to all the accounts which I have access to, and possess and control.

5875. But the Comptroller and Auditor-General of course, has only the accounts to go upon; he has not the military knowledge which the War Office has, as to which works are still useful and which are not?—I do not know who could give you the information; I am not in a position to give it.

5876. Can you tell us, then, with regard to Sub-section (4)? I notice that the sum spent in South Africa under the Military Works Act, 1903, for the housing of troops, amounted in all to £3,663,500; are those works of an ornate character?—I do not know at all.

5877. Because it seems to me that that is a very large sum for barracks?—It is undoubtedly a large sum.

5878. There is one other question I would like to ask. I noticed that the hutments at Barberton and Pietersburg cost £10,789 and £20,206 respectively. Those have been abandoned altogether; while, as regards other barracks costing £344,000 and £561,000, the number of troops now in occupation has fallen considerably below that for which accommodation was provided. Can you give us any idea as to the loss incurred there?—It is stated here what the figures are. I do not question those figures.

5879. You accept them?—I accept them as figures which may be correct; but I have no figure to give as an estimate of the loss, and, with great respect, it is not my place to give such an estimate. Any loss that arises from policy it is not for me to assess, and it is not for me to state.

Mr. Leif Jones.

5880. That raises the very point I wanted to put. You say it is no part of your duty to assess the loss that may occur through change of policy; whose duty would it be to assess the loss occurring through change of policy?—I really cannot answer you; I do not know.

5881. I thought it was your duty as Director of Army Finance to advise the Army Council on all matters affecting the Army expenditure?—Certainly.

5882. Then would it not be within your function to advise the Army Council as to what would be the probable cost of a change of policy?—It

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

General—Losses Incurred owing to Changes of  
Policy—*continued.*Mr. Leif Jones—*continued.*

would probably be automatically shown what the loss would be.

5883. So I should have thought, but one of the considerations governing all policy, even the policy of the War Department, is finance, is it not?—I cannot answer that question. It may or may not be. Military considerations may over-ride finance.

5884. At any rate, I may inform you that that is one of the questions which, in determining the policy, the House of Commons has to consider?—That is another thing altogether.

5885. In determining the policy, surely one of the considerations taken into account is the cost or the probable cost?—I am sure the Committee will absolve me of any desire not to answer any question which they may wish me to answer, but I must say quite frankly that the Secretary of State and the Army Council did not consider that the policy on which money has been expended in accordance with the decision of Parliament is subject to review as a matter of account, and, as Accounting Officer, I do not think I have any *locus standi* to take exception to that position.

5886. I was rather upon a different point?—That covers the whole thing, I think.

5887. Under the Order in Council, defining the duty of the Director of Army Finance, it is laid down to be the duty of the Director to advise upon all matters of Army Expenditure, I think I am quoting the very words of the Order in Council?—Certainly.

5888. That being so, when a particular policy is propounded in regard to the Army by the Army Council, would it not be the duty of the Director of Finance to advise as to the probable cost of that policy?—Not if the policy preceded the cost, if I may so put it. The decision is arrived at by the Cabinet, and it is carried out. I may show, or I may not show the cost; circumstances may require certain information to be furnished to the Council, but the policy does not affect the question.

5889. If you are invited by the Army Council to state the probable cost of a given policy, would it not be your duty to do so?—Certainly, if they intimated clearly what that policy was.

5890. And part of the estimated cost of the policy, I presume, would be the added cost of abandoning the former policy?—I do not think I can go into the whole question how to estimate for policy. It is not my duty to estimate for policy unless the Secretary of State asks for it. I do not think anybody could do it if they tried.

5891. May I take it from you that the Army Council, in deciding upon any change of policy, does not consider the financial effect of the change?—No, you may not take that from me—most distinctly not.

Sir Daniel Goddard.

5892. You are taking rather a different view this year from what you took of this question last year?—Yes, I do take a somewhat different view

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## MILITARY WORKS ACTS ACCOUNT, 1906-7.

General—Losses Incurred owing to Changes of  
Policy—*continued.*Sir Daniel Goddard—*continued.*

view. I thought that the question might be raised, and I will say at once that I always unhesitatingly stretch a point to the extreme rather than not answer fully any question put to me by the Committee, but when it comes to a paragraph like this, which is headed rather happily "General," which deals with the loss arising out of the policy of successive Governments, in building for garrisons which they have subsequently withdrawn, then I would most respectfully submit that is beyond me altogether, and if the question is to be debated, it must be debated on the floor of the House. I cannot give information here upon that.

5893. We had similar questions up last year?—Somewhat similar.

5894. We had exactly similar questions in regard to the hutments at East Bulford, and also Infantry Barracks at Tidworth. You did not then take the position that you could not give the information to the Committee as to whether those were used, or to what extent they were used, or whether there was loss or not upon them?—I cannot add to the answer I have already given as to what is guiding my action.

5895. It is a little difficult; these things are brought under the observation of the Committee in a perfectly proper way by the Comptroller and Auditor-General, at the request of the Committee, and it is perfectly clear that, if the Committee is to form any opinion on the question, it must have some witness of whom it can ask the question. You are the highest authority on Army Finance that we have before us. I want to know how is this Committee to perform its duty, which is to examine into the Reports of the Comptroller and Auditor-General, if you refuse to give answers?—With the greatest possible respect, I decline to discuss the loss which is purely attributable to changes of policy on the part of successive Ministers or Governments, because I do not think it is proper for me to do so.

5896. That is how it is stated in this paragraph; but when it comes to a question of fact as to whether there has been a loss, or not, that does not necessarily involve a discussion of the policy which led to the loss?—I am afraid I do not agree with you on that point.

5897. You take up the position that there is nobody whom we could call here before this Committee, who could give us information upon these losses that are reported by the Comptroller and Auditor-General?—I presume the successive Secretaries of State—the present and the two preceding ones—would be the only people who could give full light upon such a question.

5898. (To Mr. Kempe.) I want to ask you one question with regard to Sub-section (2) of this paragraph, because you are responsible for this statement that the total expenditure to the 31st March, 1907, under Head I., "Defence Works," amounted to £2,809,617, and you give

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## MILITARY WORKS ACTS ACCOUNT, 1906-7.

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Policy—*continued.*Sir Daniel Goddard—*continued.*

expression to the opinion that the changes in Coast Defence Armaments "will affect the utility of a considerable portion of this expenditure"?—Yes.

5899. Then there is a further statement in that paragraph referring to a sum of £59,650 out of the £2,000,000?—Yes.

5900. Does that cover what you mean by "a considerable portion"?—No, certainly not. The first part of the paragraph is general. I understood from the War Office papers that the policy has been altered and that it would result in a certain loss; but I cannot get the figures, nor can I give them.

5901. I do not want to pledge you to anything of that sort, but I only wanted to know what was in your mind when you expressed the opinion that "a considerable portion of this expenditure" would be useless. Does it mean half?—That is a general statement. I cannot give any figures to back it up. The last part of the paragraph is an illustration.

5902. I understand that this is merely an illustration of some of it?—Yes.

5903. But we must not draw any inferences from it as to what you mean by "a considerable portion." Some people would say that means more than half?—I could not give any definite estimate as to that.

5904. You have no figure in your mind?—No, I had no figure in my mind.

Sir George Kekewich.

5905. (To Sir Guy Fleetwood-Wilson.) Your position, as I understand, is this: In the event of a change of policy you would or would not (you probably would) be applied to by the Government of the day in order to tell them what loss, if any, would be involved by their change of policy. That would be your position to begin with?—You express it quite correctly.

5906. It would be entirely within your duty to give them that information, and you would give the best information in your power?—Certainly.

5907. You might say that there would be an enormous loss involved; but whether you did, or not, whatever you said, they adopt a certain change of policy, and the moment they have adopted that change of policy you are not in the smallest degree responsible for any loss that may be occasioned by that change of policy, they having acted after having obtained information from you?—Yes, or without asking for information from me.

5908. That, I take it, would be the attitude taken up by every Accounting Officer under the Crown?—You have exactly expressed the situation, as I understand it, and as I am endeavouring to act upon it.

5909. You would say, I presume, that that would be the position that would be taken up by

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Policy—*continued.*Sir George Kekewich—*continued.*

by any Accounting Officer in the case of a change of policy affecting his own particular department?—Certainly.

5910. Now, going a little further, do you think that that view prevents you from telling the Committee whether there has been any loss or not, because that is a question of fact and not of policy. What I mean is this: I do not quite understand why the first view which you take, and with which I entirely agree, should render it necessary for you to refuse to furnish any information to the Committee upon this question.

What you have said to the Committee is: I am not responsible and I therefore will not furnish you with any information. If you want any information you must get it by moving for a return, or something of that sort?—Quite so.

5911. But I do not understand why the one view depends upon the other. Why should you not tell us (if you know it) what the loss was?—I think I have indicated that my reason is that the Secretary of State and the Army Council do not consider that money loss that arises out of the policy, that money having been voted and expended in accordance with the decision of Parliament, is subject to review as a matter of account, and therefore I am not in a position from the standpoint of Accounting Officer (nor am I in possession of the information) to discuss the question at all.

5912. That is to say, it arises directly out of the proceedings of Parliament; Parliament has definitely sanctioned the policy, you would say, with the knowledge or with the power of procuring the knowledge if they did not get it, that a certain loss was going to be incurred?—Certainly.

5913. And there is an end on the matter?—Certainly; that is certainly the attitude, which, with great respect, I venture to take before this Committee.

Mr. Leif Jones.

5914. (To Mr. Kempe.) You say in this paragraph: "I regret, however, that the information at my disposal has not enabled me to carry out the suggestion." May I ask what answer you got from the War Office when you applied to them with a view to get this statement which

## MILITARY WORKS ACTS ACCOUNT, 1906-7.

General—Losses Incurred owing to Changes of  
Policy—*continued.*Mr. Leif Jones—*continued.*

we asked for?—I had practically the answer which Sir Guy Fleetwood-Wilson has given.

5915. Might we have the exact words of the War Office answer?—I will read it: "It is understood that this inquiry has reference to alleged losses owing to changes of policy. The Army Council do not consider that the policy under which money has been expended in accordance with a decision of Parliament is subject to review as matter of account."

Chairman.

5916. (To Sir Guy Fleetwood-Wilson.) On that I must ask this question: There is a fort, for instance, on the hills near Reigate; the money was expended for that fort—I do not know what the amount was, but we will say £10,000—as part of the defences of London; that fort has been abandoned, the site has been sold, and there has been a loss. Do you take up the attitude that the question of what the amount of the loss was on that transaction is a question that this Committee has no right to ask, because it is in consequence of a change of policy?—In an individual case like that I should, as I have done before, tell the Committee that the thing cost so much, that it is now sold, and that the difference is so much. But that is a very different thing from embarking on a general review of the whole situation as the outcome of policy.

Chairman.

5917. (To Mr. Kempe.) I gather from paragraph 19 that the Connelmore Brickfields have now been closed, and 3½ million bricks are left for disposal?—Yes.

Mr. Ashton.

5918. (To Sir Guy Fleetwood-Wilson.) Do you know how it was that they went on making bricks in this way, without having any use for them?—They went on making bricks for services under the Loan, and when the Loan was pulled up and the services discontinued, we had a surplusage of bricks. I had hoped that this matter would never appear again, but now the bricks keep it going.

## CHELSEA HOSPITAL ACCOUNT, 1906-7.

Mr. W. D. HUGHES called in; and Examined.

Chairman.

5919. You are Assistant Secretary of the Royal Hospital, Chelsea?—Yes.

5920. (To Mr. Kempe.) The whole of the three paragraphs of your Report on this Account are

Chairman—*continued.*

merely recording the facts, are they not?—That is all. It is a statement of the state of the Account.

(The Witnesses withdrew.)

Tuesday, 2 June, 1908.

MEMBERS PRESENT :

Mr. Ashton.	Mr. Leif Jones.
Mr. Bowles.	Mr. McCrae.
Mr. Brigg.	Mr. Mitchell-Thomson.
Sir Daniel Goddard.	Mr. Parker.
Sir Robert Hobart.	Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

Mr. JOHN A. KEMPE, C.E., and Mr. M. F. HEADLAM called in ; and Examined.

Sir GUY D. A. FLEETWOOD-WILSON, K.O.B., called in ; and Examined.

*Chairman.*

*Chairman—continued.*

5921. (To Sir Guy Fleetwood Wilson.) I believe you have a Paper to hand in?—Yes, I hand in the Memorandum of Agreement between the Central South African Railways and the General

Officer Commanding in regard to the Tempe Railway. (*The same was handed in. Vide Appendix.*)

ARMY (CLOTHING FACTORY) ANNUAL ACCOUNTS, 1906-7.

Colonel JACKSON called in ; and Examined.

*Chairman.*

*Chairman—continued.*

5922. (To Mr. Kempe.) The first three paragraphs in your Report on the Army Clothing Accounts merely recite the facts?—That is all.

the Suspense item for machinery in the Capital Account is being carried out?—Yes.

5923. The facts are satisfactory, I gather; the increase of the out-turn is considerable?—That is so.

SEMI-MANUFACTURES.

*Mr. Brigg.*

*Mr. Ashton.*

5924. (To Colonel Jackson.) Would you explain what is the meaning of "Indirect Expenditure" as opposed to "Direct Expenditure" in this Account?—The Indirect Expenditure includes every charge against the Factory except wages which can be traced directly to a garment—for instance, the sewer of a garment and the machinist working on a garment or the cutter are direct charges; practically everything else would be indirect.

5927. (To Colonel Jackson.) Are you increasing the number of these semi-manufactures in proportion to the entire manufactures?—No, they are really decreasing.

5928. Then may I take it you do not find it profitable to carry out these semi-manufactures?—We do not work for profit.

5929. May I take it that you do not find it desirable or in the interest of economy to increase the quantity of semi-manufactured clothing?—We are in the hands of the requirements—we cannot choose our own work.

5925. You mean, for instance, such charges as running the machine?—Yes, and fuel, heating and warming, and so on.

5930. There is some kind of clothing which you are obliged to buy in a semi-manufactured state, and other cases in which you manufacture the whole article?—Quite so.

MACHINERY FOR ELECTRIC SUPPLY.

*Chairman.*

5926. (To Mr. Kempe.) I gather that your suggestion as to the advisability of clearing up

5931. I want to know whether or not you find it desirable to buy in a semi-manufactured state or to manufacture the whole article yourselves, so far as the garments go?—It is more profitable to purchase by contract.

5932. That

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[Continued.]

ARMY (CLOTHING FACTORY) ANNUAL ACCOUNTS,  
1906-7.Semi-Manufactures—*continued.*Mr. *Brigg*—*continued.*

5932. That is to purchase in a semi-manufactured condition, do you mean?—No, in the complete condition.

5933. Then may I take it that it is more profitable or more economical to buy the article completely made than it is to make it yourself?—As a rule, yes. There are certain articles that are largely made by the trade. The articles of clothing which are made by the trade are principally, I will not call them slop work, but the lower classes of work, such as service dress clothing, canvas clothing and a certain proportion of great coats; the larger proportion of those garments are made by the trade. But as regards the higher class work, the full dress and so on, that is almost entirely made by the Factory.

5934. Could not that be supplied in the same way as the lower class clothing?—No, we have found by experience that we cannot get it satisfactorily done outside.

5935. Then there are certain classes of work supplied by the trade, and other articles which you make entirely yourselves?—Quite so.

Mr. *Ashton.*

5936. Arising out of that question I should like to ask, is it the policy of the Clothing Factory to make as little as they can and to get as much done by contract as they can?—No, the policy to-day is that the larger portion of the bulk work, the lower-class work, goes to the trade, and in the case of the higher-class work, it is retained in the factory. We cannot get it satisfactorily done outside.

5937. I suppose you have nothing to do with the contracts that are given outside?—Not beyond asking for them to be placed.

5938. Is the policy to give as much work out of the Factory as you can, and do as little as you can in the Factory?—No, the Factory is kept to a standard; the existence of a Factory is essential, and it has to be kept up to a certain standard, so that you can arrange for expansion during war time. You require to keep the trade fed very largely, so that they may expand, and you require to keep the Factory going, so that they may expand.

5939. For the lower class of work, cannot you always get enough by contract at any time?—It would be a very serious thing to have to depend entirely upon the trade.

5940. Even for the lower-class articles?—Yes.

Mr. *Brigg.*

5941. May I ask, is any part of the Factory in regard to making the clothes which you consider you can make best run on charitable lines?—Perhaps the Honourable Member is referring to shirts. The shirts are made almost entirely by an association called the Soldiers' Needlework Association—that means that the shirts are cut out and sent out to the different garrisons, and they are

ARMY (CLOTHING FACTORY) ANNUAL ACCOUNTS,  
1906-7.Semi-Manufactures—*continued.*Mr. *Brigg*—*continued.*

made up by the soldiers' families, and returned to us or retained for use there, as the case may be.

5942. So that you may call that practically charitable employment?—It is practically charitable employment in the sense that it costs rather more than if they were done by contract—it comes to about 1½d. more.

5943. I was not asking as to the question of amount, but as to the principle whether you made your clothes at all on charitable lines?—It is confined to shirts.

Mr. *McCrae.*

5944. On page 4 in the Capital Account, I see "By Balance Account: for Capital on the 31st March, 1907, Machinery including Electric Light Installation, £7,706." Can you say how much of that is due to the electric light installation?—The larger proportion of it would be.

5945. Is that the installation which is now to be given up?—It has been given up. You see we used it to manufacture our own electricity, and that was abandoned—we get it now entirely from companies outside.

5946. So I suppose you will require to scrap the greater part of the machinery?—Quite so, at a loss.

5947. So that your Capital Account would be very much reduced?—I am glad to say that I have learnt only to-day that the loss is not so great as one anticipated.

Sir *Robert Hobart.*

5948. May I ask whether the clothing made up at the Factories is confined entirely to the regular forces?—The late Militia are included.

5949. And the new Territorial Forces?—No; practically we do nothing for them. The position is that we can cut out material for them, but not make up the garments.

5950. You are ready to do the work for them?—In my opinion, yes, but there are many reasons against it. As far as the Factory is concerned, the Factory could not make it up; but dividing it between the Factory and the contract, I should say, yes.

Mr. *Brigg.*

5951. I see some of these articles are partially made—for instance, under the Royal Engineers there are a number of pea-jackets made, and there are certain pea-jackets without buttons; does the question of charitable employment come in there at all?—No.

5952. Those are simply sent out without buttons, are they?—Yes, the buttons would be transferred from the old garments. There are several other cases of the same kind.

5953. That has nothing to do with the charity question at all?—No.

5954. What

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[Continued.]

ARMY (CLOTHING FACTORY) ANNUAL ACCOUNTS,  
1906-7.

Semi-Manufactures—continued.

Sir Daniel Goddard.

5954. What is meant by the item "Machinery in Suspense" in this account?—That is machinery, dynamos and so on, in connection with the electric installation which has been abolished, and is awaiting disposal practically.

5955. That means that a Suspense Account is opened until you have got some realisation?—Yes, until it is realised.

5956. Does this mean that during the year you have done nothing with that Suspense Account?—I personally have not the doing of it, but as a matter of fact, I have learnt to-day that it has been settled.

5957. I notice from the account on page 4 that on the 1st of April, 1906, you had the same amount as you have on 31st March, 1907, as regards machinery in suspense?—Yes, that means that nothing has been done during the year, or at any rate, no result had been achieved.

5958. The machinery is still unsold?—It was.

5959. Has it been sold since?—I have heard to-day that it has been adjusted. I received the amount.

Chairman.

5960. Who could tell us about that question—

ARMY (CLOTHING FACTORY) ANNUAL ACCOUNTS,  
1906-7.

Semi-Manufactures—continued.

Chairman—continued.

you say that the disposal of the machinery is not within your province? Within whose province would it be?—It would be the Superintendent of Building Works at Woolwich.

Sir Daniel Goddard.

5961. Does your knowledge go sufficiently far to enable you to say what the loss on this machinery is?—£118.

5962. You mean that you made £969 less £118?—I believe so. I have that information verbally. I have not seen the papers yet myself. It was only settled this morning I understand.

Chairman.

5963. I think you said just now in answer to Sir Robert Hobart that you only cut out the garments for the Territorial Force?—Yes.

5964. Is not that new? I thought you used only to supply the material?—Yes, that is new—we could do it for the volunteers before, but the volunteers did not ask us to do it, neither are they asking us to do it now.

(Colonel Jackson withdrew.)

## ARMY (ORDNANCE FACTORIES) APPROPRIATION ACCOUNT, 1906-7.

Mr. H. F. DONALDSON called in; and Examined.

## OUTCOME OF THE APPROPRIATION ACCOUNT.

Chairman.

5965. (To Mr. Kempe.) Paragraph 1 of your Report upon the Ordnance Factories Accounts is merely historical statement is it not?—That is so.

5966. In the last sentence of paragraph 2 you state that the Treasury have indicated that the excess over the £65,000 is payable into the Exchequer during the current financial year, 1907-8, but I believe the Treasury have since altered their opinion upon that point?—Yes, they have modified that. The balance includes £41,000 from the sale of Sparkbrook, which is a transitory receipt, and they have agreed that the money should remain in the Supplies Suspense Account.

Mr. Brigg.

5967. I would like to draw attention to an irregularity in regard to the Explanation of the Appropriations in Aid which you will find on page 2, and particularly to some of the items. For instance, there is an item "Production for Royal Horse Artillery and Royal Field Artillery Re-armament," for which the amount realised was £363,993 which was not estimated for at all—that does not seem quite clear? (Sir Guy Fleetwood

Mr. Brigg—continued.

Wilson.) That will arise on a later paragraph, I think.

5968. It refers to page 2 of the Account, where the details are given of the Estimates for the Appropriations in Aid?—(Mr. Donaldson.) I may say that the Horse and Field Artillery equipment were included, so far as the Estimates there were concerned, in the Production for Army under vote 9 and the "Production for Indian Government." They were not separately shown as estimated. It is included in the first item "Production for Army Vote 9." You will see the amount there is £1,325,000 estimated.

5969. That realised £790,000?—Yes, and then you add to that the £363,993.

5970. You say that we are to add that in, but it does not show it so here?—No, but of course the estimation has to be prepared without full knowledge of what the orders are going to be.

5971. It tells you here that what was realised in regard to the Royal Horse Artillery and the Royal Field Artillery re-armament was £363,993, but that was not estimated for at all as far as I can see?—It was estimated for, but it was included

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[Continued.]

ARMY (ORDNANCE FACTORIES) APPROPRIATION  
ACCOUNT, 1906-7.

Outcome of the Appropriation Account—continued.

Mr. Brigg—continued.

cluded in the general item. It was a continuation service as a matter of fact; it was a work that was already in hand and was being carried on. The greater includes the less in those two items.

5972. I may be dull in apprehending it, but it states here that the production for Army, Vote 9, is estimated at £1,325,000 and that it realised only £790,000, and then the Production for the Royal Horse Artillery and the Royal Field Artillery re-armament is estimated at nothing, and the amount realised is £363,993?—On the Estimation I think it would be quite usual to group the whole of those items together without necessarily earmarking them to the particular sub-heads.

5973. It does not appear to me to be so. I should have thought it would be better to put down the Estimation and the realisation in each case?—It would be difficult to draw the line as to where you should stop, because at the end of the year it may be desirable to show the total cost of a thing like re-armament when that was not apparent at the commencement.

5974. Then I see the last item under this heading, "Appropriations in Aid" is described as "To be transferred from Ordnance Factory Supplies Suspense Account"—that was estimated at £58,000, but nothing is put down under the head of "Realised"—that does not seem to have been carried out?—It was not carried out. That is referred to in the Comptroller and Auditor-General's Report.

Sir Robert Hobart.

5975. Following upon that, I should like to ask you this question: If these two items "Production for Royal Horse Artillery and Royal Field Artillery Rearmament" and "Production for Replacement Orders," which make up the balance, had been brought in in the second line it would have shown it quite clearly, would it not?—That is so.

5976. Is there any particular reason why it was not put so?—If we had been left alone we should have shown the whole of the Horse Artillery and Field Artillery Equipment under "Production for Army, Vote 9." I believe it was the Comptroller and Auditor-General who asked to have it separated in this way. (Sir Guy Fleetwood-Wilson.) That is so.

Mr. Leif Jones.

5977. As I understand the item of £1,325,000 in the Estimate is represented by the realisation under those two heads, £790,000 for general production, and £363,000 for the Royal Horse Artillery and Royal Field Artillery Rearmament?—Yes. (Sir Guy Fleetwood-Wilson.) It takes that £363,000, and also a portion of the £300,000 for India.

5978. (To Mr. Kempe.) Would you explain why the separation was made here in this Account? It was made at my request because it was thought advisable to show them separately. It was quite a special arrangement, and we thought it better to have the receipts shown separately.

ARMY (ORDNANCE FACTORIES) APPROPRIATION  
ACCOUNT, 1906-7.

Outcome of the Appropriation Account—continued.

Mr. Bowles.

5979. (To Mr. Headlam.) I should like to ask you a question in regard to Paragraph 2 of the Report. As I understand from the Account the credit balance remaining on Suspense Account on the 31st March, 1907, was £97,532, being £32,532 in excess of the £65,000 which the Treasury and the Secretary of State had agreed in 1896 it should not exceed?—That is so.

5980. If I correctly understand, the Treasury has now agreed that that surplus of £32,000 should not be paid into the Exchequer, but shall remain in the Account. Could you tell us exactly on what grounds they have done so?—The Treasury Minute of May, 1896, made an exception in cases where the money in excess of the limit of £65,000 is considered to be "merely transitory and unreal and not to arise from receipts for depreciation or a permanent reduction of stock." In the present case as the Committee are aware, the Sparkbrook Factory was sold, and it was paid for by a series of payments extending over several years. The money received from Sparkbrook was to be devoted to certain Capital expenditure. But the payments in respect of the sale of Sparkbrook were not always made in time to be available for payment of the Capital works, i.e., within the financial year. It was accordingly proposed by the War Office (and the Treasury agreed) that £41,000 of the balance of £97,532, which was derived from the sale of Sparkbrook, and perhaps more, should be used during the ensuing year—in other words, it was held that the transaction, though lasting over more than one year, was of a transitory nature; and therefore the Treasury agreed that in those circumstances the conditions of the Treasury Minute of 1896 were fulfilled.

5981. What I was endeavouring to get at was this: On the 31st of March, 1907, the Account showed this credit balance—did the officers then concerned approach the Treasury and say: "Here is this balance?" No surrender, in fact, was made?—Not in excess of the £65,000.

5982. The matter is really held up, so to speak, for the decision of the Treasury, is it?—No, the Treasury agreed that not more than the £65,000 need be surrendered.

5983. You mean the excess above £65,000 need not be surrendered?—That the excess above £65,000 need not be surrendered.

5984. What I wanted to get at was what is the procedure? Supposing at the end of any year this account shows a credit balance exceeding £65,000 that the Treasury has laid down ought in ordinary circumstances to be surrendered?—Yes.

5985. But what happens as I understand, is that instead of the surrender being made automatically, the whole thing is referred to the Treasury for their decision?—In forwarding the Appropriation Account to the Treasury the War Office say that they wish to retain the surplus over £65,000 and they explain their



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Outcome of the Appropriation Account—continued.

Mr. Bowles—continued.

their reasons. The Treasury in this case at first maintained the rule that the money ought to be surrendered, but afterwards they agreed that the War Office had made out their case.

5986. On the ground, as you have said, that it was really, so to speak, an accident that that balance happened to be there at that date?—In the words of the Minute, they considered that the excess was “merely transitory and unreal.”

## SUB-HEAD A.

## ESTABLISHMENTS AND OTHER SUB-HEADS.

Chairman.

5987. (To Mr. Kempe.) With regard to paragraph 3, you have been able to establish substantially the correctness of the various items in this Account, I understand?—Yes.

5988. You have been able to satisfy yourself about that?—Yes. (Sir Guy Fleetwood-Wilson.) I am not in the least questioning the fact of the Audit Office not having got these papers, but I should like to say that our records show distinctly that these papers which are missing had been dispatched.

Mr. McCrae.

5989. Can you tell us why the Comptroller and Auditor-General has not been able to get these vouchers?—No. If I could tell you that I should know where the papers were.

5990. (To Mr. Kempe.) What have you to say upon that point?—They never reached us, so I presume they must have been lost in the post, between the two offices.

5991. The amount for which no vouchers have been forthcoming is stated here to be £99,000; is not that a very large item?—We have satisfied ourselves from the cash books and bank pass books that the charges were correct.

5992. It seems a very large item—was it a large packet of vouchers that was lost?—I cannot say. (Sir Guy Fleetwood-Wilson.) Yes, it would be a big bundle—it was one month's collection of vouchers.

5993. Do you mean to say that they disappeared in the post?—I do not know whether they went by post, or not. I think they would be sent by messenger. Every effort has been made to trace them, but we have not been able to do so.

5994. In the circumstances, who went through the extra labour involved?—We placed, as we always do, all our documents at the disposal of the Comptroller and Auditor-General.

5995. That does not quite meet my question, which is this: Did not this involve considerably more labour on the part of the staff of the Comp-

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ARMY (ORDNANCE FACTORIES) APPROPRIATION  
ACCOUNT, 1906-7.Sub-head A—Establishments and other Sub-heads  
—continued.

Mr. McCrae—continued.

troller and Auditor-General than they would have had if the vouchers had been before them?—That would be a question for him to answer.

5996. (To Mr. Kempe.) Did not the verifying of these Accounts, by means of the cash books and bank pass books, and other local records, involve considerably more labour on the part of your staff than would have been involved if you had had the vouchers?—I think not, because the vouchers would have had to be gone into in detail. We satisfied ourselves generally, that the Accounts were correct, although we had not the separate vouchers.

5997. Am I to take it that as these vouchers were not there, you simply acted as if they had been there?—We saw the pass books at the bank, and so on—the original books.

5998. You must have taken steps which you would not have taken had the vouchers been there?—Yes, we took steps which no doubt were more unusual, but I doubt whether it gave much more trouble.

Sir Robert Hobart.

5999. (To Sir Guy Fleetwood-Wilson.) With regard to these vouchers, is it not a surprising thing that the War Office should lose vouchers, like this?—We did not lose them.

6000. What became of them?—They left our office for their destination, and they did not reach their destination.

6001. They left your office, you say, for what destination?—For the Comptroller and Auditor-General's Office.

6002. And in transit to the Comptroller and Auditor-General's Office they were lost?—In transit they apparently disappeared.

6003. Is there full verification that they left your office?—Yes.

6004. Were they sent through the Post Office?—No; I do not think they were.

6005. They would be sent by one of your office messengers, would they?—Yes, I think so. I think very likely they will turn up yet. We have had cases of that sort.

Mr. Brigg.

6006. You are quite sure, are you, that vouchers were obtained for all these payments?—The Comptroller and Auditor-General is perfectly satisfied of the substantial correctness of the charges, as you will see is stated in this paragraph by reference to the cash books, bank pass books and other local records, and, therefore, he has decided not to report the amounts for disallowance.

6007. Can you form any idea how many vouchers there would be?—It would be a very large bundle—it was a month's vouchers.

6008. It must have required a very large number

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ACCOUNT, 1906-7.Sub-head A—Establishments and other Sub-heads  
—continued.Mr. *Brigg*—continued.

number of payments to make up the amount of £99,000?—It would be 50 or 60 vouchers, I should think.

6009. Whose duty was it to see that the vouchers were obtained?—As you will see from the Report the Comptroller and Auditor-General is satisfied as to the correctness of the charges, even though he did not get the vouchers.

6010. I presume it would involve a great deal more time and money in checking them?—I do not think it would involve very much more time, and certainly I think it would hardly involve any more money. For instance, if you look at your pass-book, you get a very good idea of what your account is, without looking at every cheque. You understand that in this case we have had all the vouchers, and they had been passed through our books.

6011. You did get the receipts?—Yes, in every case.

6012. And then they were lost in bulk?—Yes.

Sir *Daniel Goddard*.

6013. The only point that struck me about this was that these vouchers seem to have covered four separate Sub-heads—would they all be dispatched at the same time?—Yes, one month's Accounts would go together. You must remember that all these had been through our Accounts, and we were satisfied we had the receipts for each payment made. It was only that they were sent over for the examination of the Comptroller and Auditor-General, and they disappeared in transit—at least that is the only explanation. They certainly left us.

6014. It is a very easy way of taking it, to say that they were lost in transit; you gave them to your messenger, and he never delivered them—does not that a little shake your confidence in the method of transit?—No, we contend that we sent them off, and we had no reason to suppose that they did not get there; but, apparently, they did not.

*Chairman*.

6015. On that, I should like to ask, did your messenger get a receipt for these documents?—No.

6016. Ought he not to have got a receipt for them?—No, not for delivery as between Departments.

6017. Will you not substitute a system by which no document is passed on from one Department to another without getting a receipt?—I do not think that is ever done in the case of any of the Departments. It is possible they do keep a note of it. One single letter is often of far more importance than this bundle of papers, and you never get a receipt unless there is some

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ACCOUNT, 1906-7.Sub-head A—Establishments and other Sub-heads  
—continued.*Chairman*—continued.

very serious reason for it. Cabinet communications pass without any receipts being given.

SUB-HEAD D.

## MACHINERY OBTAINED UNDER CONTRACT.

*Chairman*.

6018. (To Mr. *Kempe*.) The question referred to in paragraph 4 is one that we have already dealt with on paragraph 50 of your Report on the Army Appropriation Account?—Yes.

SUB-HEAD E.

## BUILDINGS.

Mr. *McCrae*.

6019. (To Mr. *Donaldson*.) As regards paragraph 5, this under-expenditure on Part I., Building Services, is rather a continuing circumstance, is it not?—I am afraid it is in these large jobs in hand. I hope we are seeing about the end of it now.

6020. The under-expenditure is principally on the Item for buildings for heavy guns?—Yes.

6021. I notice in regard to the buildings for heavy guns, out of an Estimate of £25,000, you were only able to expend £7,200?—That is so. Your question, I presume, is aimed at the cause of that, and I may say it is due to the building requiring very deep pit-sinking, which would have to be sunk before the building could even be started. I spoke on a previous occasion about the difficulties in regard to the foundations. In this case we had holes in the ground cast iron lined 30, 70 and 100 feet deep, and until those were done we could not start upon the other work at all.

6022. Does that mean increased cost in estimating, or only delay in carrying out the work?—I cannot answer that question definitely, because we have already had a claim in, which is under consideration for the extra difficulty in pumping. At the present moment, I think, we are inclined to resist it, because my own impression is that it is covered by the terms of the specification and the conditions of the contract. I am afraid I cannot give you a definite answer to that at present.

6023. Up to the present time have you been able to make any progress, or any considerable progress?—Yes, the pits are sunk there, the foundations are in, and I hope the erection of the steel work upon these foundations will be commenced within the next few weeks.

Mr. *Mitchell-Thomson*.

6024. Is the sinking of these pits a costly business?—Yes; they are 12 to 38 feet across. It is really like a Twopenny Tube sunk down there; it is very much the same sort of construction.

6025. Will

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Sub-head E—Buildings—continued.

Mr. Mitchell-Thomson—continued.

6025. Will it mean an eventual increase upon the original Estimate?—If the contractor wins his contention, I think it will. It will not be an increase in the original Estimate unless extras are paid to the contractor for the work he has done.

6026. That is in dispute at present?—That is in dispute at present.

Sir Daniel Goddard.

6027. Under this sub-head there is the item "Extension of the Central Power Station?"—Yes.

6028. The original Estimate for that was £13,500?—I think the original Estimate was about £118,000.

6029. No. I think you will find the original Estimate was £13,500; then, in 1905, it was increased to £33,847?—I thought you were speaking of the total Estimate.

6030. I am speaking of the original Estimate?—You mean the original Estimate for this part of the Central Power Station?

6031. Yes. It was £13,500, and then it was increased by Treasury sanction to £33,847 in 1905—was not that so?—I cannot carry in my mind the figure of £13,500. I thought it was more than that.

6032. Then, in 1907, the War Office asked permission to increase the Estimate again to £44,000?—That is so.

6033. That is more than three times the original Estimate?—I am not quite clear about the original Estimate.

6034. They increased it to £44,000 in 1907?—That did not include the work that was ultimately undertaken.

6035. You mean the £44,000 included things that were not included in the £13,500?—Yes.

6036. Precisely; but my point is that this Estimate of £13,500 was before Parliament, and the other increases were done without coming before Parliament, but with the sanction of the Treasury?—I think they had been voted year by year.

6037. It was increased in 1905 to £33,847. (To Mr. Headlam.) Can you tell us how it was?—It is as stated by you.

6038. (To Mr. Donaldson.) I think you will find that is so. It was increased in 1905 to £33,847 by Treasury sanction?—By Treasury sanction, but it was then subsequently voted.

6039. Then the next increase in 1907 was also done by Treasury sanction—the Estimate was increased to £44,000?—I am afraid you will think that I have got foundations upon the brain, but I must refer back to the foundations there. There were enormous difficulties in regard to the foundations.

6040. I am not disputing that there may have been good cause for the increase—what I am concerned with is the methods of finance, which show that this original Estimate has been increased to three times its original extent, not by Vote of Par-

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ACCOUNT, 1906-7.

Sub-head E—Buildings—continued.

Sir Daniel Goddard—continued.

liament but by the sanction of the Treasury. That is the point I am trying to make clear. (To Mr. Headlam.) Is not that so?—In 1905 the extension was authorised in connection with the Estimates. The case was made out to the Treasury at the time the Estimates were sent to the Treasury. The increase was granted when the Estimates were authorised by the Treasury for presentation to Parliament.

6041. Are you quite sure of that. I think you will find that the sanction of the increase was in between?—In 1905, what the War Office said was, "It will be seen that the total Estimate for the extension of the Central Power Station has been increased by £20,000 in the Estimates." It was therefore put in the Estimates by Treasury authority.

6042. (To Mr. Donaldson.) Of this £44,000, £29,835 has been expended up to the end of March, 1907—what is the reason that you have not been able to expend more?—It has been due to a good many causes—primarily to the foundations and other alterations that had to be made; extra expense in the foundations themselves; want of knowledge of what our forefathers had done on that site; and meeting with sewage, and pipe difficulties requiring very costly rearrangement and relaying.

6043. Were you responsible for this expenditure?—Certainly in the eyes of this Committee and the War Office.

6044. In making out your Estimate, were all precautions taken?—With all the knowledge that we then had before us, yes. If I had made a very large allowance of 50 per cent., we will say, for contingencies and foundations, that would have been all wrong, would it not?

6045. Yes; but what is in my mind is this: you were responsible for the work?—Certainly.

6046. Then were no steps taken beforehand to see what the foundations were likely to be there or what they would cost?—Yes.

6047. Were no tests made of the soil, and no borings, or anything of that sort?—Yes, but they would not have met the difficulties that we had to meet, because they were local.

6048. But you say there was sewage, for instance?—They were old sewage tracks and culverts.

6049. But you would have found that out if you had bored, would you not?—If the borings had happened to hit them, but not otherwise. They were not a network over the whole foundations.

6050. Do you really say that this increase in the Estimate is entirely due to these difficulties, which were unforeseen, in the foundations?—I say they were largely due, not entirely.

6051. Very generally due to that?—Yes.

6052. And you say they could not have been avoided by a greater examination and care when the Estimates were prepared?—I think I would safely say yes to that right up to the hilt.

6053. Of course it is an easy thing for the War Office

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Office if they can always get the Treasury to give their sanction to more expenditure, but it would be very difficult for a private individual to carry on business in that way. Now £44,000 is the latest Estimate, is it not?—The 1908-9 estimate stands at £47,750.

6054. Is that a final one?—I am not quite sure; I hope it is.

6055. How far has the work progressed now, because this is a year ago?—I do not think there will be any more than that.

6056. Are the foundations now complete?—The foundations are complete.

6057. Then you have got over all that difficulty?—Yes; but I have not got all the structure up—I have not got all the boilers in.

6058. There is nothing there to increase the Estimate, is there? That is all well defined expenditure, is it not—as regards boilers and that kind of thing?—Yes; but you are pinning me down to a definite answer as to whether there is generally to be any extra expenditure, and all I can say is, I hope not, and I think not.

6059. You think the £44,000 will cover the completion of it?—The present figure is £47,750, and I can only hope that that will suffice.

## SUB-HEAD H.

## APPROPRIATIONS-IN-AID.

Chairman.

6060. (To Mr. Kempe.) The first part of paragraph 6 of your Report refers to the Sparkbrook Factory, which we have already dealt with?—Yes.

6061. The last sentence of the paragraph mentions a provision for the allocation to the Birmingham Small Arms Company, under the usual contract conditions, of a certain proportion of the orders for short Lee Enfield rifles placed by the War Office. It is in the discretion of the War Office to give those orders if they like; there is no agreement with the Company that they are to have the work given to them, is there?—That is a question which perhaps you would put to the War Office.

6062. (To Sir Guy Fleetwood-Wilson.) There is no agreement, is there, with this new company that they are to have work given to them?—I believe the agreement is that they are to have a quarter of whatever allotment is made to the trade.

6063. But there is no agreement that they are to have the allocation of any particular quantity?—No, they are to have their share with other companies to the extent of a quarter of any orders which we put outside.

6064. They get no advantage in the price, or anything of that sort, because of their having purchased the factory?—No, I do not think so.

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Sir Robert Hobart.

6065. How long has this agreement to run?—I think it was three years from the date of the purchase. I see it is stated in the last line of the paragraph to be for three years.

Mr. Leif Jones.

6066. (To Mr. Donaldson.) What is going to be done instead of the Sparkbrook Factory? You kept the money for the purpose of spending it, I understand? Are you replacing part of the factory?—We did not require the Sparkbrook Factory.

6067. May I take it that it is a permanent reduction, therefore, of the stock?—It is an abolition of the factory.

6068. And you are not going to replace it?—No.

6069. Then I should like to put this question to the Treasury, seeing that the War Office tell us that this is a permanent reduction of the stock of the Army?—(Sir Guy Fleetwood-Wilson.) It is a reduction of the manufacturing stock.

6070. I should like to ask the Treasury why they treat it as if it were a transitory and unreal expansion beyond the £65,000 limit, seeing the words used by Sir Guy Fleetwood-Wilson that this is a permanent reduction?—I should like it to be clearly understood what I mean when I say that the abolition of Sparkbrook as a Government factory is permanent. We have parted with it altogether.

6071. That is to say, you are not going to spend for this purpose the £110,000 which you received?—(Mr. Headlam.) The money received from Sparkbrook is to be used for a transitory purpose—to certain specified extra work, and I do not think the Treasury held that the fact that the total production of the work of the Army (which, I take it, is your point) was decreased.

6072. The assets are being reduced?—The productive power of the factory.

6073. May I ask you how you interpret these words in the Treasury Minute: "If at the end of any financial year the credit balance on the account exceeds £65,000, the excess shall be paid into the Exchequer, unless it can be shown to be merely transitory and unreal and not to arise from receipts for depreciation or a permanent reduction of stock?" I submit that in this case it did arise from a permanent reduction of stock, did it not?—I do not think the Treasury took that view. (Mr. Donaldson.) As a matter of fact, the money which was set free by the sale of the Sparkbrook Factory was immediately sunk in this work for the big guns, and therefore there was no reduction in the productive power.

6074. Is not that rather getting round this provision; would it not enable you to divert any large capital sum? Supposing, for instance, you decided without any consent or the knowledge of Parliament to close Woolwich, we will say, would you then be able to dispose of that large sum

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Mr. Leif Jones—continued.

sum on other works?—I do not think you could possibly close Woolwich without the House of Commons hearing of it very quickly.

6075. No doubt that is true; but the principle would seem to apply?—(Sir Guy Fleetwood-Wilson.) We could not do it without Treasury sanction.

6076. (To Mr. Headlam.) Am I to take it that the Treasury hold that it is open to a Department to dispose of any of their assets to any extent, and to get the sanction of the Treasury to the employment of those assets for any purpose that might seem good to the Department?—I think the Treasury would not agree to that; the Treasury would say that this is a very special and exceptional case; it is not very often that a Government factory is disposed of in this way. The capital expenditure being vouched as necessary, it was considered permissible to use this money for this purpose in order to avoid taking a substantive Vote, for one reason.

6077. I quite see that; but what I do not see is in what way it was a special case. It seems to me to be the very case contemplated by the Treasury Minute which we are dealing with. In what way is it a special case?—I should have said it was distinctly transitory. It is one particular case which does not recur. It is not as if there were factories sold every year. But I am afraid I cannot give you any more explanation than that.

6078. With all these explanations it does seem to me that there has occurred a permanent reduction of the stock. Is not that so?—(Mr. Donaldson.) No, that is not so. In this case, Sparkbrook being a rifle manufactory, Enfield has been enlarged to give us an equivalent output at Enfield. That cost a certain amount of money. The balance of the money was sunk in other Ordnance factories work.

6079. Then there is no diminution of the assets, so to speak?—Absolutely none.

Mr. Bowles.

6080. (To Mr. Headlam.) As I understand, the object, or, at any rate, the action of the Treasury in this matter has been to enable works of a large character to be carried out and considerable expenditure incurred which otherwise would have had to be put upon a substantive Vote?—They were not started; they were continuation work, I understand.

6081. They had already been started, had they?—Yes.

6082. But money is set free by decision of the Treasury which would otherwise have had to be provided by substantive votes of Parliament, presumably?—I think so.

6083. I want to understand exactly what the Treasury view is of the word "transitory" in this connection. After all, any balance upon a certain day of money which has to be expended for any purpose whatever is necessarily to a certain

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extent transitory?—Derived from a particular purpose which will not recur is a very fair description, I should imagine, of what was in the mind of the Treasury.

6084. That, of course, would apply really to any excess, would it not, or it might easily be said to be so?—I think you must make a clear distinction between money derived from a sale such as this and other money.

6085. After all, the sale of a certain thing, whether it be a factory or anything, cannot recur. I do not quite understand the distinction. If you say, as the Treasury did say in 1894, this fund ought not to exceed £65,000, that is plain enough; but if you begin to say that it may exceed £65,000 if the excess is only transitory, then I am not quite sure that I understand. I want to get at the principle?—No doubt the Honourable Member is right. The Treasury Minute of 1896 describes why it is necessary to carry over the balance; the balance was fixed at £65,000, and the money was allowed as working capital because this account differs as a whole from other accounts. I imagine the intention was to reserve to the Treasury the power to deal with excesses over £65,000 when they thought the conditions laid down in the Minute were satisfied, and in this special case they allowed the excess. But I do not see how you can generalise from that.

6086. May I take it that the long and short of it is that the Treasury feel themselves perfectly free to deal with any sum in this fund over £65,000 according to their view of the circumstances?—Following the rules laid down in this minute.

6087. Your view was that this large balance derived from the sale of this factory was transitory and unreal. What "unreal" means I do not know; it was there after all, was it not?—No doubt.

Mr. Leif Jones.

6088. (To Sir Guy Fleetwood-Wilson.) Before we leave that point may I ask this question. Did you not contemplate in the estimates of 1906-7 that you were going to sell Sparkbrook Factory?—Yes, and we showed it as an Appropriation-in-Aid in the Estimates laid on the Table of the House. The actual word "Sparkbrook" does not occur there, but the heading of Appropriations-in-Aid, I think, denotes what it was, because it is a novel entry. Personally I think it is a pity we did not put in the word "Sparkbrook."

6089. It is this Item, "Sale of land, buildings and machinery, £60,000," in the Appropriations in Aid—that is the very thing, is it not?—Yes.

6090. So that when Mr. Headlam said that this money was used for this purpose as otherwise they would have had to come to Parliament on a Substantive Vote, the War Office did not act with

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Mr. Leif Jones—continued.

with the result of its not coming before Parliament, for, as a matter of fact, it was apparently shown in the Appropriations in Aid for the year 1906-7?—Yes. I do not think Mr. Headlam meant that there was any desire to avoid informing Parliament by not taking a Substantive Vote. (Mr. Headlam.) Certainly not; it was merely as a matter of account.

6091. (To Mr. Donaldson.) Then, really this expenditure has been made on purposes which were contemplated when the Estimates were laid before Parliament, and were provided for partly out of receipts before Parliament?—Yes.

6092. That makes it perfectly regular?—Yes.

STATEMENT OF INCOMINGS AND OUTGOINGS IN  
RESPECT OF CAPITAL.

Mr. McCrae.

6093. (To Mr. Donaldson.) I notice in paragraph 7, the amount expended on Additions to Capital was less than the Estimate by £71,497. The details are given on page 13?—That is partly accounted for by such an item as has been referred to—large guns, and that sort of thing.

6094. I find that is made up of three different items: "New Buildings" were less than estimated to the extent of £33,582?—Yes.

6095. "Machinery from Contractors" was less than estimated by £35,369?—Yes.

6096. And "Plant made departmentally," £10,137?—Yes.

6097. Those are very large items in one year; and that under-expenditure is on a total Estimate of £270,000?—That is so; they are large figures, but then, we were dealing with large concerns, and the periods over which we had to work, and the time at which we were able to start, had the effect of making it impossible to carry out so much as we expected and hoped.

6098. Have you amended your Estimate for the next year?—Yes, each year. They are continuation services—they are carried on.

## EXPENDITURE IN ANTICIPATION OF VOTE.

Sir Daniel Goddard.

6099. (To Sir Guy Fleetwood-Wilson.) I see in paragraph 8, the Comptroller and Auditor-General refers to the continued irregularity of incurring expenditure in anticipation of the Vote of Parliament. There is a correspondence on this subject with the War Office. I see the War Office write to the Treasury asking permission to begin expenditure on five separate undertakings, I think. The Treasury sanctioned three in the first instance, and then, in reply to a subsequent appeal, they allowed the fourth?—Yes; it is all set out in the correspondence.

6100. (To Mr. Donaldson.) The fifth item, which

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Sir Daniel Goddard—continued.

was not sanctioned, was "Electric Power Distribution Mains at Enfield," was it not?—Yes.

6101. Can you tell me what happens in these cases?—We have to wait until we get authority—that is to say, until the House of Commons passes our Vote.

6102. You have to go on paying salaries, I suppose?—This is new work.

6103. What is the reason for rushing into these Works items?—I do not think they can be said to be rushed into. They are put into the Estimates six months before, and laid on the Table of the House.

6104. You begin to spend money upon them before the Vote is taken?—No, not if they are new work, but only if they are continuation services.

6105. That is what you are asking for?—(Sir Guy Fleetwood-Wilson.) With Treasury sanction, Yes.

6106. (To Mr. Donaldson.) What you are asking for is power to proceed with the works before they are voted by Parliament?—Yes.

6107. That is the point that strikes me. Why should they be rushed into before the Vote is taken?—(Sir Guy Fleetwood-Wilson.) Because, otherwise you would lose the best building part of the year.

6108. Could they not have been foreseen earlier?—They are foreseen. We frame our Estimate, and then we want to begin the work, but the House of Commons has not voted the money.

6109. You frame your Estimate in December?—Yes, and we want to begin the work in the Spring, or early summer. To avoid losing the whole of the summer, the method adopted is to place the case before the Treasury, who consider it, and presumably say: "This is evidently a service the House will vote, and, therefore, you may begin it."

6110. (To Mr. Donaldson.) Taking this particular case, where the Treasury refused to sanction the electric power mains at Enfield, the total grant taken was £2,800, was it not?—Something of that sort.

6111. And I see you managed to spend £2,578 in the year, notwithstanding you did not get Treasury sanction. There was not much delay about that?—No, but we should probably have fairly completed it otherwise.

6112. As a matter of fact, there was no urgency about that, because you could very well spend the money within the time, after the Vote was taken?—Pardon me; in laying electric power mains, it is very important that the work should be done during the light period of the year.

6113. But you have been able to do it in the year, because you spent all but £200 of the total Grant?—We did it in the year, I grant you, but not before the winter.

6114. At any rate, you did it when it was possible

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Sir Daniel Goddard—continued.

possible to do it?—We did not get the full advantage out of it that year.

6115. What I understand the War Office wanted was permission to begin this expenditure of £2,800 before the Vote was taken?—The Vote was taken in August that year.

6116. Even after August, you were able to spend within £200 of the whole amount within the year?—Possibly, but we lost money by not having spent it in the summer, during the ensuing winter.

6117. Do you mean that the £2,800 will not now cover the expense?—I do not mean that. I mean that we had not the use of the mains during the dark period of the year.

6118. I do not know whether I ought to ask you the question, but was this work begun before the Vote was taken?—No.

6119. When you spent so large a sum of money as that, it does occur to one's mind that you must have got to work very quickly, or else you must have got it done in a very little time?—I would remind you that copper was an expensive thing at that time, and, therefore it is not very difficult to spend £2,000 in that work.

6120. Now you are going into another point. You seem now to be suggesting that your Estimate of £2,800 will be exceeded, because of the delay?—No, I am not suggesting that at all. I am merely meeting the point that you put, that £2,000 was a large sum to spend in so short a time.

6121. What I say is this: If you are able to spend £2,600 in eight months out of £2,800 (that is within £200 of the total Estimate), there was surely no necessity to come to the Treasury asking to be allowed to begin this work in March?—We wanted to have the light before the winter.

6122. Are you going to show a loss on it, because of the delay?—I think I could show a loss.

Mr. Brigg.

6123. (To Sir Guy Fleetwood-Wilson.) When this question was before the Committee last year, I think you said that this state of things must continue, and that we might consider it perennial—are you still of the same opinion?—You mean about the Vote being taken late? That is a matter entirely in the hands of the Government and Parliament.

6124. I mean whether you should spend the money in anticipation of the Vote. You told us last year that you thought that was necessary, and must continue?—So long as it pleases the Government and Parliament to take the Vote late, I presume we shall continue beginning the work before the Vote is taken.

6125. Then it is no use our trying to make an alteration?—I cannot make an alteration. It rests with the Government and with Parliament.

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Sir Robert Hobart.

6126. (To Mr. Headlam.) I note when the War Office wrote on the 30th of May, 1906, they asked for these five services which they anticipated, and the Treasury picked out only three; they left out Enfield altogether. May I ask whether that was done after further conference with the War Office?—I think it was done without reference to the War Office.

6127. You took the three first, and you thought that was sufficient?—I think they were picked out on grounds of what appeared to the Treasury to be urgency.

6128. You omitted Enfield altogether?—Yes.

6129. Then there is a further communication from the War Office on the 11th of June, and you gave permission to commence work on the final item, the inspection branch at Enfield, for which £4,000 was provided?—Yes.

6130. You leave out altogether the electric power distribution mains?—Yes.

6131. Did not the War Office remonstrate then?—They got their money on the 31st July automatically, and therefore they required no more Treasury authority.

6132. (To Mr. Donaldson.) Were you satisfied with that?—I was satisfied when I got the thing, but I was not satisfied up to that moment. I am also satisfied that it would have been better in the interests of economy if we had been able to start earlier and use the light months of the year.

Mr. Bowles.

6133. (To Sir Guy Fleetwood-Wilson.) I suppose these were the only applications of this sort that were made during the year?—As regards Woolwich they were the only ones.

## ANNUAL ACCOUNTS OF THE ORDNANCE FACTORIES.

Chairman.

6134. (To Mr. Kempe.) I see from the first paragraph of your Report you have had a detailed audit given to one week's labour and one week's material at the Royal Laboratory and Royal Gunpowder Factory at Waltham?—Yes.

6135. And that turned out quite satisfactory?—Yes.

Mr. Bowles.

6136. The result of this scrutiny was quite satisfactory, was it?—Yes.

6137. The errors disclosed were really quite trifling?—Yes; there were no matters of principle discovered on the general scrutiny. Of course the detailed audit would disclose small errors.

## COMPARISON OF TRADE AND FACTORY PRICES.

Chairman.

6138. (To Mr. Kempe.) Have you heard whether the War Office have finished considering the possibility of making the comparison between trade and Ordnance

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Ordnance Factory prices more complete?—We have heard nothing further. Sir George Murray's Committee, of course, will rather change the whole position. That Committee has reported. (Sir Guy Fleetwood-Wilson.) It will practically kill this big Blue Book.

Mr. Leif Jones.

6139. (To Mr. Kempe.) When you say that Sir George Murray's Committee will change the whole position, will you explain from what point of view and in what way the position will be changed?—Because the conclusion of the Committee, if it is accepted, is such that the necessity for this comparison rather falls.

6140. I notice a rather curious sentence in your Report. It is said that "The Committee point out that the Accounts in the Ordnance Factories will consequently become less useful as a criterion of trade prices." What we want is a criterion of what the productions of the Ordnance Factories are costing?—Yes, that sentence might no doubt be inverted.

6141. It seems to me still important that we should know exactly what these articles cost as compared with the trade prices. (To Sir Guy Fleetwood-Wilson.) Is it not very important that we should know exactly what the articles cost if they are produced in the Ordnance Factories?—Yes. I was a member of Sir George Murray's Committee, and I may say, to be quite candid, I fought for this book as long as I could; but I think it is elaborated to an extreme degree. There are certain parts and certain items in it which I think might with advantage be left out; but I do think it is important that we should be able to compare the cost of articles produced by Government with the cost of articles produced by the trade. I attach great importance to that.

6142. It seems to me to become even more important than it used to be, if, as the result of the Report of this Committee, we are going to carry on the factories on a system which is not the most economical method of production?—I quite agree. The method of carrying on the factories in future would appear to be a very extravagant one if you view it merely from the point of view of the cost of the article so long as you keep the present method of comparing the cost of production, because the result of the recommendations of Sir George Murray's Committee, which are accepted in the main by the Council, is to have a power of expansion to meet the War pressure, which means that you are not getting the full value of your machinery and staff during peace time, so that there will be a considerable accession of cost unless there is a different method adopted of showing it.

6143. Whether there is a different method adopted of showing it or not there must be an actual increase of the cost if the Report of this

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Committee comes to be acted upon?—In the main. 6144. Every article produced in the Ordnance Factories is going to be more costly than what the trade could supply it at?—It must be so if you charge all the cost against it.

6145. Is not the only way to arrive at the cost of an article to charge against it everything it costs?—Unless you recognise that a certain proportion of the cost might be put aside as being for the power of expansion.

6146. But would not the best way of estimating that extra cost which is incurred in regard to the available power of expansion be to compare the actual cost of producing the article in the factories with the trade prices. Then, assuming by other methods you were securing proper work and so forth, you do get the measure of what the policy costs?—Perhaps Mr. Donaldson would be better able to answer that question.

6147. (To Mr. Donaldson.) I should be very glad to hear what your answer would be upon this point?—If we keep men and machinery and buildings for an emergency, it does not appear to me to be fair on the Ordnance Factories' productions that the Ordnance Factories by their production should bear the insurance which the country has from the reserved power retained; therefore it would appear to me to be quite possible to recognise that as an Imperial charge. It could be got at year by year.

6148. That is exactly what I wanted to know. I agree to this extent, we are going to pay for insurance, but how do you propose to measure that payment?—By the amount of disuse of machinery. I think that is the way I would suggest at present.

6149. Is not that a very artificial way? Is your motive for so treating it merely to avoid the comparison that would be made against you?—Yes, and also that those who come to us for our supplies should not be asked to bear more than they ought to be asked to bear in the matter of the country's insurance.

6150. Who come to you for supplies?—The India Office, the Admiralty, the War Office, and the Colonies; they are our leading clients, so to speak.

6151. Would they not properly share in this insurance? It seems to me quite proper that they should do so?—They would share only so far as the Department who bought from us was concerned.

6152. That is what I mean. I should have thought it was quite reasonable that they should do so?—I quite agree that they should, but I do not think they ought to do it by the articles that they buy from us.

6153. It seems to me only fair that you should charge against the articles you turn out what they cost you?—Against the customers, if you like, but not against the articles.

6154. If



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6154. If you are going to sell an article to anybody, the War Office, or anybody you like, you must charge for it what it has cost you. If you do not do that I think all your accounts would be erroneous?—But if what it costs me is enhanced by the amount of insurance which the country is obtaining by our means and at our expense, then I think it is not a fair representation of what the cost of the articles as produced by us is.

6155. It would be very unfair to prejudice you in the eyes of people by putting these two tables side by side, and saying, the Ordnance Factory produces these articles at 10 per cent. more than the trade. It would be unfair to use the comparison for that purpose, but it seems to me that if we are to know what the factories are doing, the important thing for us is to know what the article has cost. Whether we will charge the article at that price is a different question. But surely the important thing for us to know is exactly what this policy is costing us?—That, I maintain, you would obtain by the method I suggest rather than by the other method.

6156. How do you propose to estimate the insurance?—By the amount of the disuse of machinery and buildings and so forth.

6157. Do you leave the machinery used as a matter of fact?—Yes; I can record what machinery has not been used during a given period.

6158. (To Sir Guy Fleetwood Wilson.) I should like to have your view as Accounting Officer as to whether you more or less share the views which I have been trying to put to Mr. Donaldson?—The whole question is under consideration. It has not yet been decided whether what may be called the indirect expense involved by the power of expansion during war is to be charged to the articles or not. Of course it is perfectly natural that whoever is in charge of the manufacturing establishment should, I may almost say, resent an article being shown as costing a great deal more money, because it is necessary for the country to have this power of expansion; but on the other hand that, to my mind, so far as I am able to judge up to the present, is the cost of the article in that establishment. I am very anxious not to say anything that will prejudice the situation in any way, but I do see extreme difficulty in assuming any responsibility for the price of an article if deductions are to be made. Unless those deductions can be shown most clearly and distinctly to be solely connected with the power of expansion I do not quite see how you are to do it. However, Mr. Donaldson would be able to advise upon that point. It seems to me, for instance, that you might have machinery used occasionally to keep it in proper order, and that would at once vitiate the estimate of cost. I think myself it would be preferable boldly to say that we cannot undertake to have this power of expansion without obviously increasing the price

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of the article, and that must be borne in mind in any comparison which is made, and not allowed to be detrimental when a comparison is made between the trade article and the Government article. That was the line which I took rather strongly on the Committee upon which I served. But I quite admit that it is hard upon the manufacturing department.

6159. I think Mr. Donaldson used the phrase that it was not fair to his Department. I quite recognise that if any one is going to use this comparison in order to show that the factories are more expensive in production than the trade, that does seem hard upon them?—(Mr. Donaldson.) I think I may say that it is used in that way. People question our prices on account of the added-on charges which we have to make.

6160. But then I am almost inclined to think that any figure for insurance which you may take would be a mere general guess?—(Sir Guy Fleetwood-Wilson.) That is all it could be.

6161. (To Mr. Donaldson.) And that consequently all your prices would become artificial?—I think not. I would suggest, if I may, that it would be quite possible to estimate at the beginning of the year, in view of the orders in prospect, what machinery or what proportion of our machinery is going to be out of use, and to take an appropriation in aid on the other side of the ledger. It would appear in the accounts, but it would not then appear as chargeable against the individual items. It would be charging the Departments, but not the articles.

6162. We should not then know, should we, the cost of any individual article?—Yes, you would know exactly what we were costing.

6163. But part of the cost of any article is involved in the circumstances under which it is produced. It is really a very artificial proceeding if you are going to take away from the cost of your article some of the circumstances under which it is produced?—From a commercial point of view surely it is very artificial to have so large an insurance to bear.

6164. I think something could be shown in the account, but I think it is important you should show the actual cost of the article. It seems to me that it is very difficult for Sir Guy to pass accounts in which every article is not put down at what it costs, but at some fancy value arrived at by deducting an estimated insurance which may or may not be accurate?—(Sir Guy Fleetwood-Wilson.) Might not the difficulty be overcome by having two prices shown—one the actual cost, taking in the cost of everything against the article, and secondly, what Mr. Donaldson calls the fair price, showing what he estimates for insurance. (Mr. Donaldson.) That would answer my purpose. I have no objection so long as I can show what I call my cost.

6165. That would satisfy me even more, because  
50 then

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*continued.*

Mr. Leif Jones—continued.

then it would show as against any article what we were really paying for that article as the cost of this policy. I understand that that was done in the old days?—(Sir Guy Fleetwood-Wilson.) Yes, something of that sort used to be done in days gone by. (Mr. Donaldson.) That was long before my time.

Mr. Parker.

6166. Could you tell me why that policy was stopped?—I did not know that it existed. It was before my time.

6167. (To Sir Guy Fleetwood-Wilson.) Do you know the reason why that policy was stopped of showing the actual cost to be charged against the manufacture, less the cost that they had to charge as the result of the power of expansion?—I cannot tell you exactly when the change was made, or why. It was done when the ordnance factories were put upon what was called a commercial basis. I think it was when Mr. Stanhope was Secretary of State for War.

6168. If you have a place that is capable of expansion in war time to double or treble its normal output in peace time, would you suggest that it was a commercial basis to charge the whole cost of interest and sinking fund, and to make each commodity bear its proportion of that. I do not think that is a commercial basis, is it?—I am not defending it on grounds of a commercial transaction. Where I come in is that to some degree I am answerable for the prices which appear in the various documents which are laid before the Committee, not as to whether an article is dear or cheap, but certainly as to whether the figure is an honest figure or not. That is my point. I cannot discriminate between what is properly attributable to the cost of the article and what is not, but I think it requires very great care and caution before you can quietly put aside a certain portion of the cost of the establishment as a whole, and ignore it when you come to deal with the price of the article.

Mr. Bowles.

6169. I suppose we may take it that these prices which we are presented with are, so far as they can be got, the real cost to us of the article?—Yes, I think so.

Mr. McCrae.

6170. (To Mr. Donaldson.) Supposing you were putting the whole of the reserve machinery in your cost price would that be the price shown to the different departments that bought from you?—The whole of the machinery is charged against our productions now.

6171. Do the other Departments pay that?—They have to pay in accordance with whatever

ARMY (ORDNANCE FACTORIES) APPROPRIATION  
ACCOUNT, 1906-7.Comparison of Trade and Factory Prices—  
*continued.*

Mr. McCrae—continued.

they buy from us, so to speak, what it costs including that insurance, if I may call it insurance.

6172. Then is there not a tendency for these other Departments to buy more and more from outside contractors, and less and less from you?—I think there is that tendency.

## MACHINERY CHARGES.

Mr. McCrae.

6173. (To Mr. Donaldson.) With regard to paragraph 5, this question of the unabsorbed balance of machinery charges is rather an old one, is it not?—Yes, since we have become slack in work.

6174. I notice, for instance, in the case of the Carriage Department, the machinery charges amount to £48,618, and the unabsorbed balances to £21,127?—Yes. I am afraid we shall have a certain proportion of all these in the subsequent years.

6175. Can you give us any explanation why this has not been put upon a better footing?—It is really the same question that we were discussing just now. Unabsorbed balance of machinery means unused machinery.

6176. Is the question still under consideration?—I am not sure what is referred to in this paragraph.

6177. You see what is said in the paragraph?—Yes, I see the words, but I do not quite know what Mr. Kempe means.

6178. (To Mr. Kempe.) Will you explain what you mean by the sentence in the paragraph: "In reply to inquiries, I have been informed that the question is still under consideration." Mr. Donaldson does not seem to realise what is the object of that remark?—I have the reply from the War Office here. It says: "Detailed information is being prepared which will not be ready for some months. A further communication will be made." I have had no further communication.

6179. (To Sir Guy Fleetwood-Wilson.) Perhaps you can say how the matter stands?—There is a Committee sitting at the War Office which is dealing with the very point, and I think it is very advisable that we should know the report of that Committee before any decision is come to on this question; and that is why we are rather holding it up.

6180. Is that Committee still sitting?—The Committee has just reported, but their report has not yet been considered.

Mr. Bowles.

6181. I suppose we are to understand from this paragraph that these unabsorbed balances are not taken into account in estimating the real cost to the country of the various articles produced?—Yes, they are taken into account.

6182. Then in what are these "Balances unabsorbed"?

2 June, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM,  
Sir GUY D. A. FLEETWOOD-WILSON, K.C.B., and Mr. DONALDSON.

[Continued.]

ARMY (ORDNANCE FACTORIES) APPROPRIATION  
ACCOUNT, 1906-7.Machinery Charges—*continued.*Mr. Bowles—*continued.*

absorbed"?—I think they are in the "indirect expenditure" on page 8 of the Account.

6183. Exactly, but that is expenditure "not chargeable directly to orders"?—(Mr. Donaldson.) But still it is chargeable and charged. Perhaps I might explain. The machinery is divided into two methods of charging; in the one case the machinery which is used is immediately booked and the time and so forth is booked against the work on which it is employed. When that machinery is idle there is nothing to charge the depreciation, and so on, on the machinery to. That amount goes into these unabsorbed balances. But the unabsorbed balances shown on page 466 are included in the larger sum here in the Depreciation, and in "Maintenance of Machinery" on page 8.

6184. Exactly. That is what I mean?—(Sir Guy Fleetwood-Wilson.) They do go into the price, if that is the point you are upon. (Mr. Donaldson.) Yes, they do go into the price, certainly.

6185. If this machinery lies idle its depreciation and so forth is not charged against any goods?—Pardon me, it is not charged direct, but it is charged as a percentage of the total, indirectly. Then the indirect charge is applied to the whole thing.

## OVERTIME BUILDING WORKS DEPARTMENT.

Mr. McCrae.

6186. (To Mr. Donaldson.) With regard to paragraph 7, I should like to ask if there has been a real attempt to reduce the overtime worked in this Department?—Yes, and with some success; but it will never disappear in that particular Department. It cannot, because of the nature of the work which has to be done frequently, and, in fact, I may almost say generally, when a repair job has to be done during what we call the silent hours when the men are not at work.

6187. I observe that the number of hours worked overtime during the year under review is considerably less than it was in 1905-6?—That is so.

## TRIENNIAL CONTRACTS.

Chairman.

6188. (To Mr. Donaldson.) I wish to ask you one question about Triennial Contracts, which we deal with on paragraph 55 of the Army Appropriation Account. You will remember that I asked you a question as to whether you were bound to give work of a certain amount to the triennial contractors?—Yes, I think we are bound to give it if it falls below the sum specified.

6189. Therefore if in the case I put there were a building with five different parts, each part

ARMY (ORDNANCE FACTORIES) APPROPRIATION  
ACCOUNT, 1906-7.Triennial Contracts—*continued.*Chairman—*continued.*

coming under a separate triennial contract, and each part falling below £400, you are bound to give it to the triennial contractors, and they would therefore be undertaking a new work of £2,000 without Treasury sanction?—That is so, though a work of that size would as a matter of fact be voted by Parliament.

6190. Is there any other point you wish to refer to?—Mr. Parker asked me if I would prepare a statement bearing out from past experience the economies which have resulted from the £1,000 limit where the work is given to the triennial contractor. If I might, I think perhaps the best way of answering his question would be to refer to Colonel Bagnold's evidence of last year, in which he showed that with a £400 limit we had to pay 5 per cent. on the schedule of prices, and that in going to the £1,000 limit the schedule was revised and reduced by what was considered equivalent to 7 per cent. and the contract was then let at 12 per cent. off the schedule. After the end of three years the schedule was examined again and was pared down—the peaks, as Colonel Bagnold called them last year, were taken off, that is to say, these high prices were taken off, and the equivalent of another 7 per cent. over the total contract, as it was estimated, was arrived at. That contract was taken at again 12 per cent. off that reduced schedule. It seems to me that that is evidence of a distinct saving. I do not know whether that would answer the Honourable Member's point.

Mr. Parker.

6191. I think it does, but I would rather like to see the statement in type. You also said that I suggested it was cheaper to buy retail than to buy wholesale. I could show you that for a period of years such things as beef, breadstuffs, and hardware in the United States were sold currently retail at lower prices than the quoted wholesale prices. Moreover, if I may say so, I think there is a slight misunderstanding in your question, because, as a matter of fact, we are buying at wholesale prices whatever we buy from our triennial contractor; that is to say, he tenders on competition for large quantity, but we only give him the work to do in small quantities. We are therefore, so to speak, taking our deliveries in retail quantities, and buying at wholesale prices.

6192. Does not that rather suggest that the decision of the Treasury limiting the terms put upon their triennial contractors is rather foolish, because if you can do it so well as that there would seem to be really no necessity for the limits?—It would not be for me to suggest that.

(The Witness withdrew.)

Friday, 12 June, 1908.

MEMBERS PRESENT :

Mr. Bowles.  
Mr. Brigg.  
Sir Daniel Goddard.  
Sir Robert Hobart.

Sir George Kekewich.  
Mr. McCrae.  
Mr. Parker.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM called in; and Examined.

The following letter from Mr. Donaldson was read :—

“Royal Arsenal, Woolwich.  
“11th June, 1908.

“Dear Sir,—

“When I was questioned by the Public Accounts Committee on the 2nd instant in Questions 6028 *et seqn.*, an estimate of £13,500 was referred to, and I was unable to accept this figure as the estimate.

“On looking up the papers, I find that £13,500 was provided for acquisition of site for construction of a new projectile store for the Army Ordnance Department. The clearing of this site for provision of building for extension of Power Station was estimated at £20,347. The total estimate,

therefore, amounted to £33,847 for this portion of the work; the grand total of the estimate, including the machinery, &c., was £117,847.

“In the Estimates for 1907-8, the Building Estimate was revised and brought to £44,000; in the Estimates for 1908-9 a further revision was made, and it now stands at £47,750. so that my demurrer to Questions 6053 to 6059 should be read in the light of this larger figure, and I have amended accordingly.

“I hope that the explanation will be capable of embodiment in some way, and that you will be able to bring it to the notice of the Chairman of the Public Accounts Committee.

“Yours faithfully,  
“H. F. DONALDSON.”

NAVY APPROPRIATION ACCOUNT, 1906-7.

Mr. ALFRED EYLES called in; and Examined.

TREASURY MINUTE ON THE REPORTS FROM PUBLIC ACCOUNTS COMMITTEE, FEBRUARY, 1907.

*Chairman.*

6193. (To Mr. Eyles.) We will take first the Treasury Minute on the Reports from this Committee of last year; the two special paragraphs referring to the action of this Committee are paragraph 10 and paragraph 14 on page 2. Paragraph 10 relates to the placing of contracts without competitive tenders, and paragraph 14 refers to the case of extending a contract without getting Treasury sanction. In regard to paragraph 10, have any steps been taken with regard to carrying out the wishes of the Committee, and also the opinion of the Treasury, in respect of competitive tenders?—Yes. The Admiralty has placed its views before the Treasury on paragraph 10 and also on paragraph 14 in a letter dated 17th March last.

6194. The Admiralty letter covers both these paragraphs?—Yes, and we are anticipating a reply from the Treasury to that letter.

*Chairman—continued.*

6195. (To Mr. Headlam.) Are you able to state the position as regards the Treasury?—Owing to the absence of Mr. Harman, among other reasons, no answer has been sent to the Admiralty letter; but I understand that informal communication has passed between Mr. Harman and the Admiralty, and the Treasury are in substantial agreement with the views expressed in the Admiralty letter, which takes the line that in exceptional cases Treasury sanction should always be obtained when possible. The Admiralty and the Treasury being in substantial accord, it is merely a question of clearing up what “exceptional cases” consist of, but no official reply has yet been sent to the Admiralty letter.

6196. I understand the Treasury attach importance to getting some definition of the expression

12 June, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

*Chairman*—continued.

sion "exceptional cases"?—Yes; I think that is so. Perhaps, with Mr. Eyles's permission, I might read part of the Admiralty letter, which has not yet been answered.

6197. (To Mr. Eyles.) Do you object to the letter being read?—Not at all.

6198. (To Mr. Headlam.) Will you read it?—I will read this sentence in the third paragraph of the Admiralty letter: "While in exceptional cases, such as mentioned above, it is agreed that Treasury sanction should be obtained, my Lords cannot believe that it is the intention of the Public Accounts Committee or the desire of their Lordships of the Treasury to detract in any way from the full and unfettered responsibility which must rest upon the Admiralty for the administration of the business of His Majesty's Navy." Their Lordships of the Admiralty affirm the direct responsibility of the Board of Admiralty to Parliament. I think the Treasury would not deny that responsibility of the Board of Admiralty, but they would feel that it would make it more secure that there should be some definition of "exceptional cases." Mr. Eyles draws my attention to the second paragraph of the Admiralty letter, in which they say this: "As regards the 'Invincibles,' my Lords have already given an assurance that should an exceptional case of a similar character recur, *i.e.*, where Parliament has sanctioned the building of a ship by contract, and it subsequently appears to my Lords to be in the public interest that the contract should be placed without resort to the principle of competitive tender, they will not fail to obtain the sanction of your Board." That is one definition of the case; but, as I say, speaking, of course, in the absence of Mr. Harman, who has gone into the matter, I think the Treasury view is that there should be rather more definition to fulfil the views expressed by this Committee last year. But, of course, it will be for the Committee to decide whether the views of the Admiralty, as expressed in that letter, meet their wishes.

6199. (To Mr. Eyles.) That letter really claims for the Admiralty a right to undertake work without tender if they think it is in their administrative interest; and that they are responsible to Parliament and not to the Treasury for sanction; that is, I take it, really and truly the view of the Admiralty as expressed in this letter, is it not?—Except in very exceptional cases, such as the "Invincibles." This question arose in regard to the "Invincible" class, and the Admiralty would be prepared always to consult the Treasury in such a case as that.

6200. But do the Admiralty object to an agreement being come to between the Admiralty and the Treasury defining more closely the expression "exceptional cases"?—That is the Admiralty view at present, but of course they have not had before them the views of the Treasury upon this letter.

6201. The present view of the Board of

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

*Chairman*—continued.

Admiralty is that they object to any definition of the expression "exceptional cases"?—That is their present view. They claim a good deal of discretion as regards this question of placing contracts.

*Sir Daniel Goddard.*

6202. I do not quite follow the reasoning. As I understand, first of all the Admiralty claim that they are responsible to Parliament; they do not ask for Treasury sanction because they are responsible to Parliament. Am I putting their view correctly?—No, I hardly think so; I would rather put it in this way—they do recognise the necessity for obtaining prior Treasury sanction in such cases as the "Invincibles." That is to say, where Parliament has sanctioned the building of a battleship by contract, and they propose to let that contract without competitive tender, they recognise the necessity for obtaining prior Treasury sanction; but in administering the work of the Admiralty they find it essential to have a considerable amount of liberty in placing contracts under exceptional circumstances.

6203. I see; but where those exceptional circumstances make it difficult to get the sanction of Parliament, does the Admiralty raise any objection to getting the sanction of the Treasury?—They do, because in a large number of cases it would hamper the administration of the business of the Navy.

6204. That is what I cannot quite follow. Any correspondence between the Admiralty and the Treasury in regard to these exceptional circumstances would be, as regards the outside world, a private correspondence; how could that possibly hamper their proceedings?—It appears to the Admiralty to involve unnecessary correspondence, because there is a very large number of cases where competition is practically out of the question. There may be, for instance, specialities which only one firm could supply, or there may be other cases in which part of a ship or an article requires replacement which can best be obtained from the original maker.

6205. I can quite understand those cases; but if you can clearly show to the Treasury that that is the fact of the case, what harm is there in laying it before the Treasury? Are you afraid that the Treasury would say you must not do it?—No, I think not; I think our case would be so strong that the Treasury could not refuse it, and it, therefore, rather leads to unnecessary correspondence. In the case of the extension of a contract, the Admiralty has proposed certain definite rules, because those cases are capable of definition.

6206. I must confess I do not quite follow the reasoning. I can quite understand that you may make your case so apparent to the Treasury that they could not refuse their sanction, but I do not think it is conclusive reasoning to go on and say that that is a reason why you should not go to the Treasury for their sanction?—The Admiralty think

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

Sir Daniel Goddard—continued.

think they must have some discretion in a matter of this sort.

6207. It does not interfere with their discretion, does it, unless you are afraid that the Treasury would not take the same view that you do; is that really it?—No, the Admiralty does not anticipate that for a moment; but they do think that it leads to a good deal of unnecessary correspondence if the Treasury have to be consulted about every matter of this sort.

6208. But is not the main consideration this: Parliament is the sole power really that should sanction the expenditure of the Navy, but there arise cases, either when Parliament is not sitting or after the Estimates have been presented to Parliament, when it is difficult to put these cases before Parliament, and in order, therefore, to have some covering authority, it is necessary to obtain the sanction of the Treasury; that is the idea, is it not?—Yes.

6209. I fail to see why the Admiralty want to throw that over. The Treasury have never been so very hard upon the Admiralty in matters of this sort; they have been rather soft than hard, have they not?—I do not know that the Admiralty has had any special difficulty with the Treasury.

6210. I should have thought the Treasury wanted to be wound up a little rather than that they were too hard. I cannot see where your fear of the Treasury comes in?—There is no fear of the Treasury, but there is a fear that such a hard-and-fast rule might lead to a good deal of unnecessary work and delay.

6211. Would it not be some satisfaction to the Admiralty to be able to say: "We have not been able to go to Parliament, but we have been to the Treasury, and have got the sanction of the Treasury"?—I do not think the Admiralty would shelter itself behind the Treasury in that way.

Sir George Kekewich.

6212. I suppose the fact of the matter is the Admiralty have looked at this rather as a sort of invasion of their rights?—They think, as being responsible for the administration of the Naval Service, they must have certain discretion. They see no advantage (and they hope this Committee will take the same view) in laying down very rigid rules in regard to this matter. They will always be prepared to defend any case to which the Comptroller and Auditor-General may call attention before this Committee.

6213. I suppose, like most public departments, they resent the intrusion of the Treasury?—I should not like quite to answer that question in the affirmative.

6214. They think the Treasury are taking upon themselves too much authority?—I think in this particular case it was this Committee that suggested that Treasury sanction should be obtained.

6215. I quite agree to that; but it is, I imagine, the feeling of the Admiralty that the Treasury

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

Sir George Kekewich—continued.

are obtaining too large powers of interference, whether through the recommendation of this Committee or in any other way?—I think the feeling in the Admiralty is rather that there might be some danger of that, and that it might be detrimental to the public service.

6216. You say it might be detrimental to the public service, but just now you said the objection was that it would lead to a good deal of unnecessary correspondence?—I mean in that direction.

6217. You gave as an instance the case where a particular article could only be obtained from a particular firm, in which case it would be absurd to ask for tenders; but could you not eliminate that class of cases altogether; would not one Treasury letter cover all that class of cases if they wrote and said: "We do not want a letter addressed to us asking for our sanction in cases where the particular article can only be obtained from one particular firm"; could you not eliminate all that class of cases in that way?—That would, of course, be possible, but the Admiralty think it is very difficult to define all the cases in which they may want to exercise discretion, and in which the Treasury could not really refuse their sanction.

6218. How many cases are there in the course of the year, do you suppose, in which it would be desirable not to ask for tenders, according to the opinion of the Admiralty?—I am afraid I could not give you any estimate as to the number.

6219. Would it be a large or a small number?—It would not be a large number, certainly.

6220. Therefore it would not involve a large correspondence with the Treasury, especially if you eliminate the class of cases which I referred to?—It might develop into a large correspondence.

6221. Does it really involve a large correspondence when you have a good case to put before the Treasury? So far as my experience goes, it would only be necessary for the Admiralty to write one letter, and the Treasury would give their sanction at once, because the Treasury usually have not the data for objecting. (To Mr. Headlam.) Is not that so?—That is so; they have no technical knowledge.

6222. They have no technical knowledge, and, therefore, they give their sanction at once. Therefore it seems to me the contention that it would lead to unnecessary correspondence and unnecessary waste of time, falls to the ground entirely?

Mr. Eyles.

6223. May I say that I think the reason suggested by the honourable Member rather justifies the Admiralty in adopting this attitude, because in cases of this sort, as I think Mr. Headlam admits, the Treasury would have no technical knowledge as to the necessity for obtaining the article in a particular way. That is rather the Admiralty view, that that should be left to them, because no outside department is in a position to exercise a judgment upon the point.

6224. Now

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

Mr. Eyles—continued.

6224. Now you are shifting your ground, because the reason you gave us just now was that it would lead to a large quantity of unnecessary correspondence. Now it appears that it would not lead to a large quantity of unnecessary correspondence, but the ground you now take is that the Treasury sanction practically means nothing, the Treasury having no technical knowledge, and, therefore, having no option but to give their consent. But at the same time the Treasury are regarded as the guardians of the public purse, and in my view it ought to see whether the public purse has been properly protected by open tenders being asked for, and any deviation from that rule should not be permitted without the sanction of the Treasury being given for what it is worth, so that, as a matter of fact, I come back to what I said at the beginning: so far as I understand, it seems really to come simply to this, that this was regarded as wounding the *amour propre* of the Admiralty—they do not care about the interference of the Treasury. It is a natural feeling. I myself have come across it in former days, but that is really the root of it all, I imagine. However, I do not, of course, expect you to agree with that way of putting it.

Mr. Brigg.

6225. Do I understand that you do not put any limit as to the amount of money that you would be able to dispose of in any one transaction without applying to the Treasury?—No limit has been suggested.

6226. Then it comes simply to this, does it not: Would it not be a simpler thing that the Admiralty should ask for a lump sum of money which it might spend without being responsible to anybody except this Committee?—No, the Admiralty certainly would not make such a suggestion as that.

6227. That is practically what the contention comes to, is it not?—No, the Admiralty are confined to services approved by Parliament in the Estimates.

6228. But as regards any extra expense beyond that you would ask no consent from anybody, but simply spend it as you like, without being responsible to anybody except this Committee?—No, the Admiralty does not suggest that at all.

Sir Daniel Goddard.

6229. That is not quite the right way of putting it, is it? You would have to go to the Treasury for any extra expense in any case?—Yes, the Admiralty does not claim any liberty to exceed the sum provided. The Admiralty can only dispose of the money as voted by Parliament in the Estimates.

Mr. Brigg.

6230. But you do not keep within the limit of the Estimates?—Certainly. Any departure from the Estimates, or any expenditure upon new services, must always have the sanction of the Treasury.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

Mr. Brigg—continued.

6231. But within those limits you want to do practically what you like?—No, the Admiralty does not ask for that power.

6232. It practically comes to that in the end, does it not?—No, I think not.

Chairman.

6233. This is only a question of doing without competitive tenders; the question is how far the Admiralty may do work already sanctioned by Parliament without calling for competitive tenders?—Quite so.

Mr. Brigg.

6234. But you do not want to apply to the Treasury for leave?—For leave not to place the work by competitive tender. This is not a question of spending money in a particular way, or on a particular service. It is merely a question of the method of placing the order for the work.

Sir Robert Hobart.

6235. This case arose, as I understand it, out of a question raised by this Committee in the case of contracts for the "Invincibles," which were contracts obtained without open tender?—That is so.

6236. If I remember rightly, it came out in evidence that there was an extraordinary similarity between the tenders and also in the original Estimates prepared by the Admiralty, and that caused the Committee to think that it would have been better to have proceeded to open tender, and the view of the Admiralty, I understand, is that they would rather proceed without going to the Treasury?—Not in such a case as the "Invincibles."

6237. But, surely, if you obtain the Treasury sanction you are in a very much stronger position in almost any case, and, so far as I have been able to judge, the Treasury sanction in such a case as that, put forward with all the force of the Admiralty and the technical knowledge of the Admiralty, is not very likely to be refused?—No, the Admiralty does not think the Treasury would be in a position to refuse their sanction.

6238. Then, surely, on general grounds you would be in a much stronger position in coming before this Committee if you had applied to the Treasury and had received their covering sanction?—That may be so.

6239. You are rather cutting away the force of your argument before this Committee in cases like the "Invincibles"?—In cases like the "Invincibles" the Admiralty would, undoubtedly, get the prior sanction of the Treasury.

6240. But, apparently, you do not think the Treasury sanction is worth very much; you think it is not worth so much as the liberty of being able to proceed without it?—Treasury sanction in such cases would be valuable, and the Admiralty agree to obtain it.

6241. But the Admiralty desire to be able to proceed

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[Continued-

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—*continued*.Sir Robert Hobart—*continued*.

proceed without Treasury sanction?—In other cases.

Mr. Bowles.

6242. I am not quite sure that I exactly understand the ground upon which the Admiralty object to what seems to me a very simple proceeding and a rather useful one. The usual practice, of course, is to put out contracts under a system of competitive tender. That is the usual and common practice, is it not?—Yes.

6243. We are dealing here only with departures from that practice, which you have told us are not very numerous throughout the year. As I understand your evidence, you say that the Admiralty does not wish to feel bound to apply to the Treasury before it can make a departure of that kind, on the ground that it would involve correspondence, which you told us at the beginning of your evidence the Admiralty regarded as unnecessary; then in another part of your evidence you said that the Admiralty regarded that correspondence as hampering administration. Would you explain exactly what the view of the Admiralty is? Is it that this correspondence with the Treasury is meaningless, or that it is mischievous in the interests of Naval administration?—I think in order to answer that question I could not do better than read again the two paragraphs from the Admiralty letter which Mr. Headlam has quoted: "As regards the 'Invincibles,' my Lords have already given an assurance to the House of Commons that, should an exceptional case of a similar character recur, *i.e.*, where Parliament has sanctioned the building of a ship by contract and it subsequently appears to my Lords to be in the public interest that the contract should be placed without resort to the principle of competitive tender, they will not fail to obtain the sanction of your Board. My Lords have, however, considered the question further in its more general aspects, and I am to request you to place the following observations before their Lordships of the Treasury. While in exceptional cases, such as mentioned above, it is agreed that Treasury sanction should be obtained, my Lords cannot believe that it is the intention of the Public Accounts Committee, or the desire of their Lordships of the Treasury, to detract in any way from the full and unfettered responsibility which must rest upon the Admiralty for the administration of the business of H.M. Navy. They, therefore, consider it desirable to place on record that, in recognising the necessity for Treasury sanction in an exceptional case like that of the 'Invincibles,' involving a departure from the principle of competition, they cannot assent to an interpretation of that principle which would impair their responsibility or impede their administrative action. At the same time they recognise that they must at all times be ready to justify to the satisfaction of Parliament any course of action on which they may decide in this respect."

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—*continued*.Mr. Bowles—*continued*.

6244. Exactly. Then I understand the view of the Admiralty is not so much that correspondence with the Treasury upon these departures is meaningless or unnecessary, as that it detracts in some way from their responsibility?—That is so. They feel it will hamper their administrative action if, before they give an order which might be of great urgency, they must go to the Treasury formally in writing to obtain their sanction.

6245. That, of course, is quite a clear ground, but does it really involve any very serious delay or very serious infraction of their responsibility? If the case is, as it presumably would be, a very strong or even reasonably strong case, you told us it is unlikely (and Mr. Headlam agreed) that the Treasury would make any difficulty. If, on the other hand, the case were weak or doubtful, the advantage of proceeding in that way, from the point of view of Parliament or of this Committee, is that the Admiralty would be forced in writing specifically to justify what it admits to be a departure from the ordinary course. In strong cases, it would surely involve no serious delay or trouble to the Admiralty, and in weak cases it might prevent irregularities and troubles?—The Admiralty have no fear, that they would not be able to justify their action in every case; but they feel that if a hard and fast rule is laid down that no order can be given except by means of competitive tenders, it will lead to a considerable amount of administrative inconvenience without securing any public advantage.

6246. I do not conceive that that has ever been suggested. All that is suggested is, so far from any hard and fast rule being laid down, that the rule should be competitive tender, but that the Admiralty should be perfectly free to depart from it under Treasury sanction after putting the facts before the Treasury. That is all that is suggested. All I wanted to get at, was the objection which the Admiralty had. If the only objection that the Admiralty has to going through that course is that it would make it more difficult for them to conduct the business of the Navy or that it impairs their responsibility, that is a ground I can understand, but I do not think it is a strong ground?—That is exactly the objection of the Admiralty.

Mr. McCrae.

6247. You say that the Admiralty are quite willing in such cases as the case of the "Invincible," to ask the Treasury for sanction?—That is so.

6248. Was that always the view of the Admiralty even in regard to such cases as the case of the "Invincible"?—No. It had not been the practice to obtain Treasury sanction for departures from the principle of open competition.

6249. So that until this question was raised by the Public Accounts Committee, the Admiralty really claimed full latitude to depart from the usual practice of competitive tender, where they thought it



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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

Mr. McCrae—continued.

it was in the public interest to do so?—That is so. That had been the general rule.

6250. That was the general rule, but these cases of the "Invincible," the "Inflexible," and the "Indomitable," were brought out by the evidence before this Committee, and the Admiralty have now conceded the point that in a special case like that, Treasury sanction ought to be obtained?—That is so.

6251. Can you give me any reason why, when under other circumstances for other reasons you thought it was advisable to depart from the system of competitive tender, that procedure which you have now admitted is a right procedure should not be adopted? What I want to get at is this: Is it only the delay, the unnecessary correspondence, of which you spoke, and controversy with the Treasury, which you think would hamper you, or is it any question of your secret intentions being divulged with regard to any particular ship?—I do not think the last reason would weigh with the Admiralty at all, because the correspondence with the Treasury would of course be confidential.

6252. You will recollect that last year in explanation it was stated that the Board of Admiralty particularly desired to keep the designs of this class of vessel secret as long as possible, and therefore you only invited certain firms to tender?—That is so.

6253. That might be a reason for departing from the principle of competitive tender, but that reason would not apply in any case to getting Treasury sanction?—Certainly not.

6254. So that that difficulty is cleared out of the way altogether?—That is so.

6255. (To Mr. Headlam.) I would like to ask you a question in regard to paragraph 10 of the Treasury Minute. It says, "The Committee, while attaching due weight to the explanation given by the Board of Admiralty for the placing of certain contracts without competitive tenders, point out that when any such departure from the usual practice is proposed, the sanction of this Board should be sought before action is taken." Has anything arisen to satisfy the Treasury that the explanations now given are sufficient?—You mean the explanation given in the Admiralty letter of which I have read a portion to the Committee?

6256. Yes?—As I said, I think the Treasury agreed that the Admiralty is responsible, but the Treasury did not feel able, after the strong expression of opinion by this Committee last year, to agree to any departure from the principle. The Treasury, in fact, are awaiting an expression of opinion from this Committee on the Admiralty letter which will be now before you; but I think, if I may say so, the case, as stated by Mr. Bowles, represents the way in which the matter appears to the Treasury, that there could not be very much delay, and that it is advisable on general grounds that there should be two opinions where any exception is asked for from the normal practice. But as I understand, informal discussions

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## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

Mr. McCrae—continued.

have gone on between the Admiralty and the Treasury, with the hope of defining in some way the "exceptional circumstances" and modifying the very stern attitude which Mr. Eyles seemed to think the Treasury was taking up. It is being discussed, and in the meanwhile the Treasury would await an expression of opinion by this Committee.

6257. (To Mr. Eyles.) Do I understand the position which the Admiralty now take up is this, that except where Parliament specifically stated that a certain ship or type of ship is to be built by contract, the Admiralty desire to have a free hand entirely?—I do not know whether the Admiralty would quite take so narrow a view as that.

6258. I wish to get as far as I can the position which the Admiralty do take up. I cannot yet understand the Admiralty objection to asking the sanction of the Treasury?—The case on which this question arose was of course the case of the "Invincibles," and that case is quoted in the Admiralty letter which has been read; but of course action in going to the Treasury would not be confined to cases like the "Invincibles," or rather to cases of ships. Supposing it to be a work, the same principle would apply. Parliament is aware that a particular battleship is to be built by contract, but Parliament may not be aware that a particular work is to be carried out by contract.

6259. Does not that make it all the more necessary, that where the ordinary practice of competitive tenders is departed from, there should be some check upon the Admiralty, and if that check can be supplied by getting Treasury sanction (and the Treasury of course must be responsible to Parliament for giving that sanction), do you not think that that is a very reasonable attitude to adopt?—The Admiralty recognise that in large cases; but they think, as I have already said, that if a hard-and-fast rule is laid down that Treasury sanction must be sought for every departure from the principle of competitive tender, it would lead to a good deal of inconvenience and no public advantage.

6260. You say "in large cases." Your point, I take it, is this, that in very large cases you would always ask Treasury sanction?—Certainly.

6261. But in small matters you think you ought not to have to go to the Treasury for sanction?—That is so.

6262. Then what do you call a large case, and what do you call a small case. Have you any money limit that you could name?—No, I cannot suggest any money limit.

6263. That is really the dividing line, is it not?—I cannot suggest a money limit.

Chairman.

6264. That brings it to the question which I put to you at the beginning, that the Admiralty object to any definition of the expression "exceptional cases." That is really what it comes to?—

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The Admiralty do not want to define what are "exceptional cases."

*Mr. McCrae.*

6265. In the letter which you read the Admiralty say that whatever is done, of course they would be prepared to defend their action; but that is after action has been taken. Supposing a wrong thing is done, it is after the wrong thing has been done and cannot be gone back upon, because the Admiralty would not be asked to justify their action until it came before this Committee, I suppose some 18 months afterwards. What this Committee desires is to prevent any departure from the usual procedure, instead of getting the reasons for such departure afterwards?—Yes, I quite follow that.

6266. You will admit we have had a good deal of evidence before us during the last three years of cases where this Committee thought the Admiralty were taking a very wide view of their powers?—I think those cases have arisen mainly in connection with the extension of contracts, and, as I said just now, the Admiralty have proposed certain definite rules in respect of such extensions. We are awaiting a reply from the Treasury as to whether they approve of those limitations.

6267. Have the Admiralty really considered the question of a money limit at all. Did that come before the Board?—No; that has not been definitely considered.

6268. It would make a great difference if you can assure this Committee that it was only proposed to exercise the power up to a certain point for small departures where you felt, in the public interest, it was desirable not to put it up to competitive tender; if there was a limit in money, that might, to a certain extent, modify the views of this Committee. The Board of Admiralty, I gather, have not really considered whether that is possible or not?—They have not had that particular point under consideration, but I should be prepared, if this Committee desire, to lay it before them.

6269. So that up till now the explanation that they have given to the Treasury of the position they have taken up has been formulated without any consideration of the possibility of arriving at some money limit?—Yes, that is so. The fact is they came to the conclusion that they did not want to define what are "exceptional cases"; they thought there would be difficulty in doing so.

6270. If this Committee made such a suggestion, of course the Board of Admiralty would consider it?—They would give it due consideration.

6271. It would be a new element in the case?—Yes.

*Sir Daniel Goddard.*

6272. I understand that if the Admiralty propose any variation in any work from that

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—*continued.**Sir Daniel Goddard—continued.*

which has been set forth in the Estimates, they naturally must go to the Treasury?—Certainly, in the case of any variation which would cause an excess on the Vote.

6273. Only when it would cause an excess?—That is so.

6274. But when you abandon a work, do you not go to the Treasury in that case?—No.

6275. Only when you want to use the money for something else?—That is so.

6276. This has nothing whatever to do with the ordinary practice, of having to go to the Treasury to ask for any variation where the expenditure would be in excess of what you put before Parliament?—This question has nothing whatever to do with that.

6277. I wanted to get that quite clear, because the point was raised just now.

6278. I gathered from an answer you gave a short time ago, that, so far as shipbuilding was concerned, you would have to go to the Treasury in connection with this question of competitive tenders; that means, I take it, all shipbuilding? You are not restricting it to the case of the "Invincibles"?—I am not restricting it to ships of that particular class.

6279. So that if you wanted to depart from the ordinary practice of going to competitive tender, you would seek the sanction of the Treasury first, as regards shipbuilding?—That is so as regards cases similar to the "Invincibles."

6280. Then you said that there may be works undertaken, and that Parliament may not have known so much about those works. I am not quoting the words of your answer, but I think that was the effect of it. The rule is that practically all works you undertake are put up to competitive contract, are they not?—Yes, if they are carried out by contract.

6281. You spoke of works as something different from shipbuilding; did you mean harbours or docks, or work of that sort?—I was referring at the moment to large works as compared with large ships. I think the point was raised that Parliament is aware that a particular ship is to be built by contract, and I said that prior Treasury sanction would be sought in the case of any departure from the principle of open competition in such a case, and then I said the same principle would no doubt apply in the case of a large work, although Parliament may not be aware that that work is to be carried out by contract.

6282. Supposing you put a dock into the Estimates, and Parliament sanctioned it, would not Parliament know whether it was to be done by contract or not?—That information does not appear upon the face of the Estimates.

6283. In such a case as that, would you claim that the Admiralty would be at liberty, without going to the Treasury, to vary the usual practice of going to tender, and give it secretly to some contractor?—No, the Admiralty would not claim that;

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Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

Sir Daniel Goddard—continued.

that; the Admiralty would ask for prior Treasury sanction in such a case as that.

6284. They would come for sanction there on the same principle as in the case of the "Invincibles"?—Yes.

6285. Then when you spoke of works, you were speaking of something quite minor, I suppose?—I hardly think the question arises in the case of works.

6286. I only mentioned it because you gave works as an illustration?—I gave it as an illustration of the point raised.

6287. The only reason that I have heard you give, as I understand it, where you should vary from the ordinary practice of going to tender, is where there may be only one firm who makes an article, and there you say there is no object in writing to the Treasury to ask permission to go to that firm without putting it up to tender? That is your answer?—I used that as one illustration.

6288. That I can quite understand. It may be a mere matter of form to write a letter to the Treasury saying, "There is only one firm that can accept this contract, and therefore we do not propose to put it up to open tender"; but what other cases are there?—The question of time might be involved. It might be desirable that the firm that made a particular article should be called upon to supply a similar one, although it is quite possible that other firms might be able to make it. Those illustrations represent the class of case where open competition is impracticable.

6289. That is not a case where it is impracticable, but only a case where it is undesirable?—The second case is, no doubt, one where it is undesirable.

6290. You said there were some cases where you did not think the responsibility of the Admiralty ought to be weakened, and that having to go to the Treasury to obtain their sanction would weaken the responsibility of the Admiralty?—It is the view of the Board of Admiralty that that would be so, if they had to consult the Treasury in every case.

6291. How does that weaken the responsibility of the Admiralty? Supposing you write to the Treasury and the Treasury gives its assent, as Mr. Headlam has already said the Treasury does give its assent, because they have no technical knowledge, but simply accept the technical reasons given by you, that does not remove your responsibility, does it?—I think it transfers the responsibility to the Treasury.

6292. It might with this Committee; the Treasury would be asked why they gave their consent? But if the question came before the House of Commons, it would be the Admiralty that would be answerable?—Yes, before the House of Commons that would be so; but before this Committee I should be justified in asking that Mr. Headlam should reply.

6293. But Mr. Headlam, I suppose, would say we gave our consent because the Admiralty gave

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## NAVY APPROPRIATION ACCOUNT, 1906-7.

Treasury Minute on the Reports from Public Accounts Committee, February, 1907—continued.

Sir Daniel Goddard—continued.

us certain technical reasons why this was the best way of doing it; but if you want to understand what the reasons are, you must go to the Admiralty for the information?—That is rather what the Admiralty feel about it: it would be going round in a circle to get formal sanction in cases of that sort. (Mr. Headlam.) I do not think the Treasury would give their assent on technical grounds. They would have no technical knowledge, and they would accept the technical reasons put forward by the Admiralty experts; but in giving their assent they would proceed not on technical, but on general grounds of policy, and they would be prepared to justify their consent before this Committee on those grounds.

6294. Take, for instance, the case which Mr. Eyles put just now, of a certain firm having made some article and there were other firms who could make it, but in the view of the Admiralty it was desirable, instead of putting it up to open competition with other firms, that the same firm should be asked to make another article like it. (To Mr. Eyles.) That was the case you put, was it not?—That is so; they would be aware of the precise design, and it would save time, and so on, to go to them again.

6295. (To Mr. Headlam.) How would you regard such a case as that; that would not be taken as a technical case, would it?—I should imagine it would be put forward on the ground that the considerations of time were absolutely necessary, and that the loss of time would be detrimental to the public service—it would be urged on some such grounds as that, I presume.

Mr. Bowles.

6296. You told us that the Admiralty would be ready to justify any departure from the ordinary course before this Committee; but how do you suggest that this Committee or Parliament is to find out where departures have been made in the ordinary course, if Treasury sanction is not to be asked?—I think the Comptroller and Auditor-General would always call attention to such a case.

6297. (To Mr. Kempe.) Can you assure the Committee that your examination would always make you aware of every such departure?—No, it would be impossible to guarantee that every departure is noticed by us. We can only test certain cases that come before us. We pick out certain cases of contracts, and examine them. There may be many that escape notice.

6298. Therefore, unless Treasury sanction were sought in all these cases, there might be a great number of departures involving, perhaps, great extra expense, which Parliament and this Committee would necessarily be unaware of?—The mere getting Treasury sanction would not necessarily bring the case before us. We should still select cases, and if we found a case where there was no Treasury sanction, we should bring

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it before Parliament; but we should not see all the cases where the Treasury had given their sanction.

6299. On the other hand, if Treasury sanction were to be sought in every case, there would be a record and a statement of the case?—Yes.

6300. And I suppose it would be open to you, if you desired it, to call for all correspondence and particulars of that kind?—Certainly, if we had ground for suspecting that the authority was not obtained, we should probably call for and examine a whole class of such cases.

6301. Whereas, under the system which the Admiralty now propose, there is no means by which you or this Committee or the Treasury could find out where departures have been made in all these cases?—That is so.

*Chairman.*

6302. (To Mr. Eyles.) The only other paragraph in the Treasury minute of which some notice ought to be taken is paragraph 22, which refers to the question of the position of the Director of Works in his capacity as arbitrator where the conditions of a contract for which he is responsible are in dispute. I gather that the Board of Admiralty disagree with the opinion which this Committee expressed last year, that an independent arbitrator was advisable, and not the Director of Works?—Yes; there has been a good deal of correspondence with the Treasury on this question, but before writing to the Treasury, the Board of Admiralty gave the question the most careful consideration, and I need hardly say they approached it with perfectly open minds. They felt there was a great deal to be said on both sides, but they came to the conclusion that it was advisable that the procedure at present in force should be continued. Perhaps the Committee might like me to read the Admiralty letter to the Treasury, dated the 18th September last, which gives the reasons for this conclusion?

6303. Will you please do so?—"With reference to the Treasury minute dated 15th December, 1906" (that is the minute which the Committee have under consideration), "asking for the view taken by the Board of Admiralty as to the continuance of the practice whereby the Director of Works, who is responsible for the conditions of works contracts, acts as arbitrator if those conditions become the subject of dispute, I am commanded by my Lords Commissioners of the Admiralty to acquaint you, for the information of the Lords Commissioners of His Majesty's Treasury, that they have now given the matter their full consideration, and to request that the following statement may be placed before their Lordships of the Treasury. (2) The question of arbitration is one that concerns the Controller, the Director of Naval Ordnance, and the Director of Contracts, as well as the Director of Works. (3) In all contracts for hull and machinery which contain any arbitration clause, the Controller

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is named as arbitrator. There are two great objections to the appointment of an outside arbitrator in the case of contracts for hulls or machinery. In the first place, there is the difficulty of selecting a competent arbitrator free from all suspicion of partiality from amongst the very limited number of men qualified to act in that capacity. The second and more serious objection lies in the great cost and waste of time involved in producing before an independent arbitrator a mass of evidence from both sides on matters of fact, which would be already known to the Controller, and in regard to which he would require no evidence. No complaints on the subject have been received from contractors, and there is no reason to suppose that the fact of the Controller being the arbitrator has deterred good firms from tendering, or has in any way increased their prices. Experience has shown that appeals to arbitration are very rare, the last having been made in 1896, in connection with ships built under the Naval Defence Act. (4) In the case of contracts for the stores which are dealt with by the Director of Contracts, independent arbitration is invariably provided for. Practically the only question put to the arbitrator is whether or not the Admiralty are justified in rejecting deliveries on the ground that they do not comply with the specification. Arbitration in this case is therefore a simple matter. The arbitrator has simply to compare the rejected deliveries with the specification and sample, and there is no necessity for the employment of counsel. (5) Gun and ammunition contracts are made by the War Office, and the procedure as regards arbitration follows the usual War Office practice. Provision is made for each of the parties to name an independent arbitrator, with an umpire in case of disagreement. So far as the Admiralty are concerned, there has been no recent case of reference to arbitration, and there is no object in changing this procedure. (6) In all contracts made under the supervision of the Director of Works, which are those particularly referred to by their Lordships of the Treasury, the Director of Works is named as arbitrator, and the same general principles apply as those set forth in the foregoing remarks for hull and machinery. Outside arbitration would be far more costly. By the time any appeal to arbitration has been made, the work would probably be well on its way to completion, if not actually finished, and the bulk of it might be out of sight, either under water or under ground, so that it could not be viewed at all. The whole progress of the work would be familiar to the Director of Works, whereas a large amount of technical evidence would be required to put an outside arbitrator in possession of the necessary facts. As in the case of contracts for hull and machinery, appeals to arbitration are rare, and in recent years there have been two cases only. (7) My Lords are strongly of opinion that if the present system

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system were changed, and outside arbitration substituted for the arbitration of the Controller and Director of Works, there would be far more temptation for a contractor who had lost on his contract to appeal to arbitration. A contractor with a bad case would have little inducement to appeal to an arbitrator who had full knowledge of the facts of the case. The tendency of an outside arbitrator hearing a mass of possibly conflicting evidence as to facts is to split the difference, a process which could not fail to tell against the Admiralty, because while a Government department has no motive to state anything except the facts, a contractor might have every reason to attempt to misrepresent them. (8) Having given full weight to all the arguments which can be advanced in favour of outside arbitration, my Lords are convinced that the balance of advantage lies in the continuance of the present system, and therefore propose to make no change." I do not know whether Mr. Headlam has any objection to my reading the Treasury reply to that letter?

6304. Mr. Headlam, I understand, has no objection?—The Treasury replied to this letter on the 26th September, 1907, and stated that, "While my Lords are at one with the Board of Admiralty in not favouring outside arbitration, they are clearly of opinion that, in accordance with the practice in connection with the Controller's cases, the Works Arbitrator should be a Lord of the Admiralty and not an Admiralty official. Their Lordships trust that the Board of Admiralty will see their way, on reconsideration, to adopt this suggestion." To this the Board of Admiralty replied on the 13th November, 1907, as follows:—"I have laid before my Lords Commissioners of the Admiralty your letter of the 26th September last, in which you state that the Lords Commissioners of His Majesty's Treasury are unable to concur in the arbitration arrangements for works contracts, the view being taken that, in accordance with the practice obtaining in shipbuilding cases, the Works Arbitrator should be a Lord of the Admiralty, and not an Admiralty official. In reply, I am to request that you will represent to their Lordships of the Treasury that in cases arising out of shipbuilding contracts the Controller sits as Arbitrator not in his capacity as a Lord of the Admiralty, but as the expert head of the technical department concerned, and, as a matter of fact, the officer for the time being holding the position of Controller was nominated Arbitrator *ex officio* for the 10 years between 1872 and 1882, during which period he was not a member of the Board. The considerations which have led their Lordships to the conclusion that the present system should be retained so far as regards shipbuilding contracts, apply with equal force to the contracts carried out by the Director of Works; and as indicated in Admiralty letter of 18th September, there are exceptional circumstances

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in the case of a works contract which render the maintenance of the existing arrangements specially desirable. It would be rare to find amongst the naval and Parliamentary members of the Board an expert in matters relating to the Works Department, and unless he were an expert, whoever might be selected to act in this capacity would have to depend on the Director of Works for advice in matters of arbitration, or obtain outside advice at great expense and delay. Again, if a Parliamentary member of the Board were nominated for the purpose, it is conceivable that circumstances might arise which would place the holder of the post for the time being in the invidious position of having to arbitrate in a case in which a constituent was concerned. For these reasons my Lords desire me to express the hope that their Lordships of the Treasury will reconsider the view which they at present hold with regard to the proposal put forward by this Department." The receipt of this last Admiralty letter was acknowledged by the Treasury on the 14th February of this year with the remark that, "My Lords do not think it necessary to express any further opinion of their own on the question of the arbitrator to be appointed under contracts made by the Director of Works." The Treasury add that, "The Lords Commissioners of the Admiralty will no doubt make arrangements for the presentation of their views to the Public Accounts Committee if called upon."

6305. That is where the matter now rests?—Yes.

6306. The Committee will probably prefer to take no further evidence upon this point until we have had an opportunity of considering the letters which you have read?—Perhaps I may remind the Committee that there is a paragraph in the Comptroller and Auditor-General's Report upon which this question might conveniently come up.

6307. It will arise on Paragraph 92 of the Report, will it not?—Yes.

## REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL UPON THE APPROPRIATION ACCOUNT.

## ABSTRACT APPROPRIATION ACCOUNT, 1906-7.

## NET SURPLUS.

6308. (To Mr. Kempe.) Turning to your Report, Paragraph 1 is merely a statement of the fact that the total surplus to be surrendered is £397,412 16s. ?—Yes, it is merely a summary.

## PRINCIPAL SURPLUSES AND DEFICITS ON THE SEVERAL VOTES.

6309. Paragraph 2 states the differences between the Estimate and Expenditure on certain Votes; it is only a summary. All the differences come out on the separate Votes later on, do they not?—Yes, the different Votes are dealt with in the body of the Report.

6310. Paragraph

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[Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Vote A., NUMBERS VOTED AND BORNE.

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Vote 1—Wages, etc., Deficit—*continued*.

Chairman—*continued*.

6310. Paragraph III. merely gives a comparison of numbers voted and borne under Vote 1?—That is all.

VOTE 1.—WAGES, ETC., DEFICIT.

DEFICIT.

Sir Daniel Goddard.

6311. (To Mr. Eyles.) As regards the deficit of £284,502, that is largely due to the excess number of officers and men borne over the numbers voted, is it not?—That is one of the reasons for the deficit.

6312. The net excess of officers and men and seamen was 644 throughout the year, was it not?—That is so.

6313. The boys who were voted under the same Vote, were underborne to a larger extent?—That is so.

6314. This question arises in my mind: is it permissible for the men who are voted by Parliament to be overborne in this way?—Yes. Parliament votes the total number, but not the ranks and ratings.

6315. Is it within the power of the Admiralty to vary the ranks?—Certainly.

6316. Can they vary them as they like?—Well, there are certain limits. There is a limit to the number of Flag Officers, and to the number of captains, and so on.

6317. And that affects the money. They are not at liberty to vary it if it affects the money, are they?—They are at liberty to vary the ratings in Vote A., but they are not at liberty to vary them so as to exceed Vote 1 without Treasury sanction, which was obtained in this case.

6318. They may make variations of the ratings, but not so as to vary the amount of money voted except with Treasury sanction?—That is so.

6319. Can you explain how it is that there is such a large deficiency in the number of boys?—The Admiralty decided not to enter so many.

6320. There were 5,853 boys voted, I think?—Yes, that was the number included in Vote 1.

6321. And that number was underborne on the average to the extent of 1,271 in the year; that is, less than four-fifths of the boys voted were actually borne?—Yes. The number voted there is, of course, the maximum number.

6322. Does that mean that you could not get the boys?—Not necessarily.

6323. Are they deliberately over-voted?—The number voted was the maximum number, and it turned out to be more than the Admiralty found it necessary to enter.

6324. Does it mean that the Admiralty, when they voted these ratings before Parliament, did not mean to carry so many boys, but to increase the number of men?—It is very difficult, of course, to determine what shall be the precise

Sir Daniel Goddard—*continued*.

number of boys, and of the various ranks and ratings that are included in Vote 1 so long beforehand. That is one of the difficulties we have in determining what shall be the money provision in Vote 1.

6325. It seems to me as the Vote stands, there is not much actual relation between the Vote of Parliament and the actual facts of the numbers that are borne on the Vote and paid for?—I do not think the variation is very large except in the case of the boys.

6326. But you have increased the number of men by 644; do you not call that a considerable addition?—No, I should not call that a considerable addition. It is all within the total of Vote A.

6327. I am asking the question for information; am I to understand that if the Admiralty chose to discontinue boys, or to have only quite a small number of boys and to increase the number of men, they are at liberty to do so, provided they do not increase the amount of wages to be paid?—Certainly.

6328. They are at liberty to do anything they like in regard to variation of ratings, provided they do not increase the amount of money on the Estimate?—That is so.

6329. And if they do increase it, they must go to the Treasury?—Yes.

Mr. Bowles.

6330. I should like to ask you a question in regard to an answer you gave a minute ago. You said that these numbers of men and boys were maximum numbers, but is that so? In the case of the Army the numbers voted are maximum numbers; but in the case of the Navy the resolution which the House passes in this case, for instance, is, "That 129,000 officers, seamen, and boys be employed for sea and coastguard services for the year ending on the 31st day of March, 1907, including 19,466 Royal Marines." There is nothing there about maximum numbers. Are you quite sure that the numbers voted are maximum numbers?—Certainly. In this year the Admiralty have not entered more men than Parliament sanctioned. Parliament can scarcely mean that there shall be that number. It may be impossible to get them.

6331. But what I suggest to you is that what Parliament intends is that there shall be that number, and it is upon the representation of the Admiralty that they intend to employ them and upon that alone really, that Vote 1, with which we are now concerned, is agreed to?—That is so.

6332. I do not think it is a maximum number, is it?—We have always regarded the number as a maximum number not to be exceeded. I think the honourable Member will see in the subsequent year's Estimates we have used the word "average" for the first time.

6333. That is quite new?—Yes.

6334. In

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Vote 1—Wages, etc., Deficit—*continued*.

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Vote 1—Wages, etc., Deficit—*continued*.

Mr. Bowles—*continued*.

6334. In regard to paragraph 4, if you will turn to the correspondence on page 116, I see that on the 21st December, 1906, the Admiralty informed the Treasury that there would probably be a deficit on this Vote 1 of £85,000, and on page 113 on the 14th March, 1907 (that is three months later), you informed the Treasury that the deficit would probably be £130,000. As a matter of fact it turned out to have been £254,000?—That is so.

6335. How was it that on the 21st of December your estimate of the deficit should only have been about one-third of the actual deficit, and on the 14th April about one-half of the actual deficit. Was not that rather a bad forecast?—I may point out to the honourable Member that the preparation of this Estimate, that is for over 125,000 officers and men, is a matter of very considerable difficulty.

6336. But I am upon the question of the forecast of the deficit?—The difficulty of forecasting what the variation will be exists at the end of March, because, of course, the accounts cannot be made up till many months after that.

6337. But on the 14th March—that is to say, a fortnight before the end of the financial year—presumably you had pretty complete information, had you not, as to the sort of causes that would work in respect of this Vote?—No, we have not any very precise information as to what is going on in regard to these payments, which are dependent upon varying circumstances, and we cannot know very precisely till many months afterwards, when we complete our accounts.

6338. But taking this great deficit of £284,000; you say in the explanation on page 23 that the excess is “due to the numbers of officers and men borne generally being in excess of those voted.” You know exactly what that excess was on the 14th March, did you not?—No, we did not know till some time after that.

6339. You also say it is due “to the average rates of pay being higher than estimated for.” Surely you knew that definitely before the close of the year?—We knew, of course, when our accounts came to be made up on the 30th November that we were £284,000 in excess, but we could not have known that at the end of March. Perhaps I may explain generally to the Committee with regard to this very large deficit (for it is a very large deficit, and I very much regret it; I think it should not have been so large), that while the numbers of the Fleet were being increased by practically an uniform annual addition, which as probably some Members of the Committee may recollect, actually took place for a series of years, the estimating of Vote 1 was comparatively easy; but now that a long period of progressive increases has been succeeded by a diminution of the total numbers, accompanied by considerable but somewhat uncertain increases in the more expensive ratings, the calculation of the Vote has been attended with a good deal of uncertainty.

Mr. Bowles—*continued*.

Of course, the chief factor in the calculation of the provision for wages is the number to be employed; but although it is possible to fix the approximate total of the number required, it is not always possible, and it has not been so in recent years, to distribute the total over the various classes in the Vote. That distribution depends upon examination and decision with respect to many points, which, though matters of detail as regards Vote A, have, of course, a very important bearing upon Vote 1. A personal account is, of course, kept of every officer and man in the Navy, but it is not possible to examine these in detail for the purpose of arriving at the probable charge in any year for each person. Therefore we are obliged to make the calculation, as it were, in classes. Then there are a good many elements of uncertainty about it, such as uncertainty of recruiting, changes in the appointment of officers, involving transfers to and from the Half-Pay List, fluctuations in the rate of waste, &c. But when we come to deal with large classes of men who have progressive pay and are, in most cases, eligible for extra pay, or allowances dependent upon the fulfilment of varying conditions, a very slight shortage in the rate per head means a very large shortage in the total. But there is no doubt that the average rates of pay that we adopted for 1906-07 were insufficient. I think we were, perhaps, naturally anxious not to over-estimate Vote 1, while Vote A was decreasing, and I think we were a little too sanguine. Then I might also mention one uncertain element in this Vote, as perhaps, it affords a good explanation of the difficulties in the way of preparing a close estimate, and that is extra pay. Extra pay in Vote 1 is a very large item. In this particular year it was something like £115,000. The forecast of the extra pay may turn out to be very different from the actual result, owing to ordinary incidents connected with the administration of the Fleet, that could not be known beforehand; for instance, the employment of newly-completed submarine and torpedo craft earlier than was expected. The retention of torpedo craft at places other than dockyard ports for longer periods than was anticipated, would extend the time during which the crews live on board and become entitled to extra pay. Of course, the officers and men are paid extra pay, which is known as “hard-lying money,” for living on board submarines, and also at a lower rate for living on board torpedo-boats, and at a still lower rate while on torpedo-boat destroyers. The amount paid in all these cases is dependent upon the activity or otherwise of the Fleet; so that it is very difficult to form a very close estimate of what will be required in Vote 1. I think that represents to the Committee generally what our difficulties are. I do not wish to offer that as any sufficient excuse for this very large deficit, which I hope will disappear altogether from later Accounts, as things become more normal.

6340. But

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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 1—Wages, etc., Deficit—*continued.*Mr. Bowles—*continued.*

6340. But for the moment we may take it that for these two years, 1905-06 and 1906-07, while the changes that have been made in the schemes of pay and allowances have been more costly than anticipated, and although during this particular year you have borne rather fewer men than you had expected, their cost has been something like a quarter of a million more?—That is so, though, of course, as the table shows, we have rather over-borne the more expensive officers and men.

Mr. McCrae.

6341. I observe that the deficit is £284,502, and you divide it under three heads: "Excess of officers and men over the numbers voted costing £48,000"; secondly, "Higher average rates of pay, £144,000"; and thirdly, "Extra pay, £103,500." With regard to the excess of officers and men taking the year in question, is that due to a change in policy?—No, I should hardly like to call it a distinct change of policy.

6342. Because I observe that the number of officers and men voted was 97,660, as shown in the table at the bottom of page 23?—That is so.

6343. And in the Lady-day quarter in 1907 the number borne was 98,826, so that that gave an excess of 1,165?—That is so, in that particular quarter.

6344. Although the average for the year was only 644 more, the two last quarters showed an increase of considerably over 1,000?—That is so.

6345. In the first quarter there was a decrease of 186 over the numbers voted; then, in the next quarter there was an increase of 371, and then it jumps up in the following quarter to 1,226, and in the last quarter it was 1,165. Is that very large jump a permanent increase, or how has it come about?—It will probably be a permanent increase in those particular ratings, although, of course, Vote A as a whole for 1907-08 was 1,000 lower than in 1906-07.

6346. But we are not concerned with 1907-08 at present?—No; but I mention the fact as showing that this increase may not be permanent.

6347. Your Estimate for 1907-08 is less than your Estimate for 1906-07?—Yes.

6348. But you cannot say why this increase arose in this gradual way?—I am afraid I cannot give you any detailed information, but it would be due generally to the recruiting in these particular ratings going on faster than was expected.

6349. But this is a question of numbers, not of money?—Yes, it is a question of numbers within the total of Vote A.

6350. Then with regard to the second division, the excess due to higher average rates of pay, £144,000, that is an excess of money—the higher average rates of pay has cost us £144,000, I understand?—Yes, it is not wholly attributable to the excess of numbers.

6351. That is not attributable to excess of numbers at all, is it, according to your explanation?

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 1—Wages, etc., Deficit—*continued.*Mr. McCrae—*continued.*

—It may be partially due to that, but that £144,000, which, I may say, is merely approximate, because it cannot be worked out in absolute detail, is mainly due to the fact that the average rates of pay turned out to be higher than we estimated.

6352. Was that in consequence of a higher scale of pay being given?—There have been a good many changes in the scales of pay within recent years, and it is difficult to accurately forecast how they will affect the particular financial year.

6353. Was this really the consequence of a scheme for pay and allowances?—Various schemes have been authorised from time to time, and they are now developing.

## CLIMATE PAY TO CREWS OF GUNBOATS IN THE CHINA RIVERS ISSUED ON INSUFFICIENT AUTHORITY.

Chairman.

6354. With regard to Paragraph V., has the Order in Council yet been obtained regularising this payment of Climate Pay?—Yes, it was obtained on the 9th of April last.

6355. Why were not these payments included in the List of Grants annually laid before Parliament?—It was a pure oversight.

Sir Daniel Goddard.

6356. Is the Order in Council confined to the China Rivers?—That is so. The payments elsewhere have ceased.

6357. Are there no other places where an equally good case could be made out for Climate Pay?—No, not at present.

6358. Turning to the Vote itself, in regard to Sub-heads D and E on page 22, under the heading "Royal Marines," I see there is a surplus unexpended of £19,520 on Sub-head D, "Wages and Allowances"?—Yes.

6359. That is due to the Royal Marines being underborne, is it not?—Yes.

6360. There was an average shortage of 831 throughout the year on the Vote?—That is so.

6361. Then on Sub-head E, "Contingencies," there was an excess expenditure of £892?—That is so.

6362. That is stated to be due to "more men having drawn lodging allowance than was anticipated." Can you explain to me how it arose that, with a considerable shortage of men, the contingent expenses should be so much more?—Yes, I have gone into the matter very closely, and the explanation seems to be that there was a larger number of men on the married roll, not an excess on the proportion allowed, but the proportion is being worked up to.

6363. Is that the explanation of more men having drawn lodging allowance?—Yes.

6364. There were more married men?—More men on the married strength.

6365. I notice that the excess expenditure on Sub-head



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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 1—Climate Pay to Crews of Gunboats in the China Rivers issued on Insufficient Authority—*continued.*

Sir Daniel Goddard—*continued.*

Sub-head E is greater than appears, because there were some savings, I think, on items included in contingencies?—Yes.

6366. There were savings on one item which struck me as rather curious, namely, "Forage and Horse Hire Allowances." What has this Vote got to do with forage; it suggests the idea of "Horse Marines"?—Of course, horses are used by the Royal Marine field officers.

6367. Is there a regular item for forage?—Yes, there is horse hire and forage allowance for certain Royal Marines.

6368. That is the explanation why there was a saving under that sub-head?—Yes; it is a very small item.

6369. Now, may I take you to Sub-head K, "Appropriations-in-Aid." I see there is a net deficit on "Appropriations-in-Aid," due mainly to the non-receipt of the fourth quarterly instalment of the contribution from Cape Colony, as I understand?—That is so.

6370. But among the items that make up the Appropriations-in-Aid of this Vote, there is one that struck me, namely, "Stoppages of pay from men while in cells"?—Yes.

6371. That was estimated to produce £15,500 for the year, and the actual receipts amounted to no less than £17,649; that is an excess of over £2,000. Can you explain to what that is due?—I do not know why there should be so large an excess in that particular year. It was, of course, an under-estimate.

6372. There are two methods, of course, by which this increase might be effected. Does it mean an increase in the number of prisoners, or is it due to higher rates of stoppage from those who are undergoing punishment?—I think it must indicate that there is a larger number of fines for leave-breaking and so on.

6373. There would not be much variation in respect of the number of prisoners, would there?—Perhaps the honourable Member is thinking of men confined in Naval prisons. These are not Naval prisoners in that sense. The fines are for temporary leave-breaking and so on.

6374. But these would be all Naval men, would they not?—Yes.

6375. This is not a very variable item, is it?—Of course, we are obliged to base our estimate upon averages.

6376. You do not attribute this increase to an increased number of prisoners?—No, certainly not. I do not know why in this particular year there should be this excess, but I do not think it indicates any large increase of prisoners, certainly.

6377. Does it indicate a change of the policy or method of dealing with fines, or anything of that sort?—No, certainly not.

Sir Robert Hobart.

6378. I see on page 23 in the table of numbers

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## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 1—Climate Pay to Crews of Gunboats in the China Rivers issued on Insufficient Authority—*continued.*

Sir Robert Hobart—*continued.*

voted and borne, taking the Lady-day quarter, the total number borne in Sub-heads A, B, and D were 125,353. There was an excess of officers and seamen and boys, but a diminution of Coastguards and Royal Marines. Then I see in the expenditure compared with grant there was a saving on the Sub-heads B to J, with the exception of Sub-head E and Sub-head I, of £32,885, which reduced the expenditure more than granted to the sum of £254,136, instead of £287,022. You have taken advantage of the reduction of the Coastguard and Royal Marines divisions, in reducing the cost as against the over-expenditure; is there any reason why you should not have carried that even further, if you had wanted to, and reduced the Royal Marines and Coastguard further, in order to meet the extra expenditure?—May I point out to the honourable Member that that policy was not deliberately adopted in order to meet the excess, because, as a matter of fact, the excess could not have been known in time. It is however a fact that the under-bearing of the Marines and Coastguard in this case did go some way towards meeting the very large deficit on Sub-head A of this Vote.

6379. But that was not taken into consideration?—Certainly not.

6380. Then may I ask you as to the surplus on Sub-head C, which is explained as being due to "the closing of Coastguard stations," has a great deal been done in the way of closing Coastguard stations?—A certain number were closed in that year.

6381. Is it the policy to close them all?—No.

6382. As regards the horse hire allowances under Sub-head E, I presume that is for the mounted officers of Royal Marines when they are employed on shore?—Yes. It is a very small item. As a matter of fact the whole Vote in that year for forage and horse hire was £1,800.

6383. The officers must be mounted for parade and so on?—Yes.

Mr. Bowles.

6384. As regards Sub-head H, I see the Marines were, throughout the year, at an average of 831 under their strength, and that shortage went on rapidly increasing every quarter until it got in the last quarter to 986, and in spite of that, fewer numbers, according to the explanation on Sub-head H, were entered. Why was that? Was there any new difficulty in recruiting the Marines?—No, I think not. I can only say that it was part of the policy of the Admiralty to reduce the number.

6385. What is meant by the explanation of the surplus on Sub-head H is, that less money has been spent, not so much because fewer numbers were entered, but because fewer attempts were made to enter them. That is really what it means, is it not?—To a certain extent it does mean that; but I should explain that this sub-head

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## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 1—Climate Pay to Crews of Gunboats in the China Rivers issued on Insufficient Authority—*continued.*

Mr. Bowles—*continued.*

head relates to recruiting generally, not only for Marines.

6386. There is a note at the bottom of page 22 which I do not quite understand. "The approximate expenditure under this Vote in respect of the attempted salvage of stores, &c., from the wreck of H.M.S. 'Montagu' is £2,728." How does that expenditure come particularly under this Vote?—It is for extra pay to the men engaged in attempting to get the "Montagu" off the rocks.

6387. Is that pay that would not have arisen unless the "Montagu" had gone ashore?—Yes, it is not the ordinary pay.

6388. The people employed in salving the stores were our own people, but this is extra pay, I gather?—Yes. They are entitled to extra pay when they are employed on such work.

Mr. McCrae.

6389. Is it the policy of the Admiralty now to reduce the number of Royal Marines borne in strength?—I think there was a reduction in the Vote for the succeeding year. I am sorry I have not got the numbers for 1907-08 and 1908-09, but I think the Admiralty were deliberately working down to a smaller number.

6390. You do not remember whether they took the actual strength at the end of this year as their basis, or whether they aimed at even a smaller number?—I have the figures now. In this particular year the number voted was 19,235. In the year 1907-08 it was 18,371, and in the current year 18,346, so that the Admiralty were deliberately working down to the number that they had in view for succeeding years.

6391. So that they have taken the actual strength of the last quarter really as the estimate for the succeeding year?—Approximately.

6392. So that it is not due at all to any decrease in the popularity of the service of the Royal Marines, but merely to the policy of the Board?—That is so.

## VOTE 2.

## VICTUALLING AND CLOTHING FOR THE NAVY.

## SURPLUS.

Chairman.

6393. I see that the surplus under this Vote occurs chiefly under the Sub-heads for Provisions, £90,185, and Seamen's Clothing, £126,196, and in the second sentence in the paragraph it says that out of that surplus of £126,196, about "£70,000 is for smaller purchases of clothing, due principally to the reductions in the seamen's kit." Does that mean a reduction in the stores of seamen's kit, or a reduction in the amount of kit supplied to each sailor?—The cost of the kit is less than it was formerly.

6394. The reduction in the stores only applies

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 2—Victualling and Clothing for the Navy—*Surplus—continued.*

Chairman—*continued.*

to the Provisions, and not to the Clothing, did it?—I think it applied to clothing also to some extent.

6395. Are you using up old stock, in fact?—Yes.

6396. You are lessening your stocks both of Provisions and of Clothing?—Yes, but the reduction of stocks referred to here applies mainly to Provisions.

6397. I do not think what is called the Mowatt reserve in the Army applies to the Navy, does it?—No, it does not.

6398. But is there a minimum of that sort of the amount of stock that ought to be kept in the Navy?—Yes. It is laid down by the Board of Admiralty what stock should be kept.

6399. A fixed amount?—Yes.

6400. Is this a reduction under that limit, or a reduction to that limit?—It is a reduction to that limit.

Mr. McCrae.

6401. I notice in your forecast in your letter to the Treasury of March 21st you estimated your surplus at £157,000 at that time, and the actual result was £240,356. Can you account for that difference; or is that not taking into consideration the Appropriations-in-Aid? If those are excluded your estimate is pretty accurate?—Our forecast would include the Appropriations-in-Aid. It would be the net figure.

6402. Is the £240,356 after allowing for the deficiencies under the Appropriations-in-Aid?—May I ask to what page you are referring?

6403. At page 117 you have the details of your forecast, and I am comparing that with the figure in this paragraph?—The £224,000 represents gross expenditure only. The £157,000 allows for the Appropriations-in-Aid.

6404. In this paragraph the surplus on gross expenditure is stated to be £240,356?—Yes.

6405. Does that include the Appropriations-in-Aid?—No.

6406. So that the net surplus is £187,000, and not £240,000?—That is so.

Sir Robert Hebart.

6407. I see in this paragraph it is said that the smaller purchases of clothing were due partly "to the reluctance of the seamen to purchase more clothing than absolutely necessary." I suppose there was some alteration?—Yes, the kit was under revision in that year, and the men were reluctant to make purchases until it had been settled.

6408. Are they supposed to have surplus clothing that was useless to them?—I suppose they wore the clothing they had a little longer.

## SPECIAL SUB-HEAD GG.

Chairman.

6409. (To Mr. Kempe.) This paragraph (7) relates to compensation for the cancellation of a contract

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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 2—Victualling and Clothing for the Navy—  
Surplus—continued.*Chairman*—continued.

contract in regard to the manufacture of coffee, in consequence of the seamen not taking so much coffee as was anticipated. Are you satisfied that everything was done correctly in this case, and that it was really a good bit of business?—Yes, the correspondence explains the whole thing satisfactorily. It was approved by the Treasury.

Sir *Daniel Goddard*.

6410. (To Mr. *Eyles*.) There was no amount of coffee mentioned in this contract at all, was there? There was a kind of understanding that it covered 750,000 lbs. per annum?—Yes, the amount was not definitely stated in the agreement.

6411. The contract was to supply about 15,000 lbs. weekly, and more if required?—That is so.

6412. I cannot quite understand how such a bad estimate as this was made. You calculated that you would want 750,000 lbs. in one year, and it turned out that you only required it at the rate of 800,000 lbs. for three years?—That is so. A very careful calculation was made by the Director of Victualling after a Committee had reported, and had recommended the introduction of coffee. The calculation was based upon evidence taken by the Committee; but this proved entirely fallacious as a guide to the actual requirements. Although the coffee was taken up very much at first, apparently it soon lost favour.

6413. It was a bad estimate?—It turned out to be a bad estimate.

6414. It means, I suppose, that it was not popular, and the men did not drink so much coffee?—It was very popular at first, but the sailors ceased to like it.

6415. Was that due to any deterioration in the coffee?—No, certainly not. The coffee was good.

6416. It was merely a matter of fancy, was it?—Yes.

6417. I notice in the last sentence of this paragraph it says that "an excess stock of coffee berries was sold, part at public sales and part privately"; why was it not all sold publicly?—There was some part of it actually on the premises of the contractor, which was taken over at prices that were considered to be fair.

6418. Was the price obtained by private sales as good as the price obtained at the public sales?—Yes, good prices were obtained.

6419. Were they founded on the public sales?—Practically, I understand that was so.

6420. This was a contract for five years, was it not?—Yes.

6421. What was the object of going in for a contract for five years?—We were able to get better terms. We could scarcely expect the contractor to undertake a business of that sort without having an agreement extending over a considerable period.

6422. Had he to put up any plant specially for it?—Yes.

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## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 2—Special Sub-head GG—continued.

Sir *Daniel Goddard*—continued.

6423. Was this put to open tender?—No: But the agreement made was very satisfactory, and it would have saved a considerable sum of public money had it been necessary to continue to issue the coffee. There can be no question that the agreement was advantageous to the Service; but unfortunately, the seamen refused to drink the coffee.

Mr. *Bowles*.

6424. As far as I can make out, several of the really more important conditions of this contract were not expressed in the contract itself, but had been conveyed verbally to the contractor. For instance, the injury which this contractor suffered was mainly due to the fact that the orders given to him did not amount to anything like the 750,000 lbs. in the year which he had been told he would receive, and upon which he based his tender. But the figure of 750,000 was neither inserted nor suggested in the contract. It was merely a verbal arrangement?—It was not stated in the contract itself.

6425. It seems rather unsatisfactory that, in making a large contract, very material parts should be omitted from the contract itself and left to a mere verbal arrangement?—It was difficult to fix definite figures, but it was expected that a very large quantity would be required, and this, as appears in the letter to the Treasury at page 118, was originally mentioned when the agreement was under consideration.

6426. It seems to me there was a failure on the part of the Admiralty to put that amount into the contract or to make any suggestion as to the total, upon which they knew the price would depend?—There was a suggestion of it, because the contract says "at least 15,000 lbs. a week."

6427. Yes, the contract says: "I undertake to prepare and deliver the mixture at the rate of at least 15,000 lbs. per week"?—And of course that would amount to 780,000 lbs. in the year.

6428. No doubt; but there was no obligation upon the Admiralty to take it at that rate?—No.

6429. It was because the contractor was led to believe that there was an obligation that he was able to quote a price so low as he did?—Yes, that was what the Admiralty felt when the agreement had to be terminated.

6430. It is also what they felt when the contract was entered into. Apparently, while they wished to be able to bind the contractor to supply a large amount, they were not so sure they would want that large amount as to be willing to bind themselves to take it?—It would have paid very well if that quantity had been required. The Admiralty wanted to treat the contractor fairly, and they felt that, as the quantity was not required and the agreement had to be terminated, they were justified in suggesting this compensation to the contractor.

6431. I suggest that it is not a very satisfactory

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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 2—Special Sub-head GG—*continued.*Mr. Bowles—*continued.*

factory way of making a large contract, to leave what are really vital elements outside the contract altogether, to be left to an understanding, which eventually had to be met just as fully, and, perhaps, even more strictly, as if it had been embodied in the contract itself?—Yes, it is certainly desirable that whenever possible the precise conditions should be embodied in the contract itself.

Mr. McCrae.

6432. I suppose the reason why the figure of 750,000 lbs. was not put into the contract was to give the Admiralty practically a free hand, and not to bind them to take any particular quantity in a particular year?—Yes.

6433. I suppose, had the thing gone on in a reasonable way, supposing you had been taking 600,000 lbs. a year, no question would have arisen as to the amount?—No, I should think not.

## COST OF VICTUALLING SEAMEN WHEN WORKING FOR PRIVATE INDIVIDUALS.

Chairman.

6434. With regard to Paragraph 8, can you tell me why the cost of victualling seamen was deliberately omitted from the King's Regulations relating to claims for work done for private individuals? It seems strange to have omitted it?—The Admiralty, in framing this Regulation, felt that, when men are lent in such circumstances as these (and, of course, they are only lent under exceptional circumstances; as a rule it would be a case where a ship is in distress), it was rather difficult to fix a charge for victualling. Men so lent might be wholly or partially fed by the borrower.

6435. You mean if they were navigating a ship home?—Yes, or if they were put on board a vessel to lend assistance for a time. It would be rather difficult to foresee the varying circumstances and frame a charge to meet them. The men might be employed for a few hours only—they might take their victuals on board—and the Admiralty felt that it would be fair if their gross pay and allowances, with authorised incidental charges, were recovered, apart from victualling. That, of course, is the Regulation; Article 1620 of the King's Regulations lays that down. There was a departure from that in one particular case in 1890, but since then we have adhered strictly to the King's Regulations.

6436. With regard to this particular case which the Comptroller and Auditor-General has referred to in this paragraph, namely, where a vessel was coaled for an Admiralty contractor by a party of men lent from H.M. ships, how did it come about that we lent men to this contractor?—It was a case of emergency in which the Admiralty wanted this coaling done, and, as dockyard labour was not available, it was done

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 2—Cost of Victualling Seamen when Working for Private Individuals—*continued.*

Mr. McCrae.

by seamen. But in this case the Admiralty felt it was fair to charge the full pay and allowance of the men, and not their victualling.

6437. Why did the Admiralty take that view? The men were being fed by the Admiralty during the time they were doing this work for the contractor. Do you mean that he was doing a service to the Government?—No; but the Admiralty felt that the charge against the contractor was really a very heavy one as it was. It was much more expensive than if the work had been done by dockyard labour, and they saw no reason for departing from the strict Regulation.

6438. On the merits of the case, is it your view that the King's Regulations fully meet the case?—Yes; I think if it were the custom for such work as is referred to by the Comptroller and Auditor-General in this paragraph to be done generally, the Admiralty might, perhaps, reconsider the Regulation; but such cases as these are very rare, and, as I said before, they generally occur in connection with vessels in distress, and I think it would scarcely be good policy to claim every halfpenny possible in such circumstances.

6439. This is a different category altogether, is it not, from that?—This particular case is; but the Admiralty felt that, even in this case, the charge as it was was very much heavier than it would have been had the work been done in the ordinary way.

6440. I see that the Comptroller and Auditor-General estimates the cost of the victualling alone at £40. What would be the total charge we made against the contractor?—I have not the figures before me.

6441. I suppose it would be a considerable amount, if the victualling alone cost £40?—Yes, but I do not know what the figure was.

6442. (To Mr. Kempe.) Do you know what the figure was?—It is arrived at by taking the number of the men employed at so much a head, apparently. It is a regulation charge.

6443. Do you know what the amount was that we charged against the contractor?—I am told it was £112.

Mr. Bowles.

6444. (To Mr. Eyles.) I suppose the question really is, why the cost of victualling should be deliberately excluded from the Regulation. It does not say that you are bound to recover the cost of victualling, or to claim it; but why should the Admiralty say deliberately beforehand: "We will not in any circumstances make any claim in regard to victualling of men whom we may lend for a private purpose, or whatever the purpose may be"? What can be the object of the Admiralty in debarring themselves from making such a claim at all?—As I said in answer to the Chairman, the Admiralty, in framing the Regulation, excluded it because of the difficulty of arriving at what would be a fair charge. They felt that the seamen, if lent temporarily to a ship, would often

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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 2—Cost of Victualling Seamen when Working for Private Individuals—*continued.*Mr. Bowles—*continued.*

often be fed by the borrower, or they might take their own victuals; and that it was not a case in which victualling, in addition to the full pay and extra pay, and any authorised percentage charges should be claimed.

6445. You mean in this particular case?—Yes, in this particular case they felt that the Regulation should not be departed from.

6446. But in regard to the question of the Regulation itself, what can be the object of cutting out one category of expense, which quite clearly is part of the expense which goes with the men? What is the object of saying: "We will never make a claim in respect of victualling, even though it may be clearly due as a matter of account"? I cannot understand the meaning of it?—I can only repeat that the Admiralty felt they would not be justified in making a Regulation to claim the victualling as well as the pay and allowances.

6447. Upon the ground that it is somewhat difficult to decide what a fair charge would be?—Yes. Supposing, for instance, the men were there for only three or four hours, what proportion of the cost of victualling would you claim?

6448. That would be a matter for consideration in each case; but it does not touch the point why you should begin by saying that under no circumstances will you consider the question of victualling?—The Regulation might be worded in such a way as to leave the Admiralty discretion, but in any case the Admiralty is not debarred from claiming victualling if so decided.

6449. But you are debarred unless you depart from the Regulation?—Yes, and, as I say, it has been departed from in one particular case.

6450. The question raised here is really as to the wisdom of the Regulation, and the practice under it?—Yes; the Admiralty have considered this question several times, and on each occasion they arrived at the conclusion that it would be unfair to claim the cost of victualling, and they decided not to alter the Regulation.

Sir Daniel Goddard.

6451. This really was the case of a contractor borrowing men from H.M. ships?—Yes, that is so.

6452. Was the coal being delivered to the ship itself?—I think the coaling was proceeding at a dockyard.

6453. This contractor had made a contract, I suppose, to supply the coal, which included the ordinary cost of labour?—I am afraid I have not got that information before me.

6454. That was the inference. You considered it hard upon the contractor in some way, I understand?—The coal had to be put on board in a hurry, and dockyard labour would have been employed had it been available.

6455. Would it not have been the contractor's labour?—The contractor could, of course, have obtained outside labour, if possible, but as a rule,

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Vote 2—Cost of Victualling Seamen when Working for Private Individuals—*continued.*Sir Daniel Goddard—*continued.*

in such a case as this, dockyard workmen would be employed, and we should claim the cost.

6456. But my point is that the contractor made a bargain to put this coal on to the ship at a price which included the labourers' wages?—I am not aware of that.

6457. It must have been included, must it not?—There was no coaling contract in this case.

6458. When a contractor contracts to deliver coal, he always includes the wages expended, does he not?—If there is such a contract. If a contract had been made to deliver the coal on board the "Duke of Edinburgh," of course, it would have included the cost of delivery. In this case there was no such contract; it was merely a case of putting the coal on board the ship, and reclaiming the cost from the building contractor.

6459. The inference is that it is a clear profit, to the man who was supplying the coal, of £40; is that so?—No, because the coal was supplied from Dockyard Store.

6460. If he had had to employ ordinary labour, you would have had to include the cost of living; the man would have had to find his own food?—If he had had to find his own labour, he would have paid inclusive wages, no doubt.

6461. And a dockyard labourer would have been just the same?—Yes; but in this case dockyard labour would have been much cheaper than Naval labour even without the cost of victualling.

6462. Turning to Vote 2 itself, I should like to ask one question about Sub-head M, "Seamen's Clothing, etc." The Vote was £375,200 and the expenditure £249,004, so that there was a saving of £126,196 on it. That is about one-third of the amount voted. That is a very bad estimate, is it not?—Yes; there was a very great variation in that year.

6463. In the explanation the surplus is explained as being "due to less requirements, owing to smaller sales of clothing to the seamen, lower prices, reduced charges in connection with making up clothing by contractors," and there is a reference to a corresponding deficit under Sub-head S, "Appropriations-in-Aid"?—Yes.

6464. When I turn to Sub-head S, the estimated receipts from Sale of Clothing were £405,000, but the actual receipts were £371,853; the deficit there was only £33,147. That does not seem to me to account for the large surplus of £126,196?—No, not entirely. I think the Comptroller and Auditor-General refers to other explanations in his paragraph. For instance, one item quoted is the reduction of the cost of the seamen's kit; lower prices was another item.

6465. I notice that the surplus is said to be partly due "to increase in the amount of outstanding liability at the end of the year"?—Yes.

6466. Can you explain that?—Yes, I think I can make that clear to the Honourable Member.

If

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Vote 2—Cost of Victualling Seamen when Working for Private Individuals—*continued.*Sir Daniel Goddard—*continued.*

If contractors' claims do not come in quite so quickly as anticipated, they are paid in the following year, which really results in the liability under this Vote on the 31st March being a little larger than anticipated, which, of course, actually relieves the cash Vote for that year. It really means that the charge falls into the succeeding year.

6467. I should have thought when there was a

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large surplus (that is, an under-expenditure under this head) there would be fewer outstanding liabilities?—No, the two things are not necessarily connected.

6468. This comes in very conveniently as a set-off against the deficit of £254,000 on Vote 1?—It has no connection whatever with that.

(The Witnesses withdrew.)

Tuesday, 16 June, 1908.

## MEMBERS PRESENT:

Mr. Ashton.

Mr. Bowles.

Mr. Brigg.

Sir Daniel Goddard.

Sir Robert Hobart.

Mr. Hobhouse.

Mr. Leif Jones.

Sir George Kekewich.

Mr. McCrae.

Mr. Mitchell-Thomson.

Colonel Williams.

COLONEL WILLIAMS in the Chair.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, O.B., and Mr. M. F. HEADLAM called in; and Examined.

Mr. ALFRED EYLES called in; and Examined.

## MARTIAL LAW.

Chairman.

6469. (To Mr. Kempe.) With regard to paragraph 9, this is really in accordance with the wishes of the Public Accounts Committee of last year?—Yes.

## VOTE 5.

## EDUCATIONAL SERVICES.

6470. In the last sentence in paragraph 10, you say "Directions have also been given that all receipts from arisings should be duly accounted for in future at both establishments"; that is the same practice as now prevails in all Naval hospitals?—Yes, that is so; it is arisings from messing, and so on.

Mr. Brigg.

6471. (To Mr. Eyles.) May I ask what is meant by the technical term, "arisings"?—Such things as dripping from the meat would be arisings.

## ON VOTE 6.

## SCIENTIFIC SERVICES.

Mr. Bowles.

6472. (To Mr. Eyles.) With regard to Sub-head F, "Expenses of preparing Charts," I see you spent £2,669 more than was granted, and the deficit is said to be due to an unusually "large number of corrections to plates." That seems rather strange: why should it be necessary to make corrections to plates more than usual in this year?—Expenditure in this respect varies according to the number of necessary alterations brought to light during the year. Information is received that a correction is required to a chart, which involves, of course, an alteration of the plate used for engraving the chart.

6473. That, of course, is a thing which you cannot foresee?—No; it is impossible to foresee exactly what amount of expenditure will be involved.

6474. With regard to Sub-head N, "Contributions

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[Continued.]

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On Vote 6—Scientific Services—*continued.*

Mr. Bowles—*continued.*

butions in Aid of Scientific Institutions," I see what appears to be a fixed charge of £625; what are those scientific institutions?—They are the Royal United Service Institution and the Institution of Naval Architects.

6475. They have nothing to do with "chronometers," then; Sub-heads M and N do not go together?—No. It is given to the two Institutions I have mentioned, £375 being granted to the Royal United Service Institution and £250 to the Institution of Naval Architects.

6476. Could you say for how long that has gone on?—I could not say from memory.

6477. Has it gone on for some years?—Yes, for many years, certainly. [NOTE.—*The grant to the Royal United Service Institution dates from 1865, and that to the Institution of Naval Architects from 1868.*]

6478. (To Mr. Headlam.) I suppose the question has never been considered whether this ought not more properly to be a Grant-in-Aid to these Institutions?—I am not aware that any change has been considered.

Mr. Leif Jones.

6479. (To Mr. Eyles.) Do we receive anything from these institutions in return for this money grant?—They are considered to be of general advantage to the Naval Service.

6480. But there is no specific return at all to the Navy?—I am not aware that there is any direct or specific return.

6481. You say the grants to those two Institutions appear in the Estimates?—Yes; they have been approved by the Treasury as distinct grants.

Sir Daniel Goddard.

6482. I did not quite catch the answers you gave in regard to Sub-head F, "Expenses of preparing Charts." Does all this money come from sales to the public?—Yes.

6483. The Navy is not charged with the charts?—No. The Navy is supplied with charts, but we do not recover their cost from any other Vote.

6484. It all comes from the sales to the public?—From the sales to the public.

6485. What means are taken to advertise these charts?—I hardly think any advertisement is necessary, because, of course, the charts are really essential. The Mercantile Marine must have them.

6486. I see under Sub-head O there is a very satisfactory increase in the amount you have received?—Yes. Some slight increase has recently been made in the price of the charts.

6487. Is it due more to the increased charge for the charts than to an increase in the demand for them?—In 1906 the demand was slightly less than in 1905, but the amount received was a little more, on account of the increase in price.

6488. You were being asked some questions just now in regard to Sub-head N—those are really

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On Vote 6—Scientific Services—*continued.*

Sir Daniel Goddard—*continued.*

Grants-in-Aid, are they not?—Yes, they are practically Grants-in-Aid.

6489. There is no surplus and no deficit—that means that they are treated as Grants-in-Aid?—It means that they are fixed grants which have been approved by the Treasury and voted by Parliament.

6490. I do not know whether the information has been elicited, but I should like to ask what is the further grant of £75 in this year. I see the amount has been raised from £550 to £625 this year?—Yes, that was due to an increased grant to the Royal United Service Institution, which, if I recollect rightly, was suggested to the Admiralty by the Treasury. (Mr. Headlam.) I think it was a grant made partly for War Office purposes and partly for Admiralty purposes. (Mr. Eyles.) I think the suggestion came to the Admiralty from the Treasury.

6491. (To Mr. Headlam.) I cannot quite understand why these grants are made out of this Vote. There is another Vote for Grants-in-Aid of Scientific Institutions, is there not, under the Civil Service Votes?—There is a grant for Civil Institutions.

6492. Is that only for Civil Institutions?—The War Office and the Admiralty have separate sub-heads in their Votes for grants to scientific institutions connected with the Services.

6493. (To Mr. Kempe.) Can you tell me whether any institution receives a Grant-in-Aid under both heads—under the Civil Service and under the Admiralty?—I am not sure whether the Royal Society does not receive something from the Admiralty; Mr. Eyles could tell you whether it does. (Mr. Eyles.) No, I think not. (Mr. Kempe.) Then I do not know of any.

ON VOTE 7.

ROYAL NAVAL RESERVES.

Chairman.

6494. (To Mr. Eyles.) I see in the first part of paragraph 11 it is said that one of the causes of the large surplus was that, "Less training was carried out by both officers and men than had been anticipated and provided for"; does that mean that there were fewer officers and men, or that less training was required to be carried out by the Admiralty?—I think it was mainly due to the transition state of the Naval Reserves. A new system had been introduced, and there was a good deal of hesitation on the part of officers and men to volunteer for Services which were not compulsory.

Mr. Bowles.

6495. I should like to have it clearly, how the Admiralty regard the numbers of men voted by Parliament every year. You said, I think, last time that the Admiralty regarded the number as a maximum number?—I was speaking then of Vote 1.

6496. Then

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[Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 7—Royal Naval Reserves—*continued.*

Mr. Bowles—*continued.*

6496. Then just let me take this Vote. Here we have, in 1906-7, a definite Vote for 28,850 men of the Naval Reserve. It is quite clear, of course, that you cannot keep exactly to a man or to within 20 or 30 men, but how do the Admiralty regard the decision of Parliament in passing the Vote—do they regard that number as a maximum merely, which they may reduce to any extent, because, of course, upon the number of men which Parliament is told will be employed, a great deal depends in agreeing to the Estimate?—Yes, this is, so far as the Admiralty can foresee, the number they want and expect to get. It is a maximum in that sense, but, of course, the honourable Member will know that the Admiralty are not bound to adhere strictly to that number as they are in Vote A. Vote A is a Vote of the House which cannot be exceeded, but the numbers in Vote 7 are not so voted. The number is stated in the Vote, but the House only votes the money.

6497. But the number is stated to the House?—It is stated to the House.

6498. And it is upon that number that the Vote rests practically?—Yes, that is true.

6499. But I understand you to say there is a difference: That whereas in Vote A the Admiralty regard it as a fixed maximum, the Admiralty holds itself quite free to go either above or below the numbers stated in respect of the Naval Reserve under this Vote?—Yes, of course they are bound by the total of the money voted.

6500. The effect would be that it would be quite possible for a certain number of men to be stated to Parliament and the money to be voted upon that understanding, and then for the Admiralty largely to reduce the number of men and so have more money to spend upon each?—They could scarcely spend more upon each, but they could produce a surplus on the Vote.

6501. Could they not spend more upon each? You have a certain amount voted for the Royal Naval Reserves; if you reduce the number by 4,000 or 5,000, you can still spend all the money you have got upon the Royal Naval Reserve?—There would be no object in doing that, because the amount that each man can earn in carrying out the drill required of him is limited; we could not put the men through the drill twice in the year, nor could we increase the rate of drill pay or the retainer, because those are fixed by regulation.

6502. But you can alter the regulation?—We could alter the regulation, but it would scarcely be possible in a year; and moreover it would require the sanction of the Treasury.

6503. No doubt that is the real security?—I think that makes the position secure.

Sir Daniel Goddard.

6504. Turning to the Vote itself, this Vote always seems to be over-estimated?—It

NAVY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 7—Royal Naval Reserves—*continued.*

Sir Daniel Goddard—*continued.*

has been over-estimated for some years. I admit that we have been a little too liberal in framing this Estimate, and the Admiralty have decided that apart from any question of numbers, we should cut it a little more closely, and in the year 1907-8, for instance, we have reduced the Vote by £17,000, and in the year 1908-9 by £53,000, having in view the knowledge that we now possess as regards the previous surpluses.

6505. This Vote was over-estimated in the last three years in growing amounts?—That is so.

6506. This year the Grant has worked out £77,000 more than was wanted?—Yes, £80,000, including the Appropriations-in-Aid.

6507. You say it has now been reduced?—Yes; the Estimate has been reduced both in 1907-8 and 1908-9.

6508. In Sub-head A, "Royal Naval Reserves" the Vote was £291,000 and the expenditure £230,000; so that there is a surplus of £60,000. I understand that the reason you give for this surplus is that the number of officers and men is less than was anticipated and estimated for?—No; the Explanation printed in the Account is that it is "due principally to the number of Executive and Engineer officers volunteering for courses and training being less than anticipated"—not to the numbers borne. The numbers borne, as a matter of fact, were on the average a little more than estimated.

6509. I was going to make that point; they were greater than was arranged for?—Yes; the Comptroller and Auditor-General calls attention to that.

6510. There was an excess on the average of 383 men during the year?—That is so.

6511. I do not quite follow how you explain that large surplus of £60,000 on an expenditure of £230,000; that is about a fourth of the total?—As I explained at the outset, the most expensive part of the Royal Naval Reserve is the cost of training—that is to say, the payment for going through the voluntary courses of training and so on. If officers, although borne on the strength of the Royal Naval Reserve, do not go through these courses of training, the expenditure is of course very much reduced. So that the expenditure under the Vote is not entirely dependent upon numbers.

6512. I understand that point, but still the amount is very largely in excess?—It is very largely in excess. In fact, as I said just now, apart from any question of numbers, I think the Estimate was too liberal.

6513. There has been a reduction in this Sub-head A in subsequent Estimates?—Yes. I could give you the precise figures if you like. The grant for 1906-7—that is the year which the Committee is now considering—for Sub-head A was £291,711; the Vote for 1907-8 was £273,918, and for 1908-9 it is £220,084; so that we are making a very large reduction.

6514. The contrast between Sub-head A and Sub-head



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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 7—Royal Naval Reserves—continued.

Sir Daniel Goddard—continued.

Sub-head B is somewhat remarkable. Under Sub-head B there is a surplus of £15,000?—Yes.

6515. But there the number of men was short-borne, was it not?—Yes. The shortage in numbers really accounted for the surplus in that case.

6516. That does not at all account for the surplus on Sub-head A?—No, the reason is quite different.

## ON VOTE 8.

## SHIPBUILDING.

## REPAIRS, MAINTENANCE, ETC.

## DOCKYARD WORK.

## SECTION I.—PERSONNEL.

Sir Daniel Goddard.

6517. Under Sub-head B of the Shipbuilding Vote "Personnel" on page 40, I see there is a deficit of £75,313?—That is so.

6518. Is that due to the general increase granted in rates of pay for workmen?—To a very large extent it is so.

6519. When, and by whom, were those increases granted?—I am not sure whether I can give you the precise date in the year, but they were approved by the Treasury during the currency of this year.

6520. There is a correspondence on page 123 on this subject, and I see the Admiralty ask the Treasury sanction for an excess of about £80,000; that is in the letter dated 11th August, you will see?—Yes, I am aware of that letter.

6521. They state there that it was required for various purposes, including "certain increases in dockyard wages about which a further communication will be made." There is no further communication given to us?—No, it is not printed in the Appropriation Account.

6522. Was application made?—Yes, application was made to the Treasury, and the proposal was approved by the Treasury.

6523. (To Mr. Headlam.) Has the Treasury sanctioned the increases?—Yes.

6524. Before they were made?—They sanctioned the increases; I think it had been agreed to before the actual formal sanction was given. (Mr. Eyles.) That is so; it had been agreed to by the Chancellor of the Exchequer.

6525. The Treasury had given its sanction before you made these increases?—Yes.

6526. Can you tell me how much they amount to?—A statement was presented to both Houses (it is Command Paper 2861) which gave an outline of the increases.

6527. Are they permanent additions to the wages bill?—Yes, practically.

6528. And that can be done by Treasury B

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Shipbuilding—Repairs, Maintenance, etc.—Dockyard Work—Section I.—Personnel—continued.

Sir Daniel Goddard—continued.

sanction at any time, can it?—Yes, it can be done with Treasury sanction at any time.

6529. Is there any reason why the application made to the Treasury and the permission given by the Treasury were not printed in the correspondence?—I think the information that was given to the House was considered to be sufficient in this case.

6530. Was that before the Vote was taken?—No. The paper is dated 1st August, 1906.

6531. Was there any information beyond that paper. It was never specifically mentioned to the House, was it—did the House have an opportunity of considering it?—I am not aware whether the matter was discussed in the House.

6532. If the paper was laid on the 1st August, probably there was no opportunity of discussing it at all. Can you give me the purport of the paper that was laid before Parliament?—I can give the honourable Member a copy of the paper.

6533. Does it set out what the increase of the wages was?—The paper stated that it would amount approximately to £60,000 per annum.

6534. So I understand. These are permanent increases in the rate of wages, I understand?—That is so.

6535. Had you obtained Treasury sanction before this paper was laid?—Certainly; the increases did not take effect until the 1st October of that year.

6536. It is a very large increase. Can you tell me how much of that £60,000 was due to that; was all of it due to that?—The £60,000 per annum is due to increase of wages.

6537. Out of the £80,000?—The whole of the £60,000 was not paid in that particular year; I should say £30,000 would probably represent the amount due to the increase of wages in that year.

6538. Considering that there was no opportunity of discussing the thing, I think the correspondence ought to have been printed, so that this Committee could have seen it. (To Mr. Headlam.) Have you got the correspondence here?—I have not got it here.

6539. (To Mr. Eyles.) Have you got it?—I have not got the correspondence with me.

6540. But I suppose in approaching the Treasury and asking for their sanction for this increase, you do not merely mention the £80,000 without going into any detail?—No. The whole of the increases are set out in detail.

6541. In the correspondence?—Certainly.

Chairman.

6542. You could put in the further correspondence which is referred to here, I suppose?—I could ask the permission of the Admiralty to do so. Of course this Parliamentary paper gives a good deal of information; I do not know if the Committee are aware of that

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6543. Does

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[Continued]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Shipbuilding—Repairs, Maintenance, etc.—Dockyard Work—Section I.—Personnel—*continued.*

*Sir Daniel Goddard.*

6543. Does it give the details I am asking for?—It does not give the details of the rates of pay. Perhaps I might hand the paper to the Honourable Member (*handing in the same*).

6544. What was the object of the paper being laid before, if you had obtained Treasury sanction to the increases?—The Admiralty felt that the House should be put in possession of full information as soon as possible.

6545. I should have thought that if it was the intention to lay it before Parliament, it was not correct for the Treasury to give its approval to it before it had been so laid?—I am not sure that there was any real necessity to lay this paper on the Table of the House.

6546. You will excuse me for saying it, but it looks to me like trying to obtain an additional security for a permanent increase of charges which has been made at the sanction of the Treasury by simply laying a paper at a time when it could not be considered?—That was certainly not the Admiralty intention.

6547. I do not suppose it was really so, but it looks like it, because we have nothing before us whatever?—It is within the power of the Treasury to approve any increases of Dockyard wages, and they do so from time to time on the recommendation of the Board of Admiralty.

6548. (To Mr. *Headlam*.) But those increases are usually made in the Votes, are they not?—I should have said it would have been usual to make such a large increase in connection with the preparation of the Estimates.

6549. This is not one of the matters that the Treasury would consider as a technical matter, and therefore would not go into themselves?—I think not; I think the Treasury would have wished that it should have been put before them

6550. That is not quite what I meant; you spoke the other day of the Treasury giving sanction to certain matters as being technical matters, on which they would accept the views of the Admiralty; this was not a matter of that sort, I take it, but the Treasury would go into the details of this, would they not?—Yes, and they did eventually. But this question of raising wages was really a question of policy; it was gone into in the first instance informally, and then finally the details of the proposals were put before the Treasury, and the Treasury agreed to them.

*Chairman.*

6551. The whole thing was undertaken in consequence of a discussion in the House of Commons, I gather?—I should think that is very likely.

6552. Because I see this paper begins by saying, "In accordance with the pledge given to the House of Commons on the 1st March, the Board of Admiralty have done certain things?—It was really a question of policy; it was entirely outside ordinary departmental action.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Shipbuilding—Repairs, Maintenance, etc.—Dockyard Work—Section I.—Personnel—*continued.*

*Sir Daniel Goddard.*

6553. (To Mr. *Eyles*.) Was there any particular reason for making the rise in wages begin on the 1st October, instead of in the following year, when it would have gone into the Estimates; was that part of the pledge that was given?—I think the Admiralty felt that it should take effect as soon as possible, in view of the pledge referred to by the honourable Member.

6554. I do not quite know how to follow that up further. Now I want to ask a question about Sub-head C, that is, "Wages, &c., for Police Force in the Dockyards." There is a deficit there of £834, is there not?—That is so.

6555. That is stated to be "Due to the employment of additional police at Keyham"?—Yes.

6556. Am I right in gathering from the correspondence that it is owing to the enlargement of the Keyham Dockyard that it became necessary to employ more police there permanently?—That is so.

6557. I gather the permanent annual charge amounts to £2,360, in addition to this item?—No doubt the honourable Member's figures are quite correct. I think they are given in the correspondence printed on pages 120 and 121.

6558. Why could not this matter have come before Parliament; this has been done with Treasury sanction only, has it not?—That is so; a small matter of that sort would not have been specifically brought to the notice of Parliament. Had the necessity for it been foreseen, it would have been provided for under the Vote.

6559. But this was due to the enlargement of the dockyard. You all knew that it was going to be enlarged, I presume?—It was not known when the Estimates for this year were framed on what date it would be actually taken over by the police.

6560. (To Mr. *Headlam*.) One further point arises on this. The Treasury makes contributions to the Devonport Corporation in lieu of rates, does it not? The cost of policing the docks is borne by the Government, and not by the Corporation; is not that so?—The cost of policing the docks is always undertaken by the Metropolitan Police.

6561. It would not be by the Metropolitan Police at Devonport, would it?—Yes, at all the dockyards. Men are detached from the Metropolitan Police for the purpose. (Mr. *Eyles*.) That is so.

6562. (To Mr. *Headlam*.) My point is this: in the ordinary way the rates that are paid include, amongst other things, payment for the police. Is any deduction made on account of your doing the policing yourself?—I cannot answer the question off-hand, but I should think so, certainly.

6563. In determining the amount to be paid in lieu of rates, a deduction is made because they did not have to find the police; is that so?—Yes, I imagine so.

6564. (To

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Shipbuilding—Repairs, Maintenance, etc.—Dockyard Work—Section I.—Personnel—*continued.*

Mr. Mitchell-Thomson.

6564. (To Mr. Eyles.) I see on Sub-head F the deficit is £17,000; I suppose that is not a permanent deficit?—No, that is not a permanent charge.

6565. That is an accidental circumstance, more or less?—Yes, it is due to exceptional services arising within the year.

6566. It is due to repairs abroad to H.M.S. "Dominion" and H.M.S. "Pyramus," and other ships on foreign stations?—Yes.

Sir Robert Hobart.

6567. With regard to Sub-heads B and F, referring to the correspondence, I see that in the Admiralty letter of 11th August, 1906, and also in Treasury letter of 15th August, in reply, stress is laid by both Departments on the fact that the alterations will be communicated to Parliament in due course?—Yes, and that was done.

6568. So that Parliament was fully conversant with what you had done and what had been sanctioned by the Treasury?—Yes, Parliament was made aware of that.

6569. It was fully discovered to Parliament?—Yes. Of course it was not presented until quite the end of the financial year.

6570. Was a paper laid on the Table of the House, or how was it done?—A paper was laid on the Table of the House; I can give the honourable Member a reference to it. It was numbered 43, and dated 22nd February, 1907.

6571. Was that the only communication made to Parliament on the subject?—No, the alteration in the programme and the necessity for further expenditure on other services were communicated to the House of Commons by the late Financial Secretary to the Admiralty on the 27th July, 1906.

6572. May I ask you a question about the special and unexpected repairs to ships? I see in the correspondence the "Montagu" turns up again and again. Have you anywhere a full statement of the total value lost by the loss of the "Montagu," including the amount spent on salvage and allowing for the subsequent sale of stores?—A statement of the salvage expenditure is given under Section 3 of this Vote.

Chairman.

I think that will come up on a subsequent paragraph, paragraph 17.

Mr. Leif Jones.

6573. May I draw your attention to the Admiralty letter of the 24th July, 1906, printed on page 122. That letter was written a few days after the discussion of the Navy Estimates in the House of Commons, was it not?—I have no doubt the honourable Member is right as to the dates.

6574. The letter says so, I think; in the first paragraph it says it is written "with special  
B

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Shipbuilding—Repairs, Maintenance, etc.—Dockyard Work—Section I.—Personnel—*continued.*

Mr. Leif Jones—continued.

reference to the discussions which have taken place within the last few days on the subject of the Navy Estimates for 1907-8 and subsequent years"?—That discussion did not take place in the House of Commons. The discussion there referred to is one between the Admiralty and the Chancellor of the Exchequer.

6575. Is that so?—Yes, I think so.

6576. It does not refer to the discussion in the House?—No. It was probably about the date on which the Navy Estimates were being discussed; they were certainly being discussed on the 27th July.

6577. At that date it states that "A considerable surplus might be anticipated under some of the Navy Votes"?—Yes.

6578. What was the amount of that surplus?—I can only refer the honourable Member to the various statements that appear in the later correspondence.

6579. I think there is nothing there to show the considerable surplus to be anticipated under the Navy Votes?—Statements were furnished during the course of this correspondence, and the Admiralty were aware that certain surpluses would probably arise. Moreover, at that time it had been decided to modify the shipbuilding programme, which in itself would effect a surplus.

6580. Can you tell me what was the Estimate upon which these proceedings were based? The Admiralty state in this letter that a considerable surplus was anticipated at this date—that is the 24th July. What surplus did you anticipate, provided that the work proceeded as sanctioned by Parliament, without re-appropriation or any of the proceedings which you took as the result of this letter?—I am afraid I have not got all these figures before me. Figures were furnished to the Admiralty to satisfy them that they were justified in making these proposals.

6581. Figures were furnished by the Admiralty?—Yes; when I say they were furnished to the Admiralty I mean they were furnished by the various Departments of the Admiralty to the Board.

6582. (To Mr. Headlam.) I suppose the Treasury was fully informed as to the amount of surplus that was expected at this time?—As the honourable Member has pointed out, there is no record in the official letter of the exact amount of the surplus.

6583. (To Mr. Eyles.) Have you no record of what the surplus was upon which you based this correspondence?—Without the whole of the official papers in front of me, I am afraid I could not give you that information; but of course the Admiralty were perfectly satisfied that there was sufficient surplus before putting forward these proposals and that their anticipations were justified is shown by the Appropriation Account.

6584. I am aware that they anticipated a  
53\* surplus

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Shipbuilding—Repairs, Maintenance, etc.—Dockyard Work—Section I.—Personnel  
*continued.*

Mr. *Leif Jones*—continued.

surplus, and having a surplus in hand, I want to ask a few questions upon the third paragraph in that letter, but that arises rather on the next paragraph perhaps?—Yes.

## SECTION II.—MATERIAL.

## EXPENDITURE IN EXCESS OF ESTIMATE.

*Chairman.*

6585. In the middle of paragraph 12 the Comptroller and Auditor-General says "that additional stores were purchased with a view to greater progress on certain shipbuilding work, and incidentally to the relief of the Estimates for 1908-9." That relief of the Estimates for 1908-9 was carried out, was it not?—It did relieve the Estimates for 1908-9.

Mr. *Leif Jones.*

6586. Coming to the third paragraph of the Admiralty letter of the 24th July, it is said there that the Admiralty "Consider it of the utmost importance to make greater progress on certain shipbuilding work, &c., than that contemplated when the Estimates were framed." I should like to know why the Admiralty considered it important to make that greater progress than was contemplated when the Estimates were framed?—They often find it necessary to do that—it is economical to do it in certain cases. A good deal of the work referred to in this correspondence, was of course not provided for in the Estimates.

6587. Would you have felt the pressure of the importance of that if the surplus had not been there?—Yes, I can only imagine the necessity would still have arisen, and in fact in that paragraph the letter says: "Apart from the necessity of the work itself," and certain reasons are put forward.

6588. The importance of work is not at all affected by the fact of whether there is a surplus or not?—Speaking generally, I should say not. The Admiralty does not embark upon new work because there happens to be a surplus.

6589. You say that confidently?—Yes, I say that confidently.

6590. As it happens, however, in this case there was a large surplus, and you then announced to the Treasury what you had not previously announced—the importance of making a greater rate of progress with this work?—Yes, that is so.

6591. Would you tell me what is the procedure pursued by the Admiralty in such a case. I see in paragraph 4 it says that this course has been agreed to by the Chancellor of the Exchequer?—There had been a discussion between the First Lord of the Admiralty and the Chancellor of the Exchequer before these letters were written.

6592. Before you approached the Treasury?—Yes, before we approached them formally.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Matériel—Expenditure in Excess of Estimate—*continued.*

Mr. *Leif Jones*—continued.

6593. In what capacity would the Chancellor of the Exchequer act; was he acting for the Treasury?—I am afraid I could not answer that question; I do not know whether Mr. Headlam can answer it.

6594. It strikes me as a little curious. (To Mr. *Headlam.*) This is expenditure which can only be made by the Admiralty, when authorised by the Treasury. The judgment of the Treasury appears to have been, as it were, prejudged by the Chancellor of the Exchequer, before the letter asking for sanction was written?—The Chancellor of the Exchequer is the head of the Treasury.

6595. I am aware of that. Does the head receive informal communications as a rule before formal communications are addressed to the Treasury?—I could not say.

6596. I am justified in asking about this, because it is referred to in the letter?—I assume a matter may be arranged between Cabinet Ministers. The Treasury was not departmentally consulted formally until this letter.

6597. Still the Admiralty must have felt very happy when they were able to come to the Treasury fortified by the Chancellor of the Exchequer. (To Mr. *Eyles.*) You must have felt that you had got inside the out-works of the Treasury, so to speak?—Any request for Treasury sanction is a matter for the decision of the Chancellor of the Exchequer.

6598. Quite so—one must suppose that the request would be formally made before the decision is given. I need not pursue that further. The reason I press it is this: In paragraph 5 of their letter the Lords of the Admiralty say that they "wish it to be clearly understood that no departure will be made from the regular financial procedure." So I may understand this is the regular procedure which is pursued by the Admiralty in dealing with such cases. (To Mr. *Headlam.*) Is that so?—No, certainly not—it is not regular. The Treasury commented at the time on the insertion of this last paragraph in relation to the other part of the letter.

6599. You say they commented upon it, but it seems to me that so far from commenting upon it in the letter of the 4th August, which is, I take it, the reply to this letter, they say, "My Lords" (that is the Lords of the Treasury) "agree in principle to the proposals referred to in your letter," which I took to be a sanctioning by the Treasury of this mode of procedure. It is not the general mode of procedure, I venture to think?—As regards this last paragraph, it was taken by the Treasury to be rather in contradiction of what went before; but this exceptional course being agreed to by the Chancellor of the Exchequer, the Treasury took it that the Admiralty meant by the last paragraph that they were going to submit details in the normal course for Treasury approval in detail.

6600. It does not refer to what went before?—  
I

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Matériel—Expenditure in Excess of Estimate—*continued.*Mr. Leif Jones—*continued.*

I am afraid I still think that the paragraph is somewhat detached, but that is really the explanation.

6601. (To Mr. Eyles.) What you were really asking for was the re-appropriation of money that had been appropriated by Parliament for other purposes?—That is so, as stated by the late Financial Secretary on the 27th July. He mentioned the fact that the modification of the Ship-building Programme would result in a certain reduction of expenditure, but that the money saved was needed for other purposes, and he mentioned the "Montagu," among other things.

6602. But it was really the existence of the surplus which led to a portion, at any rate, of this expenditure. You would not have made that expenditure, but for the existence of the surplus?—I could not admit that, because the expenditure on the "Montagu," for instance, must have been incurred, and it would have been necessary for the Admiralty to present a supplementary Estimate had the surplus not been available.

6603. There would have been no difficulty about a supplementary Estimate of that kind, I take it?—No, I apprehend there would have been no difficulty whatever.

6604. As a result of this surplus and your arrangements, you then proceeded to arrange a deficit on the Vote of £247,000?—Yes, on the three sections.

6605. On Vote 8 as a whole?—That is so.

6606. So that it really came to this—Parliament appropriated a certain sum of money to this Vote; you find in July you have a surplus; you then, with the help of the Chancellor of the Exchequer, get the consent of the Treasury to a new appropriation, and allocate a deficit of £247,000 to this particular Vote; and the only condition made by the Treasury, so far as I can make out, is that the effect of the alteration shall be communicated as soon as possible to Parliament. That, I suppose, was done in the paper which you have produced?—It was communicated to Parliament in that paper.

6607. Now the Treasury yielded under the plea on your part that the excesses under Sections 1 and 2 could not be deferred without detriment to the public service. That is stated in the letter of November 29th, which refers to some further expenditure?—That is so.

6608. Had there been no surplus to meet this expenditure on Sections 1 and 2, may I take it from you that these services—these excess requirements—were so urgent that the Admiralty would have presented a supplementary Estimate to Parliament?—I should scarcely like to say that certain of the services would have been carried out whether there had been a surplus or not; but, speaking generally, the services were carried out because their postponement would have been detrimental to the public service.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Matériel—Expenditure in Excess of Estimate—*continued.*Mr. Leif Jones—*continued.*

6609. That is practically saying that, speaking generally, it is so; but, speaking specifically, it was not so. You say, speaking generally, the expenditure would have been made whether there was a surplus or not?—Yes.

6610. But as regards any specific cases, when you came to consider them, you would probably have waited until the new Estimates if you had had no surplus, and it had been necessary to present a supplementary Estimate to Parliament?—It might have been so in certain cases.

6611. In the majority of cases?—No, I should not like to say in the majority of cases.

6612. As regards the greater part of the expenditure?—No, I should not like to admit the statement in regard to the bulk of expenditure, because the expenditure on the "Montagu," for instance, was very considerable.

6613. Then on the whole you state that the existence of the surplus did not influence you in the spending of this money?—That is so.

Mr. Ashton.

6614. You stated to Mr. Leif Jones, I think, that you were not at all influenced in doing these works by the fact that you had a large surplus; but I see in the Admiralty letter of 24th July you did allude to the fact that the Estimates in future would be likely to be larger; and I understand, in view of that fact, you desired to spend the money at once, is not that so?—But the honourable Member will observe that the sentence begins, "Apart from the necessity for the work itself."

6615. Yes; but there was in your mind the fact that having that surplus, it would be well to use it up in order to lower the Estimates in future years, which you saw were going to be larger?—It was desirable that it should be done as far as possible. It was a matter of policy which had been settled by the Chancellor of the Exchequer.

6617. Then you went to the Treasury and asked for leave to spend the money on objects which would naturally have come on to the Votes in following years?—Yes, but we should have had to make application to the Treasury in any case in regard to a very large part of the expenditure.

6618. But not if it had come on to the Votes, as it would naturally have done if you had not had a surplus?—No, if there had been no surplus, and if it had been necessary (as it was) to carry out the services, the Admiralty would have had to present a supplementary Estimate during that year.

6619. But I do not gather that those works were of such immediate importance that if you had had no surplus you would have carried them out that year?—Speaking generally, as I said just now, they were urgent. I can only refer to what is said in paragraph 3 of the Admiralty letter

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MR. KEMPE, C.B., MR. HEADLAM, and MR. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Matériel—Expenditure in Excess of Estimate—*continued.*Mr. Ashton—*continued.*

letter of the 11th August:—"The additional expenditure entailing these excesses cannot be deferred without detriment to the public service."

6620. (To Mr. Headlam.) Did the Treasury really feel that these works were so urgent that they were justified in giving their consent to applying money for these purposes which, under ordinary circumstances, would have come upon the Votes in the following year?—I think the Treasury were bound to accept the deliberate statement of the Board of Admiralty that the works were urgent.

6621. Did it not raise any suspicion in the minds of the Treasury when they talked about the largeness of the Navy Estimates in 1908-9?—I do not know that I can answer that question. Of course the Treasury cannot go behind the responsible Department when they make a statement of urgency in the public interest.

Mr. Bowles.

6622. (To Mr. Eyles.) I should like to call your attention to paragraph 3 in the letter of the 24th July, in which you see the Admiralty say that they are anxious to adopt this course which Mr. Headlam has told us is rather unusual, "having specially in view the desirability of relieving as far as possible the Navy Estimates for 1908-9." Why did the Admiralty have the desirability of that specially in view at that time?—This letter, you will observe, begins by referring to a discussion on the Estimates—not only the Estimates of that year, but, as is said in the first paragraph, the "Navy Estimates for 1907-8 and subsequent years." It was known at that time that there would be a heavy charge on the Navy Estimates for 1908-9 in connection with the services transferred from the Naval Works Loan. Therefore what is meant here is that, having that fact in view, apart from the necessity of the works on which special expenditure was proposed in this letter, it was desirable to keep down the estimates in the subsequent years.

6623. And that desire, no doubt, as the letter says, did largely weigh with the Admiralty in making this proposal?—I can scarcely admit that altogether, because a very large part of the expenditure must have been carried out in any case.

6624. Then you do not agree with this sentence in the letter, which says that the Admiralty "are anxious to adopt this course, having specially in view the desirability of relieving as far as possible the Navy Estimates for 1908-9"?—The sentence begins with the words, "Apart from the necessity for the work itself"—that is to say there was a necessity for the work itself.

6625. But having specially in view the desirability of relieving the Estimates?—It says: "My Lords are anxious to adopt this course, having specially in view the desirability of relieving as far as possible the Navy Estimates for 1908-9." There is no doubt the Admiralty had

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Matériel—Expenditure in Excess of Estimate—*continued.*Mr. Bowles—*continued.*

in view the fact that this expenditure in 1906-7 would relieve the Estimates for 1908-9.

6626. Although you cannot quite agree so far as to say that they had it specially in view?—I hardly think the expression "Having specially in view" can be read as meaning that that is the reason for proposing the expenditure, because that would have been quite irregular.

6627. (To Mr. Headlam.) The Treasury would hold that this procedure is not usual, I take it?—I think the procedure is strongly to be deprecated.

Mr. McCrae.

6628. (To Mr. Eyles.) Do you say deliberately that this expenditure was so urgent that had there been no surplus you would really have presented a Supplementary Estimate to Parliament, so that you might have carried out the work?—I think I stated just now that I should not like to answer that question in the affirmative if it applies to every single item of this work, but for a large part of it certainly the Admiralty would have been obliged to present a Supplementary Estimate, but for the surplus on other services.

6629. For the larger part would you say?—I am afraid I could not answer that question very definitely, but I may instance the case of the "Montagu." That certainly would have had to be carried out.

6630. Is there any other case?—I am afraid, without having the list of the actual services before me, it would be impossible for me to deal with the question.

6631. Do you not think it is rather material to our view of the situation?—I can only refer refer the Committee to the general correspondence and the statement of the Admiralty that it was necessary to carry out the services.

6632. If you had a little time could you give the Committee a list of these works which you think were so urgent as to necessitate a Supplementary Estimate being taken?—I am afraid I could not do that as Accounting Officer.

Sir Daniel Goddard.

6633. (To Mr. Headlam.) Arising out of an answer which you gave just now, I should like to ask you one question. I understand you to say that the Treasury could not go behind the views of the Admiralty in regard to the shipbuilding programme?—The Treasury could not go behind the formal statement given to them by the responsible Department that the work could not be postponed without injury to the public service.

6634. In which letter was that conveyed to the Treasury?—That is in the letter of the 29th November.

6635. But that is not dealing with the same thing, is it?—Yes, I think it is. It is also stated, as Mr. Eyles points out to me, in the third paragraph of the letter of the 11th August.

6636. They

16 June, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Matériel—Expenditure  
in Excess of Estimate—*continued.*Sir Daniel Goddard—*continued.*

6636. They have put aside the other reason which was given in the letter of July 24th?—Do you mean the reason that they wished to spare the Estimates of the subsequent year?

6637. Yes?—I do not think the Treasury would admit that as a reason.

6638. Then, when you gave the answer that the Treasury could not go behind the views of the Admiralty, that only applied to the question of postponement being detrimental to the public service?—Certainly. I do not think I said that they could not go behind the views of the Admiralty, but that they could not go behind a formal statement on the part of the responsible Department that the work could not be postponed without detriment to the public service.

6639. You did not admit the other reason?—I do not think the Treasury would admit the general terms there.

6640. It seems to me the statement in the letter on the 11th August is quite different from the statement of the letter of July 24th. In the letter of July 24th, I do not see that there is any suggestion about the work being required with any urgency?—I think the Treasury wished to elicit that further from the Admiralty—that the work could not be postponed.

6641. The only other letter included here is the letter of the 4th August?—We knew, of course, that, owing to the loss of the "Montagu," and so on, it would be necessary to spend more.

6642. I do not want to bring the "Montagu" into the matter at all. I cannot understand, after the answers that have been given, why in the only reply which is given here on the part of the Treasury, namely, their letter of the 4th August, there is not some exception taken to the reason which the Admiralty had given in paragraph 3 of their letter of the 24th July; there is no objection made to that at all in this letter of 4th August?—I am afraid I cannot answer any further than I have done already, that is to say, that the Treasury asked for details.

6643. The Treasury say in their letter that "My Lords agree in principle to the proposals referred to in your letter"?—That is to say, they agreed that it would be necessary to spend the money in a way different from that authorised by Parliament; but they required fuller details, and, although apparently it is not stated in the letter, the normal rule of the Treasury is before agreeing to any such re-appropriation, to require a formal statement that such work cannot be postponed without detriment to the public service.

6644. Then I may take it that the Treasury relied entirely on paragraph 2 of the Admiralty letter, and practically ignored paragraph 3 of that letter. In paragraph 2 it is stated that there would be exceptional expenditure required on other services, and reference is made to the "Montagu" and that sort of thing. That is what you asked for more detail about?—Yes, we asked for more detail.

6645. As to the additional reason given in para-

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Matériel—Expenditure  
in Excess of Estimate—*continued.*Sir Daniel Goddard—*continued.*

graph 3 of that letter you do not say anything?—No, the Treasury did not comment upon that.

6646. I understand, however, the Treasury to say that in their view it would be a distinct evasion of the Parliamentary right to do such a thing?—I think the Treasury should, as a rule, require a formal statement of the urgent necessity.

Mr. Leij Jones.

6647. May I take it that paragraph 4 really amounts to this, that informal sanction having been given to this expenditure, a formal requirement of Treasury sanction only on certain terms was then asked for by the Admiralty, and they received it?—We assumed the Chancellor of the Exchequer had satisfied himself as to the first part of it, but we wished to have it upon record.

## APPROPRIATIONS-IN-AID.

Sir George Kekewich.

6648. (To Mr. Eyles.) The sums obtained for these ships which were sold are excessively small as it seems to me, looking at the cases in the list on page 152; I see, for instance, for the "Superb," of which the first cost was £556,000, you get only £19,000?—Yes.

6649. Is that only the breaking-up price?—That is so.

6650. Were none of these ships useful for any other purpose than mere breaking up?—Oh, yes, some of them are used for other services.

6651. Then I should have thought they would have commanded a higher price. I suppose they are all sold by competitive tender?—They are all sold by auction; that is the general rule.

6652. Auction open to everybody?—Yes.

6653. With no limitations to the persons attending?—No limitation whatever.

Mr. Brigg.

6654. I suppose the number of competitors is comparatively small?—Yes, the number of firms who break up ships is very limited.

6655. Would they be half a dozen, perhaps?—Probably half a dozen in this country.

6656. Not more than half a dozen?—I should say not more than half a dozen, speaking from memory.

Sir Robert Hobart.

6657. Are there certain conditions laid down as to the sale of the ships, as to how they are to be used, and whether they are to be broken up or not?—Yes, those conditions are decided by the Admiralty before the sale.

6658. In regard to the amount realised by the sale of the "Montagu," which is £4,250, is that the only amount realised in consequence of the wreck of the "Montagu"?—That is the only sum realised by the sale of the wreck itself.

6659. Of

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Appropriations-in-Aid—  
*continued.*

Sir Robert Hobart—continued.

6659. Of course there were stores?—Yes, this figure is exclusive of the value of stores, of which a good many were salvaged. That will come before the Committee later on.

Mr. Leif Jones.

6660. Do you say that all these ships in the list on page 152 were sold by public auction?—Yes, they were sold by auction except one small vessel.

Chairman.

6661. Except the "Albacore"?—Yes, there is this trivial exception.

Mr. Leif Jones.

6662. Last year I think you told us you were making some experiments in selling them by private treaty. Have you not carried on those experiments?—No; that experiment has not been repeated. The Admiralty made certain experiments in the way of breaking them up by tender. One of those cases has not been completed yet.

6663. I thought you were doing rather well out of that experiment last year?—Yes, on the whole it worked out fairly satisfactorily.

6664. And yet you have given them up?—I do not mean to say that they will not be resorted to again.

6665. But it was not resorted to in these cases?—No. The general practice is to sell by public auction.

6666. Were all these ships sold for breaking-up purposes?—The larger number were sold for breaking-up purposes; some few of the small vessels were sold without any conditions as to breaking up. As has been brought out by this Committee on several previous occasions, the Admiralty attach certain conditions to the sale in the case of battleships and large vessels.

6667. They continue to introduce those conditions, do they?—Yes, there has been no change of policy in that respect.

6668. Have they considered the question of changing that policy?—It has been very carefully considered.

6669. Has it been considered recently?—Yes, it has been considered quite recently, but the Admiralty have decided to make no change in the general policy.

6670. Could you tell me the reasons which decided the Admiralty to make no change?—I am afraid I could only tell the Committee they were Naval reasons. The Admiralty act upon the advice of the Director of Naval Intelligence. Each case is referred to him.

6671. When you speak of Naval reasons, you mean that we might be selling valuable fighting ships to foreign powers, who might use them against us?—Yes, they might be used again.

6672. Do I understand that the Admiralty have any objection to that? There is no objection, is there, to private traders in this country selling

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Appropriations-in-Aid—  
*continued.*

Mr. Leif Jones—continued.

ships, and I should have thought it might be very desirable for the Admiralty to sell an old ship if they could get a fighting price for it?—What may be right for a private individual may not be right for the Admiralty to do.

6673. Am I to understand that the reason that the Admiralty decided not to get the market value for the ships as fighting ships, is that they might be selling them to foreign powers who might use them against ourselves?—I apprehend that is the main consideration.

6674. And yet, as the ships are *ex hypothesi* useless for our fighting purposes, would it not be a very good thing if we could get the fighting price for them to hand them over to a foreign power?—I am afraid I could not argue that from a Naval point of view.

6675. Is there any means by which I could get this brought to the notice of the Admiralty—would you represent it to them?—Might I suggest to the honourable Member that a question might be asked in the House when the Reports of this Committee are under discussion? It is a matter of general policy.

6676. At any rate the Admiralty has decided as a matter of fact not to sell ships which might conceivably be used in foreign navies as fighting vessels?—Yes.

Mr. McCrue

6677. I find that the excess receipts under Appropriations-in-Aid amounted to £69,500, of which only £19,000 in round figures appertains to the proceeds from the sale of old ships; that you will find on page 13?—That is so.

6678. Therefore the larger part of the excess in your receipts arises from the sale of unserviceable stores and old machinery?—Yes.

6679. You estimated to receive £150,000 on these old stores and machinery, and instead of that you realised £202,700?—That is so.

6680. The increase of your receipts over estimates in that item was therefore £52,700?—Yes.

6681. Is that altogether due to the increase in the price of old material?—Yes, that is really the cause of the excess.

6682. What sort of stores were those that were set aside as unserviceable?—I could not give the Honourable Member a detailed description of the stores, but they contained metal, which of course realised good prices, on account of the rise in the market price of metal.

6683. Would there be any ammunition or anything of that kind?—No.

6684. It would all be parts of machinery of ships, I suppose?—Yes, that would come in, but there would be no ammunition; that would relate to another vote altogether.

Sir Daniel Goddard.

6685. I should like to ask one question on the list of ships sold which is given on page 152: There



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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Appropriations-in-Aid—  
*continued.*Sir *Daniel Goddard*—continued.

There is an item near the bottom of the page, "Coal Lighter C. 453"—as to which the year of completion and the first cost is stated as "not known." Why is that; was it too old?—I presume it was a very old lighter and that the record was lost.

6686. I may point out that some of the dates in this list go back to 1815; it is not likely to be older than that, is it? Is the suggestion that it is older than the dates given in this list?—I have not any detailed information upon the point, but had there been a record I assume the date would have been inserted.

Sir *George Kekewich*.

6687. You said, in answer to Mr. Brigg, a short time ago, that the number of persons who were able to bid for breaking up these ships was extremely limited, not more than half a dozen, or something of that sort?—I should say there would not be more than half a dozen firms that would break up ships in this country.

6688. Is there any reason why those men should not form themselves into a ring and have a sort of knock-out sale?—It is not the Admiralty experience that they do so.

6689. Does the Admiralty fix an upset price for each of these ships?—Yes, a reserve price.

6690. In all cases were these ships sold above the reserve price or at the reserve price?—Yes.

6691. The reserve price is never put down to suit the convenience of purchasers?—Certainly not.

6692. Therefore, although these people might very easily have formed themselves into a ring, you think, on the whole, you got a fair price for these ships?—Certainly. The Admiralty is quite satisfied with the prices realised by the sale of the ships.

Mr. *Brigg*.

6693. Are all these men who tender living in Portsmouth?—No.

6694. Are they all over the country, in different parts?—Yes.

## SALE OF SHIPS BY PRIVATE TREATY.

Mr. *Bowles*.

6695. With regard to paragraph 14, I suppose there were some special reasons for dealing with the "Albacore" in this way?—It was quite a special case. The Admiralty received an offer which they considered a suitable one. But it is quite exceptional now for the Admiralty to sell ships in any such private way.

Sir *Daniel Goddard*.

6696. On what principle do the Admiralty estimate that they have got as much money by this private sale as they would have got by com-

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## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Sale of Ships by Private  
Treaty—*continued.*Sir *Daniel Goddard*—continued.

petitive tender, because, taking the other ships in the list on page 152, it does not look as if you got as good a price for the "Albacore" as you did for the other ships. I see her first cost was £34,000, and you only got £1,450?—She was of very small tonnage—only 560 tons, so that the price was over £2 10s. a ton, which compares very favourably with the prices realised by the other ships.

6697. I see the next ship in the list here to the "Albacore" had a first cost of £21,500, and she realised twice as much as the "Albacore" did?—But she was more than double her tonnage.

6698. Then, taking the "Jackal," the first cost was £27,000, and she sold for £2,300?—Yes, she was of much greater tonnage.

6699. Is there any relation between the tonnage and the cost of the ship? The only figure we have here has nothing to do with tonnage, but with the first cost of the ship?—I have supplied you with the figure as to tonnage; it is not given in this table.

6700. What was the tonnage of the "Albacore"?—The "Albacore" was 560 tons.

6701. What strikes me is that in this paragraph it is stated: "The sum realised is considered equal to the probable sale value for breaking up," and yet when you come to look at this list she seems to have realised a very much lower price than the others?—No, I do not think that is so, as a matter of fact.

6702. (To Mr. *Kempe*.) Did you go into that at all, or did you take the statement of the Admiralty that it was so?—I simply took the figures in the list. I did not go behind the list.

6703. Did you take the tonnage, for instance?—No.

6704. You took the figures that we have here, I suppose?—I ascertained that the amount was paid and received.

6705. Then I cannot understand your paragraph, because if you merely took the list we have here, it appears that this ship cost a great deal more than a good many of the other ships in the list that were sold for more money?—Yes, I asked the question in regard to the "Albacore" particularly, because it was sold without competitive tender, and that is why I mentioned it; and what I have said in that paragraph is the answer I received from the Admiralty. I did not, of course, go into the question of tonnage myself. I accepted the answer as given me by the Admiralty, and their answer was: "It is considered that the net sum realised for the hull and machinery of the 'Albacore' after deducting the value of the stores and boats handed over to the purchaser was equal to the probable sale value for breaking up."

6706. That was the statement made to you?—Yes.

6707. In this list two lines further down you get another ship of which the original cost was £11,000—that is a third of the first cost of the "Albacore"

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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Sale of Ships by Private Treaty—*continued.*Sir Daniel Goddard—*continued.*

“Albacore,” and she realised more money?—I suppose the construction of the ship might be different—it might be more expensive.

Mr. Hobhouse.

6708. (To Mr. Eyles.) Do you hand over boats and stores without payment?—No.

6709. What was the sum received for boats and stores in the case of the “Albacore”; is it included in this sum here?—It is all included in that figure.

6710. Then that was not the price merely for the hull, which I gather was what the Comptroller and Auditor-General asked for. (To Mr. Kempe.) Is that so?—My question was with reference to the value of the hull and machinery.

6711. What was the net sum?—I am afraid I have not got the net sum realised.

6712. (To Mr. Eyles.) Do you know what it was?—I have not got the details before me.

6713. You do not usually sell these ships with boats and stores, do you?—Certain boats and stores are in some cases left on board.

6714. Usually?—Not if they are stores that the Admiralty require to use again.

6715. So that this is really not a fair comparison of price with the other ships in the list, because they are sold without boats and stores?—So far as I recollect these boats were of very little value.

6716. But you cannot give us the figure?—I understand the amount is about £70.

Mr. McCrae.

6717. (To Mr. Kempe.) I understand you did not compare the price received for this ship with the prices received for the other ships, but what you state is that the sum realised was considered equal to the probable sale value of that particular ship for breaking-up purposes?—Yes, it was sold by private treaty, and therefore I raised the question.

## COMPENSATION TO PURCHASERS OWING TO MIS-DESCRIPTION OF A SHIP SOLD IN 1903-4.

Mr. McCrae.

6718. (To Mr. Eyles.) In regard to paragraph 15, do you remember what price we received for this ship, “H.M.S. President”?—I do not know whether she is among those in the list.

6719. No, she was sold in 1903-4?—I am afraid I have not got the figure before me.

6720. Have you no idea what proportion this compensation that we paid of £230 bore to the price for which the ship was sold?—I am afraid I cannot give you the figure.

Mr. Ashton.

6721. Do I understand that by the new conditions of sale such discrepancies as this will be

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Compensation to Purchasers owing to Misdescription of a Ship sold in 1903-4—*continued.*Mr. Ashton—*continued.*

permitted to go scot free, as it were, and that we shall not have to pay for them if they occur?—Under the advice of the Treasury Solicitor, the conditions have now been rearranged with a view to preventing any disputes of this kind.

6722. Does that mean that there being no disputes, we shall have to pay nothing although a misstatement of this kind may have been made?—It is open to the purchaser to make a full examination of the ship before he makes the bid.

6723. He sees it all, does he—he does not merely go upon the statement of the Admiralty?—No, he is allowed to inspect the ship.

6724. If as the result of these new conditions of sale the Admiralty is allowed to go scot free, is it not rather liable to increase the carelessness on the part of the people who make this statement if they know they will not suffer for it if it is wrong?—I do not think there is any likelihood of that, because the purchasers are allowed free access to the ship to make their own inspections.

Mr. Bowles.

6725. But I conceive there are many elements in the value of a ship which a purchaser cannot ascertain for himself by examination; he must rely in many important particulars, must he not, upon the Admiralty description?—I do not think he need do so in ordinary circumstances.

6726. For instance, as to the amount of lead ballast which constantly exists which has been melted into the ship, he cannot tell how much that is. The Admiralty alone would know how much that is?—This, in fact, was such an exceptional case. It was almost impossible to ascertain it, and that was really the reason why the Admiralty proposed this compensation. They would not be debarred from considering such a case in future, but the revision of the conditions of sale would prevent legal disputes.

6727. If your new conditions of sale are such as really to relieve the Admiralty from all obligations of loss through their misdescriptions, that probably will have a bad effect on the prices that you will get, will it not?—They are the usual conditions for auction sales. In all auction sales one has to buy an article with all its defects, if there are defects.

6728. Then the Admiralty had previously special and unusual conditions; the conditions under which the “President” was sold were rather unusual conditions?—Yes, they were. They left room for doubt, and on the advice of the solicitor they have been revised.

Sir Robert Hobart.

6729. I suppose H.M.S. “President” was sold after advertisement?—Yes.

6730. It was advertised, was it?—Certainly; all the sales are advertised.

6731. Was the amount of the pig iron ballast stated?

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Mr. KEMPE, C.B., Mr. HEADLAM and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Compensation to Purchasers owing to Misdescription of a Ship sold in 1903-4—*continued.*

Sir Robert Hobart—*continued.*

stated?—Yes, it was stated that 300 tons of pig iron ballast were on board.

6732. Surely the history or record of the ship would show exactly what the amount of ballast was on board?—That was in accordance with the record, but as a matter of fact the Admiralty were satisfied that that quantity was really not on board.

6733. Some of it had been removed from time to time?—It proved to have been removed.

6734. Surely that would have been upon the record?—Of course the "President" was a very old ship, and it appeared that such removals were not fully recorded.

6735. However, you had to give way on the subject—that there was not so much as you had anticipated?—Yes, the Admiralty felt that it was a case for compensation.

Sir George Kekewich.

6736. Can you tell me what was the amount originally received for the "President"?—I am sorry to say I have not got the figure before me.

6737. What was practically paid as compensation was, I take it, £509; that is to say, a claim of £279 was remitted and £230 in cash was paid?—Yes.

6738. Does that represent the difference in the value between 300 tons and 83 tons of pig iron ballast?—That is so.

6739. Now, as I understand, you have adopted new conditions for future sales which will afford the Admiralty complete protection in law against similar claims for errors of description. Having adopted the new conditions, you will probably get less money for your ships, will you not?—No, I think not.

6740. I mean because purchasers will bid less than formerly in view of the probability of the Admiralty having made errors of description?—I do not think this one case of error will have any effect on the price.

6741. Is this the only error that you recollect?—It is the only error that I can recollect, though I should not like to say it is the only one.

Sir Daniel Goddard.

6742. I can understand why you should remit a claim if it were proved that there was not the same quantity of pig iron that was asserted to be on board, but I do not quite see what ground there was for giving compensation?—It is practically repaying an overcharge.

6743. You mean that the amount remitted was not really due: that they had already paid more than they ought to have done?—Quite so.

6744. Then what you call compensation was

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 8—Section II.—Compensation to Purchasers owing to Misdescription of a Ship sold in 1903-4—*continued.*

Sir Daniel Goddard—*continued.*

really a repayment; a remission?—Quite so.

6745. It was not really compensation?—No, perhaps it is incorrect to describe it as compensation.

Mr. McCrae.

6746. (To Mr. Kempe.) I should like to put to you the same question which I put to Mr. Eyles: In your investigations with regard to the ship did you come across the price that was originally paid by these purchasers for the "President"?—I have not got the figures here.

Sir Robert Hobart.

6747. (To Mr. Eyles.) With regard to Section II. of the Vote itself on page 42, I notice there is a very large difference in the expenditure compared with grant?—Yes. Those differences are practically covered by the correspondence to which reference has already been made.

6748. Would each of these items be covered by the correspondence to which allusion has already been made?—Yes, at any rate the larger items.

6749. Including Sub-head B, "Metal and Metal Articles"?—Yes.

Mr. Ashton.

6750. On Item K3, "Wages of Crews and Coaling Labour," I see there is a considerable deficit which is said to be due to the expenses for handling coal being greater than expected, for which expenses no provision had been made in the accounts of this year. How does that come about; is it simply an oversight?—The deficit is mainly due to expenses in respect of cargoes on the water at the close of the previous financial year. It was expected that the change would have fallen upon the previous financial year.

6751. Is not that a usual occurrence; would it not be the same every year very much?—This was an unusual quantity; represented by particular cargoes which it was expected would have been cleared in 1905-6.

6752. There happened to be more than usual at sea at the time?—That is so.

## SECTION III.—CONTRACT WORK—EXTRAS ON SHIPBUILDING WORKS.

Mr. McCrae.

6753. In regard to paragraph 16, can you break up this increased expenditure under the different heads? I suppose the oil fuel installation was an after-thought, by which I mean it was something which had arisen after the contract was given out?—On matters of this sort the Committee have been good enough on previous occasions to examine the Superintendent of Contract Work, who is here if they would like to have his evidence.

Mr. W. E. SMITH called in; and Examined.

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6754. You

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[Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.

Section III.—Contract Work—Extras on Ship-building Works—*continued.*

*Chairman.*

6754. You are the Superintendent of Contract Work?—Yes.

*Mr. McCrae.*

6755. Taking the ships named in this paragraph, can you break up this increased expenditure under different heads? Taking first the "Black Prince," it is stated here that extra work was done on the "Black Prince," amounting to £82,896?—Yes.

6756. The reason given for this extra work is "Completion for Fleet Reserve Oil Fuel installation, fitting air-tight cordite lockers," and so on. Can you give us any idea what those different items cost?—Yes. I can give the information in fairly round figures, but of course the figures must not be understood as being exact in accounting sense of the term.

6757. Round figures would be enough for me?—Taking first the item of completion for Fleet Reserve, that is not an extra at all in the proper sense of the word, but it is simply a matter of book-keeping. We allowed the contractor to do work there which under previous arrangements was done in the dockyards, and that is called completion for Fleet Reserve. That runs to about £31,000.

6758. Would you explain a little further what that means when you say it is work done by the contractors which otherwise might have been done in the dockyards?—It used to be the practice to construct a ship by contract only up to a certain stage very nearly approaching completion, but not quite reaching completion, the remaining work being done at the dockyard because it was thought at that time that such work could be better done at the dockyard under the superintendence of the naval officers than it could be done at the contractor's. But as experience accumulated in the building of ships by contract it was found practicable to carry out the work by the contractors, and it was found very desirable to carry it out by the contractors, because so carrying it out secured in the first place that although there was no actual increase of cost, the ships would be ready to go into the fighting line very much earlier than they otherwise would, and the nation consequently would be getting a return for its money earlier than it otherwise would.

6759. Then you changed the policy some time after the contract was given?—The "Black Prince" was, I think, the first ship—there or thereabouts—in which that was carried out.

6760. Was there a new contract entered into with the contractor for that work which hitherto he had not been doing?—Yes, and that amounted to £30,894 in the case of the "Black Prince," or, say, £31,000.

6761. That was quite a new contract?—That was quite a new contract. In one sense, it is not an extra, that is to say, it was not doing more work than was intended to be done on the ship;

NAVY APPROPRIATION ACCOUNT, 1906-7.

Section III.—Contract Work—Extras on Ship-building Works—*continued.*

*Mr. McCrae—continued.*

but it was only getting more work done by the contractor than was originally arranged to be done by the contractor.

6762. Then were your dockyard expenses reduced by that amount?—They were not reduced in the sense of having been incurred and cut down. That expense would have been incurred at the dockyards if the completion had not been carried out by the contractor; but it having been done by the contractor it was not incurred at the dockyards.

6763. That would have come in as a dockyard expense?—It would have come into the next year's Estimates, or according to the incidence of the year in which the work would be done.

6764. You have accounted for £31,000 out of the £82,000 in regard to the "Black Prince"—what is the next item?—Let me take next the oil fuel installation, that would be a matter of about £13,000.

6765. Was that also new?—That was really an "Extra" in the sense that when the ship was undertaken that was not contemplated.

*Chairman.*

6766. Is that £13,000 over and above what it had cost to put in steam boilers for coal?—It was £13,000 extra incurred over and above the other provision for propelling the ship. The ship was not changed from a ship propelled by coal exclusively to a ship propelled by oil fuel exclusively: the provision for propelling the ship by coal was kept, and the oil fittings were additional fittings.

*Mr. McCrae.*

6767. Then would you tell us what the other items were?—There was the modification of gun ports, fitting ammunition hoists and barbottes; that represented a certain amount. I do not know whether the Committee would like me to mention the figures; it might perhaps prejudice future contracts.

6768. I do not want the figures; it is enough to have the proportions; may I take it that with regard to the other three ships mentioned here, which cost £170,000 in regard to "Extras," the proportion was very much the same as you have given with regard to the "Black Prince"?—They are things of very much the same sort, with the exception of the completion for Fleet Reserve. The cost of the completion for Fleet Reserve was included as part of the original contract in those cases.

6769. That accounts for the reduced sum per ship in those cases?—That accounts for the reduced sum per ship.

6770. May I take it as regards these three ships the £170,000 is roughly divided in the same proportion over the three?—Yes, it is practically the same over the three. There were large alterations made in the ships. Taking the whole matter collectively in the three vessels, the "Achilles," the "Cochrane," and the "Natal," the cost of extras was 5 per cent. of the total cost of the ships.

case

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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Section III.—Contract Work—Extras on Ship-building Works—*continued.*Mr. McCrae—*continued.*

case of the "Black Prince," apart from the £30,000 for completion of the ship for Fleet Reserve which is really no extra at all, it was also a matter of about 5 per cent.

6771. Then, with the exception of the completion for Fleet Reserve, these extras were all due practically to a change of policy with regard to these ships after the contract had been given?—Quite so; they were due to the results of accumulated experience necessitating making these changes in new ships about to be constructed, and leading the Board to consider how far back in cases of ships under construction they would have them arranged for.

6772. Then you told us with regard to the completion for Fleet Reserve, a new contract was taken with the contractor for carrying that out—does the same thing apply with regard to these other matters?—Quite so—there is a separate figure named for each as the result of negotiations between the contractors and the Admiralty.

6773. Of course that could not have been done by open tender?—No, it would be quite impossible.

6774. It was really a matter of arrangement between the Admiralty and the contractor?—Quite so.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Section III.—Contract Work—Extras on Ship-building Works—*continued.*

Sir Daniel Goddard.

6775. What is the meaning of charging extra for additional trials—surely that is a proper charge for the contractor to bear, is it not?—These are in the nature of trials of the machinery, additional to the trials originally contracted for. If the Committee wish for further information upon that point, they could get it better from the representative of the Engineer-in-Chief, who is here, and who could explain what the nature of the additional trials was.

6776. These are not trials of the speed of the ship?—They are certain trials over and above what was originally arranged for. They were trials carried out under more arduous conditions, such as with all the hatches closed and the water-tight doors shut down—they were trials approaching war conditions.

6777. My point is this, have these additional trials to do with the additional expense which you have incurred here?—They are additional items.

6778. They have nothing to do with the oil fuel installation for instance?—The Assistant Engineer-in-Chief, Mr. Butler, who is here, could give you any information upon that point.

Mr. R. J. BUTLER, C.B., called in; and Examined.

Sir Daniel Goddard.

6779. I suppose when you place a contract with a contractor he is obliged to make all the trials that are necessary to show that the ship is a good seaworthy ship, and so forth. Can you tell us what these additional trials were?—These were not additional trials which the contractors were asked to make, but they were asked to carry out their contract trials under different conditions from those which they were expected to observe when the contracts were made, so as to bring them more in line with modern conditions of steaming on service.

6780. Can you tell me what proportion of this £82,000 is due to additional trials in the case of the "Black Prince"?—In the case of the "Black Prince" we paid £4,000 altogether.

6781. That is for additional trials?—That is for carrying out the trials under the different conditions. In the case of the "Achilles" we paid £3,000—£4,000 was the greatest sum we paid.

6782. Perhaps you will explain it a little further; I do not quite follow it. These ships are entirely built by contractors, are they not?—They were built by contractors.

6783. This ship, the "Black Prince," was all completed by contractors?—Yes, but the trials were to be carried out under the ordinary conditions that prevailed at the time that the contract was made.

6784. You specified them, did you?—We specified what the trials were to be, and afterwards asked them to carry them out under certain modified and more stringent conditions; that is to

Sir Daniel Goddard—*continued.*

say, we asked them to reduce the number of men, that they would carry in the engine-rooms to the number that would correspond to what the ship would have as the sea-going complement; and we also asked them to keep the water-tight doors in the engine-rooms and boiler-rooms closed, so that the trials would in that sense also be carried on as the steaming would be carried out in the ship afterwards on service.

6785. You mean that since the contract was placed you had got a good many better ways of putting trials on the ship?—Yes. We asked to have the trials made under such conditions that they would be more closely assimilated to the conditions of working afterwards.

6786. Is it the same with regard to these three ships?—It is practically the same.

6787. Are any of these speed trials, or are they only engine trials?—They are engine trials.

6788. They have not to do with the speed?—They have no reference to the speed of the ship.

Mr. Hobhouse.

6789. When was the contract for this ship signed?—About 1903 or 1904.

6790. Can you not tell me the date more approximately than that?—I have not got before me the actual date when it was signed.

6791. When were the plans for this ship prepared and finally settled?—The plans were prepared when the contractors were asked to tender.

6792. I want

16 June, 1908.] Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, Mr. SMITH, and Mr. BUTLER, C.B. [Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.

Section III.—Contract Work—Extras on Ship-building Works—*continued.*

Mr. *Hobhouse*—*continued.*

6792. I want to know when all these plans were finally settled—can you not tell me that?—The plans of the ship as she was intended to be were sent to the contractors when they were asked to tender.

6793. When were they asked to tender?—The "Black Prince" was commenced on the 3rd June, 1903.

6794. Can you tell me when these alterations were made?—The alterations were made during the progress of the ship. The particular alterations required were decided upon, and the contractors were asked if they would undertake to do the work, and if so, at what price.

6795. Over how long were these alterations spread in the case of the "Black Prince"?—There were many alterations ordered in connection with the machinery from time to time as the work on the ship proceeded.

6796. We were told that these alterations were all the result of accumulated experience, which seems to have been rather expensive—it seems to represent £82,000 in the case of the "Black Prince." I want to know how long that experience took accumulating?—The experience which led to these alterations accumulated between the date of the commencement of the ship and her completion.

6797. That is just what I want to know—how long was that. Your experience apparently is accumulating at the rate of £40,000 a year; it is rather expensive to accumulate experience at that price?—She took about three years to build. A great deal of this extra expense was not due to that. In the case of the "Black Prince" £30,000 of it was really due to the ship being completed at the contractors' works instead of at the dockyard, as has been explained.

6798. I thought Mr. Smith told us that all this was the result of accumulated experience?—(Mr. *Smith*.) That is, such as was additional work to what was originally contemplated; but the cost of completion was originally contemplated, although at the dockyard instead of at the contractor's.

6799. How much of this is the result of your accumulated experience in the case of the "Achilles," the "Cochrane," and the "Natal"?—The result of accumulated experience is represented by the figures furnished by the Comptroller and Auditor-General, say £170,000 for the three ships.

6800. That is rather expensive. Does this occur in the case of every ship?—Not necessarily. The building of a ship apart from extras is expensive, and as regards extras is necessarily a question whether it is worth making the alterations or not.

Mr. *Mitchell-Thomson*.

6801. What is the meaning of this extra of "Torpedo net defence"; I take it that it does not mean that no provision was made for that?—

NAVY APPROPRIATION ACCOUNT, 1906-7.

Section III.—Attempted Salvage of H.M.S. "Montagu"—*continued.*

Mr. *Mitchell Thomson*—*continued.*

I think it means that in that case no provision was made. The policy of the Admiralty has varied from time to time, and at the time of making this contract, I think it was not intended to put torpedo net defence. Afterwards it was decided to fit it with torpedo net defence, and that involved extra cost.

6802. This was in 1903, I understand?—Yes. I think I am right in saying that originally no provision was made, and it was decided afterwards to make it. It was either that or else it was fitted in a more extended manner than was originally contemplated.

(Mr. *Smith* and Mr. *Butler* withdrew.)

ATTEMPTED SALVAGE OF H.M.S. "MONTAGU."

Chairman.

6803. (To Mr. *Eyles*.) With regard to paragraph 17, I gather from a question that was answered in the House of Commons that the figure which is stated here as £82,893 is now £85,798—is not that so?—That is so.

Sir *Daniel Goddard*.

6804. Is that the total amount?—That is the total cost.

6805. That is what is meant by the statement here that "Some further expenditure remains to be brought to account later"—that is the difference between the £82,893 and the £85,798?—That is so.

Mr. *Mitchell-Thomson*.

6806. Do you know what the value of the stores salvaged is?—About £108,752.

6807. I see the value of the stores lost is put at upwards of £48,000?—Yes, I think that appears among the Store items of Balances Irrecoverable.

6808. So that it would appear that this expenditure has been reasonably remunerative?—That is so.

Sir *George Kekewich*.

6809. Is there any expectation of getting any more?—No, the ship has been sold.

Sir *Robert Hobart*.

6810. The question of the "Montagu" turns up in so many places. We have got the cost of the ship, and then there are stores that were salvaged and the cost of the salvage?—Yes, I have just given those figures.

6811. As I make it, the cost of the ship less the amount realised by sale was £975,341; what stores do you say you have recovered?—The value of the stores salvaged amounted altogether to £108,752.

6812. Where is that shown?—I have just given that figure; it has not been stated before.

6813. Then that is in addition to the £4,250?—That is so.

6814. May

16 June, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Section III.—Attempted Salvage of H.M.S. "Montagu"—*continued.**Sir Robert Hobart—continued.*

6814. May I ask under what circumstances were the directions for the salvage given; was there an estimate made for that? The cost of the salvage seems to have run to practically £80,000?—Yes; of course that would have been a very small sum if it had been possible to save the ship. It was impossible to estimate the result when the operations were commenced.

6815. I suppose the salvage people were contractors?—They were outside salvage contractors.

6816. Did you enter into a contract with them?—Yes, an agreement was made with them.

6817. At certain terms?—It was not possible to enter into very definite terms, but the total expenses amounted to something like £500 a day.

6818. Was it for an unlimited time?—It only went on for a very short time.

6819. The Admiralty could have stopped it at any moment they thought proper?—Yes.

6820. And they did eventually stop it?—Yes, it was found to be impracticable to save the ship.

*Mr. McCrae.*

6821. Turning to Section III. of the Vote itself, at page 46, I see, under Sub-head C, you spent less than granted on "Hulls of Ships, &c.; Building by Contract," £43,000?—Yes.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Section III.—Attempted Salvage of H.M.S. "Montagu"—*continued.**Mr. McCrae—continued.*

6822. I observe under Sub-head A, the amount less than granted is £269,000; can you give me the reason for that?—I am afraid I cannot add to the reason which is given on page 47.

6823. The reason stated there is that the surplus is "Due to certain instalments provided for in the financial year 1906-7 maturing for payment at the end of 1905-6"?—Yes, that relates to Sub-head A.

6824. So that really there was an anticipation of payments in 1905-6?—Yes, the liabilities matured in the previous year, and, of course, in accordance with the ordinary rules, they had to be met.

6825. And you counterbalanced that to a certain extent in the next year by the extra provision you made?—It did result in a surplus in the next year.

*Sir Robert Hobart.*

6826. I see once more in the explanation of the deficit on Sub-head B, there is again a remark about the "Montagu"; may I ask could you give us the net sum which was lost to the public through the wreck of the "Montagu," when all these items are taken into consideration?—Perhaps I might prepare and hand in a statement, if that would be for the convenience of the Committee.

## ON VOTE 9.

## "NAVAL ARMAMENTS."

Admiral S. M. EARDLEY WILMOT called in; and Examined.

## "FINES INCURRED FOR DELAY IN THE COMPLETION OF GUN FORGINGS."

*Mr. Ashton.*

6827. In regard to paragraph 19, could you tell us why the fines were waived in the case of these gun forgings?—These were contracts for gun forgings to a new and very severe specification. The contractors found considerable difficulty in conforming to the specification, and some latitude was allowed on that account. Another reason for waiving the fines was that the contracts for these forgings were made by the War Office, and formerly they were paid by the War Office; but, finding that there was some delay in getting them under that process, the Admiralty went in for paying for them direct. Consequently, when it came to the question of payment, it came under our cognisance, and we said that in these cases the fines ought to be inflicted if there was any neglect on the part of the makers. The War Office policy had been that they did not consider it politic to fine or semi-manufactured articles, and as it had not been their custom, we agreed

*Mr. Ashton—continued.*

on this occasion to waive the fines, but desired that the contractors should be warned that in future fines would be inflicted unless there was reasonable cause for the delay; and the form of the contract is being altered.

6828. Then this will not occur again?—It will not occur again, unless there is some very strong reason in favour of the contractor, relating to circumstances over which he had no control.

6829. Do you know whether the system you mention of inflicting no fines on semi-manufactured articles still continues in the Army?—No, they have fallen into line in that way. We have put the form of contract on a new footing.

*Mr. Bowles.*

6830. Did you get Treasury sanction for waiving these fines?—No, we do not require Treasury sanction for that.

6831. Do you not require Treasury sanction

at

16 June, 1908.] Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, and Admiral EARDLEY WILMOT. [Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 9—"Fines Incurred for Delay in the Completion of Gun Forgings"—continued.

Mr. Boules—continued.

at all to waive fines which are conditions of a contract?—No, I think that is so only where there will be a loss to the Crown.

6832. But is there not a loss to the Crown, as a matter of course, if you waive any fine?—I do not know whether you would call waiving a fine a definite loss to the Crown. I should be rather inclined to think not.

6833. Is it the view of the Admiralty that they are able to vary the conditions of a contract in this respect without getting the sanction of the Treasury?—They judge the question on its merits, and take the opinion of the various officials concerned, and then decide whether there is reasonable ground for delay.

6834. And in their discretion they waive the fines or do not waive them?—They waive them or enforce them.

6835. (To Mr. Headlam.) Have you anything to say on the point?—Unless there is a definite infringement of the contract by which money is lost, I do not think the Treasury would say anything; but I would rather not speak definitely upon the point.

6836. But I always understood that clear and plain conditions of a contract could not be altered by the Department who was party to it without Treasury sanction?—Not if there is any loss of public money.

6837. But the waiving of a fine due under the terms of a contract clearly involves the loss of public money, does it not?—I am not sure that that has been defined as a loss.

6838. (To Admiral Eardley Wilmot.) At any rate, you did not obtain Treasury sanction in any of these cases?—In these cases we waived the fine without going to the Treasury. Of course, these questions come up every week. I do not think it would be necessary to go to the Treasury on every occasion when there was a question of enforcing a fine of £5, or £10, or £50, or £100.

6839. Do I understand that the Admiralty waives fines due under contracts every week?—If they consider there is a reasonable excuse on the part of the contractor for delay.

6840. That is a matter of constant practice at the Admiralty, is it?—Yes. We do not call it a fine now, we call it liquidated damages. The Treasury Solicitor doubted whether we could legally enforce a fine unless we could prove damage; so we instituted a cumulative fine for delay, so much after three months and so much after six months, as liquidated damages for delay.

6841. And as I understand you refuse to liquidate the liquidated damages constantly, without reference to the Treasury?—Certainly; it is our business to see whether there is reasonable ground for delay.

Mr. Leif Jones.

6842. (To Mr. Headlam.) I am a little puzzled by an answer which you gave just now. You

NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 9—"Fines Incurred for Delay in the Completion of Gun Forgings"—continued.

Mr. Leif Jones—continued.

say if there is a loss to the public involved you must be consulted before a condition of the contract is waived?—Yes.

6843. Am I not right in saying that no contract may be varied by any Department once it is concluded, without reference to the Treasury—is not that a general rule?—(Admiral Eardley Wilmot.) But is this varying the contract?

6844. I am not raising that point at present. I am concerned only with the question of principle. (To Mr. Headlam.) Is not that the rule?—I think that is the rule.

6845. The security we have, as I thought, was that a contract being completed must be fulfilled, or if a variation is made the Treasury must be consulted?—That is so.

6846. (To Admiral Eardley Wilmot.) In this case it was not clear that the penalty could be enforced under the contract?—The solicitor to the Treasury was doubtful if we could legally enforce it, though as we had fined under it before without complaint on the part of the contractor, I did not quite see where the difficulty came in.

6847. Still it was a legal point that had to be decided rather than anything else in this case?—Yes. Of course it is within the discretion of the Admiralty, I take it, to enforce a fine or to waive it, or to extend the time of the contract.

6848. But then that is because that is provided for in the contract itself?—As regards extension of time?

6849. Yes?—Yes.

6850. Unless it were provided for in the contract, it would not be open to the Department alone to vary the contract without the consent of the Treasury?—I do not think the time for the delivery of articles is in the contract; it is in the schedule to the contract. It only says that if the articles are not delivered within the time there will be a penalty of so much.

6851. (To Mr. Eyles.) Perhaps I may put the question to you as Accounting Officer to the Navy: It is not within the discretion of a Department, is it, to vary contracts once concluded without the consent of the Treasury?—No; and it is not the Admiralty practice to do so.

6852. It is not within their power to do so, is it? If it were their practice, it would be a wrong practice, would it not?—Yes; the Admiralty does consult the Treasury. (Admiral Eardley Wilmot.) It is within their power, I take it, to vary a contract, with the consent of the contractor, in a matter that is dealt with at the time.

6853. Mr. Eyles, I understand, has just given me a different answer?—(Mr. Eyles.) Are we not rather at cross purposes? I think what Admiral Wilmot is referring to is an extension of time. If a case arises through some unforeseen circumstances by which it is necessary that the time for the completion of a contract should be extended, it is open to the Admiralty to extend time.

6854. Still, it is provided for in the contract?—Yes.

6855. Therefore



16 June, 1908.] Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, and Admiral EARDLEY WILMOT. [Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 9—"Fines Incurred for Delay in the Completion of Gun Forgings"—continued.

Mr. Leif Jones—continued.

6855. Therefore that is not a variation of the contract really?—No.

6856. It is availing yourselves of a condition which is admittedly variable?—Quite so.

Sir Robert Hobart.

6857. (To Admiral Eardley Wilmot.) Have new forms of contract been drawn up?—Yes; we have revised the form of contract. We do not describe it as a fine; we call it liquidated damages for delay. We have provided for it for guns and for stores. These forgings come under the stores contracts.

6858. The form is entirely revised?—Yes.

Sir George Kekewich.

6859. I think you said that questions of this kind, whether fines should be waived or enforced, came before the Admiralty every week, or constantly, at any rate?—Yes, at certain periods of the year.

6860. Do you enforce a large number of fines?—A considerable number.

6861. What proportion would you say this £1,500 waived would bear to the total sum that was recovered in the way of fines?—I should not say we enforce fines in a large proportion, because we are always desirous of giving every consideration to the difficulties which the contractor may meet with. Of course, labour troubles are specified in the contract. If, for instance, it is a first order for a new article, we seldom enforce the fine. But if the contractor has made the article on several occasions before and should have had no difficulty, and he tells us that one of his machines broke down, which he ought to have provided for, or if we have reason to think that he is putting aside our work for some foreign work (which we have means of knowing), then the fine is enforced.

6862. You take into consideration the whole of the facts?—Yes.

6863. Including the question whether the contractor was negligent or not?—Just so.

6864. Or whether the contractor was inexperienced or not?—Yes; or if he was anxious to get an order and named a time which he probably knew he could not comply with; if we see that he has done that and thereby got the contract instead of its going to another man who has named a longer time, then if the man who offers the shorter time does not comply with that condition we enforce the fine.

6865. Of course there are endless cases of fines beyond these for gun forgings?—Yes, there are endless cases; for stores and materials and so on. If we were to go to the Treasury every time, we should be sending about six letters every day from the Admiralty.

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NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 9—"Fines Incurred for Delay in the Completion of Gun Forgings"—continued.

Sir George Kekewich—continued.

6866. You do enforce a certain number of fines?—Yes, we do, as you will see at a further stage; I have here a list of fines relating to Naval Ordnance Stores which have been enforced since 1902. They are a very considerable number. Of course we do not always inflict the full penalties. Sometimes we inflict modified penalties as a warning.

Sir Daniel Goddard.

6867. You say that arises later on; if so, I will not trouble you about it now?—Yes, there is a table given on page 154. (Mr. Eyles.) That relates to cases other than Vote 9.

6868. Where do these fines come into the Accounts—do they come under Appropriations-in-Aid?—(Admiral Eardley Wilmot.) No, they come in under the Sub-head of Stores—that is to say, instead of paying £600 for a store, taking into consideration a fine, say, of £20, it would be debited as £580.

6869. I understand you to say that in these particular cases of gun forgings there was no money loss under the contract?—No.

6870. It was simply a question of time?—There was no money loss; but we did not get the stores any cheaper for the fine, that was all.

6871. In that sense there was a money loss, was there not?—If you call it a money loss. I should say we did not lose any money.

6872. But if the fines had been enforced you would have paid £1,500 less for the gun forgings?—Would it not be more correct to say that we did not gain that amount?

6873. You would deduct the fines from the total charge?—Yes; and so if the fine was £20 and it was enforced, we should gain, because we made a contract to get a thing for £600, and we paid only £580.

6874. In this case it made your account £1500 more than it would have been if you had enforced the fines?—Yes.

Mr. Mitchell-Thomson.

6875. Turning to Vote 9 itself, on page 48, is there any special reason for the large under-expenditure on Sub-head G, "Projectiles and Ammunition," of £197,500?—Yes. A considerable portion of that was a clear saving under a change of policy. Certain services had been provided for, but after the Estimates were framed changes were made leading to action which caused less expenditure of money; so that there was a saving which was not foreseen.

6876. What proportion does that account for?—It would represent about £150,000. The balance was due to the progress with the ammunition, owing to difficulties, not being so rapid as we anticipated. But the £150,000 was not a postponement, but a clear saving, owing to change of policy.

(The Witnesses withdrew.)

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Friday, 19 June, 1908.

MEMBERS PRESENT :

Mr. Ashton.  
Mr. Bowles.  
Mr. Brigg.  
Sir Daniel Goddard.  
Sir Robert Hobart.

Mr. Leif Jones.  
Sir George Kekewich.  
Mr. McCrae.  
Mr. Parker.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

NAVY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM called in ; and Examined.

Mr. ALFRED EYLES and Colonel Sir E. RABAN, K.C.B., R.E., called in ; and Examined.

Sir *Daniel Goddard*.

6877. (To Mr. *Headlam*.) I understand that you wish to correct an answer that you gave to a question of mine in regard to calculating the amount paid in lieu of rates?—Yes. I told you, I think, that a deduction was made from the Treasury contribution in lieu of rates in respect of the services performed by the Metropolitan Police in His Majesty's Dockyards. I find that I was misinformed, and that the services of those police are considered to be the services of a watchman in a private house, and therefore the local authorities are not responsible. Therefore no deduction is made from the Treasury contribution in respect of those services.

WORKS BEGUN WITHOUT PARLIAMENTARY APPROVAL.

Sir *Daniel Goddard*.

6878. (To Sir *Edward Raban*.) In paragraph 20 of the Report there are two cases in which works were begun without Parliamentary approval?—Yes.

6879. I want to ask you: Was there any Supplementary Estimate in which these could have been included?—No, I think not in that year. Mr. Eyles, I think, knows really more about the Supplementary Estimate. (Mr. *Eyles*.) No, there was no Supplementary Estimate.

6881. (To Sir *Edward Raban*.) Was Parliament made acquainted with these things? Was the matter explained to Parliament?—Parliament was not sitting at the time we went to the Treasury.

Sir *Daniel Goddard*—continued.

We did not go to the Treasury for their permission until the end of August, and Parliament was not sitting then.

6882. I wish to call your attention to an answer which I think you gave last year, at Question 1031, and one or two following questions, to the effect that these things ought to be explained to Parliament when there was no Supplementary Estimate?—Yes, it was so, and the Board have arranged that in future the Treasury shall always be consulted as to cases in which they think it is of sufficient importance to make a communication to Parliament.

6883. Has this pumping culvert from the river to the basins in Chatham Dockyard, of which the estimated cost is £5,300, been completed yet?—The work is completed, but the account is not finally closed.

6884. Was this Estimate a fair Estimate?—We have made a considerable saving on it. I hope now that the work will be completed for about £4,500.

6885. And in regard to the Training Establishment and Additional Accommodation for Boy Artificers, does the same answer apply to that?—I do not think there will be any substantial saving on that.

6886. Will there be an excess?—I think not.

6887. You think the Estimate is about correct?—I think so.

6888. Has that work been completed?—That, I think, has been completed and brought to account.

6889. I want to know why this accommodation was not foreseen in the Estimate. You knew that the

19 June, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES  
and Colonel Sir E. RABAN.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Works begun without Parliamentary Approval—  
*continued.*

Sir Daniel Goddard—continued.

the boy artificers were a larger number than was anticipated?—That was part of the new scheme of training. A ship was assigned for these new boy artificers, one of the old hulks in Chatham Dockyard, and they were sent there, and after a while there was a review of the accommodation for them, and it was considered that it was not sufficient. There are a large number of boys there, and it was not considered right to keep them waiting a whole year to the next Session of Parliament, when we could put in a new item in the Estimates for such accommodation as is provided here, and as was explained in the letter to the Treasury. Therefore we asked Treasury authority to put in these wash-houses, bath-rooms, and things of that kind for that large number of boys.

6890. Is this on shore?—The accommodation is on shore, or the provision would not have been under Vote 10. The ship is a hulk lying alongside one of the wharves in the basins in Chatham Dockyard, and this accommodation is provided on shore in buildings. The letter to the Treasury explains the circumstances.

6891. It is the letter on page 132, I suppose. You knew about these boy artificers; there was nothing new about them, was there?—Yes.

6892. They were there before, when the Estimate was framed?—Yes, the boy artificers were there. You mean when the Navy Estimates were framed?

6893. Yes?—Yes, but they had only just gone there.

6894. Was there anything exceptional in the number?—I cannot answer that, because I do not know enough about it. What happened was this: After the boys had been there for a short time, it was found that the accommodation was not suitable; there was not sufficient of this particular kind, for that large number of boys; and it was settled that they ought not to be kept waiting a whole year for this accommodation.

6895. (To Mr. Eyles.) Was there a larger number of boys than was anticipated?—I am afraid I cannot give a definite answer to that question; I have no reason to suppose so.

6896. (To Sir Edward Raban.) What I am trying to get at is this. The Admiralty knew that they have to provide accommodation for these boy artificers; therefore under ordinary circumstances they ought to have provided accommodation under the Estimates; but for some reason or other they did not put sufficient accommodation on the Estimates; and the result is that they had to come in between the two Estimates to ask Treasury sanction for doing it. There ought to be some reason for that. If you could tell me that there was a larger number of boys than was anticipated, that might be an answer to the question; otherwise I fail to see what the answer is?—Although I really do not know, I believe you may take it that there was no larger number of boys. But this hulk was available, and they tried to see

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Works begun without Parliamentary Approval—  
*continued.*

Sir Daniel Goddard—continued.

whether this accommodation on the hulk, and a small amount of accommodation on shore (which was some accommodation that had been provided under different circumstances), would be sufficient for this number of boys; and after a little experience of having the boys in this hulk, they found that it was inadequate. That is really and simply the story. I may be not accurate absolutely as to there being no increase in the number of boys, but the transaction was not due to there being any increase.

6897. It was due to a wrong calculation of what amount of healthful accommodation should be provided for the boys?—If you put it in that way.

6898. I understand that the extra accommodation that this money was expended upon was for wash-houses and bath-rooms?—Yes, and levelling the recreation ground and constructing an additional sick bay.

6899. Does that appear in that letter?—Yes, in the third paragraph of the letter, on page 132.

6900. Then really on what basis is this accommodation calculated—the basis of a school?—The actual way in which it was arrived at was, that the captain in charge of the vessel on which these boys were, put forward proposals for this increased accommodation required. The Works Officer of the Yard, under the instructions of the Admiral Superintendent, would then criticise it and make, possibly, some alternative suggestions, and it would then come up to the Admiralty for consideration as to whether their requirements were reasonable or not; and ultimately it was decided how much should be given them, and I should make an Estimate for that, for which we got Treasury approval.

6901. I quite understand how you have done it, but I do not think that absolves the gentleman who made the first calculation as to what arrangements should be made for these boys. He made a miscalculation altogether?—I think, if the honourable Member will allow me, I would like to put it the other way. A captain has been appointed, probably for the first time in his life, to command a depot ship containing a new class of boys; he goes down and sees a fine hulk, and believes that he can arrange to accommodate the boys in that hulk; but after a little experience of dealing with the boys, he finds that it is not sufficient. It is very difficult for any officer who has been spending his life at sea, to come suddenly and take charge of a sort of school, and at once to be able to realise the whole of the accommodation required.

6902. But I suppose that he was not the official person who decided what accommodation was required, was he?—He would be, very largely.

6903. He was in charge of it, no doubt?—But he would be sent down by the Admiralty,

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THIS VOLUME IS TIGHTLY BOUND

19 June, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Works begun without Parliamentary Approval—  
*continued.*Sir *Daniel Goddard*—*continued.*

who probably would say: "Go down and look at such and such a vessel; do you think you can make it do as a training ship for these boy artificers?" and he would go down and see the ship and make his calculations, with his commander or one of his other officers, as to what they could do. The honourable Member may realise, perhaps, that in a ship at sea people are crowded together very much more than is necessary on shore, and perhaps the accommodation if the boys had been at sea, would have been adequate for sea conditions; but when you have a large number of boys on shore, it seems desirable to give them some means of recreation and better bathing facilities than you can provide on a warship.

6904. I understand you to say that this accommodation was on a hulk?—It is on a hulk.

6905. That is not on shore, is it?—Yes, the additional accommodation was provided on shore, because the hulk was not big enough to hold all these things. But I would like to impress on the honourable Member that it is a natural growth; there is no one to blame about it.

6906. I should like to impress upon you that it is of importance to this Committee to have these things put in the Estimates, when they can be considered by Parliament, and not done simply by the sanction of the Treasury; that is the point we are always trying to enforce. My object is to show you that there was no necessity for urging this thing so strongly. I would like to ask: is that £2,900 all that you are spending on this work?—That is all I am spending.

6907. (To Mr. *Headlam*.) In regard to these works, begun without Parliamentary approval, have there been any refusals on the part of the Treasury?—I cannot say offhand. I should imagine there were other cases in which refusal would be given.

6908. An answer was given by Mr. *Chalmers* last year to the effect that we only see the cases that were accepted?—The Committee only see the cases.

6909. The Committee only see the cases you accept; they do not see the cases you reject; therefore that is the reason of my question. I want to know whether there were any more of these cases?—I cannot answer that without enquiring.

Sir *Robert Hobart*.

6910. (To Mr. *Eyles*.) I think I understood Sir *Edward Raban* to say that the applications were made to the Treasury when Parliament was not sitting; but to the best of my recollection we had an Autumn Session that year; is that not so?—There was an Autumn Session in 1906.

6911. If that was the case, was not there an opportunity of making Parliament acquainted with this matter during that Session of Parliament. I see the letters are dated in August. The whole point is that if the Treasury have given their

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sanction, Parliament is to be informed as soon as possible. I think that is so, is it not?—Not in individual cases, I think.

6912. But these two cases amount to £8,300. It is a large item not to have come before Parliament?—No, I say not. It is quite usual for the Treasury to sanction small works of this kind.

6913. Then do you not acquaint Parliament as soon as possible?—Parliament is not made acquainted with the particulars of each of the services; but it is informed, by means of a statement which is prepared about the middle of March, to what extent these new services have involved a transfer between Votes.

6914. And that Statement was presented to Parliament?—That Statement was presented to Parliament.

6915. And these items are included in it?—Yes.

Mr. *Leif Jones*.

6916. (To Mr. *Headlam*.) I think you said that you could not tell the Committee to what amount the Admiralty had applied to you for sanction of work not sanctioned by Parliament?—No, not offhand. You mean what number of cases have been refused?

6917. And the total capital expenditure involved?—I could not say offhand.

6918. May I take it, then, that these are the only two cases to which you gave sanction in that year?—I could not say that. I think every year there are other cases; but I think the Admiralty is much more alive now to the rule which has been laid down of coming to the Treasury only in urgent cases.

6919. (To Mr. *Kempe*.) Do you know whether these are the only two cases?—They are the only two in this Account so far as I am aware, and I think I should have noticed them if there had been more.

6920. (To Mr. *Headlam*.) The point I wanted to know was whether it was due to there having been fewer applications from the Admiralty, or whether it was due to an increased stringency on the part of the Treasury; because last year you allowed items which involved an expenditure of £24,250, and this year you have allowed items which involve an expenditure of only about £8,000. Do I correctly understand that you think there has been an increased sense on the part of the Admiralty that this is an undesirable way of spending money?—I think so. Speaking without book, so to say, I think we have had fewer cases, and I think that the Admiralty have been more careful in each case, so far as I remember, to state very clearly their reasons for coming to the Treasury.

6921. And the Treasury are strict about it?—The Treasury are very strict.

6922. I may take it, may I, that this is only a portion of what was asked for, and that you would by

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*continued.*Mr. *Loif Jones*—continued.by no means as a rule give consent?—Certainly not,  
as a rule.Mr. *Bowles*.

6923. (To Sir *Edward Raban*.) I am not quite clear about the reason for great urgency in these cases. For instance, the pumping culvert from the river to the basins at Chatham Dockyard. That was a large scheme estimated to cost £5,300, and it was only in December, 1906, I understand, that the Admiralty came finally to the conclusion that the scheme ought to be proceeded with?—Yes.

6924. Therefore it was only a few months before the end of the financial year, and as a matter of fact, having obtained Treasury sanction, the only amount of the whole Estimate of £5,000 which was in fact able to be expended was the extremely small sum of £81. Very little work, therefore, was done during that financial year. It seems difficult, in view of the accomplished fact, to see how it could have been considered by the Admiralty as a work of very great urgency in December, 1906?—I hope the honourable Member is not tempting me to begin new works without Treasury approval, if I am only going to spend a very small sum on them.

6925. On the contrary, I am suggesting that you should delay, if it is only for a few months; that if the possibility of carrying them out is so small as was here the case, you should wait?—The story is briefly this. A proposal was really brought forward in due form in the Estimates for this year, for this pumping culvert, at an estimated cost of £6,300. The Board were very unwilling to incur that expenditure. The dockyard at Chatham had gone on for many years without it, and they hesitated very much indeed before they decided to incur it at all, and at the time the Estimates were framed they were not prepared to give their sanction to it. I do not know whether the honourable Member has read the letter showing that with the deeper draught of vessels it became more important, and the local people were very urgent upon it; and after a great deal of debate, the Board finally came to the conclusion that they would accept a cheaper scheme, estimated at £5,300 instead of £6,300. By the time they had come to that decision, they were sufficiently impressed by the urgent nature of the representations made from the locality to ask leave to do it. Now, to touch on the point of the very small expenditure, we really must not make our contract with the contractor until we have Treasury sanction. But there would be serious delay if I might not make any preliminary arrangements and start work until my Vote was passed in the next year. The Board believed that the circumstances were sufficiently urgent to justify their going to the Treasury for the cheaper scheme. Then we did further cheapen it by nearly £1,000 in the process of execution. The whole project

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has received the deepest consideration. It was properly brought forward by the local officers at the time when the Estimates were under consideration for the year.

6926. It was really, then, as a matter of fact, what it would appear to be from the figures, a work of an extremely urgent and well-considered service?—It really was.

Mr. *McCrae*.

6927. I asked you some questions on the matter of works being begun without Parliamentary sanction, but with Treasury authority, last year, and you gave as one of the reasons why this had been done that there had been some mistake about presenting a Supplementary Estimate. That year we had a large sum of £24,250; this year the amount is £8,200. Now the Comptroller and Auditor-General says: "The following cases were noted in which works had been commenced without previous Parliamentary approval." Are these the two only occasions?—Yes. Mr. Kempe has just explained that in the honourable Member's absence.

6928. Now I find in your letter to the Treasury, on page 132, that you asked for Treasury sanction for excess expenditure of £10,647?—Yes.

6929. On various works which had been begun, I presume, with the sanction of Parliament?—Yes.

6930. So that this £8,200 is in addition to the £10,647 for which you got Treasury sanction to exceed your original Estimate?—That, if I may explain it to the honourable Member, is a totally different thing. This Committee has already approved of the action taken by the Treasury in allowing me to vary, within the limits of Part 1 of my estimate, Sub-head B, the expenditure on any particular item of work during the year; because I cannot foresee 15 months ahead whether the work will go on a little faster or a little slower; but the Treasury always require that we shall write them a letter towards the end of every financial year, explaining which items have gone ahead; and they gave us covering authority.

6931. I quite understand that for the £10,647 the Treasury sanction has been given under the power of *virement*, on your undertaking that those excesses will be met by savings on other sub-heads?—Yes.

6932. But having said that, what I wish to bring out is that this £8,200 is in addition to the special sanction that you got for expending the £10,647, which you had not anticipated would be required?—For varying; in the last case it is varying; but this is additional expenditure entirely.

6933. A new expenditure?—A new expenditure on the aggregate of Vote 10, not on Part 1 necessarily, but on the aggregate of the Vote. It must happen in every year that we are not able to work up to our estimate on every Sub-head.

6934. Did

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Sir Daniel Goddard.

6934. Did you expect to expend £5,300 in the year?—No, it was absolutely impossible to do it. What I wanted was to have the authority of the Treasury to enable me to let a contract, because, as the Honourable Member is aware, I must not let a contract unless I have got an Estimate approved either by Parliament or by the Treasury. So that the Board of Admiralty asked for authority to an estimate of £5,300, but the expenditure could not be in the first year and towards the end of the year anything like that.

6935. Is it an outside contractor who is doing this work?—Yes.

## INCREASES OF ORIGINAL ESTIMATES FOR WORKS.

Mr. McCrae.

6936. There has been a considerable increase on the original Estimates for these Works detailed in paragraph 21 of the Report?—Yes.

6937. Can you give us any further explanation than what appears there, as to the reasons for that increase?—I will take the case of the Pumping Station at Docks 7 and 10 first. In that case the original large increase in the Estimate is due to a re-arrangement of the Scheme. The original Estimate of £11,600 was for the Scheme when it was of a much smaller character than that which was ultimately carried out. After the original Estimate and design had been got out, it was decided that it was necessary to have two pumps and two culverts to enable four docks to be pumped out simultaneously instead of two. That really altered the whole character of the scheme, and the Estimate was thereby raised from £11,600 to £27,000. Therefore really I have to be judged, so far as the Director of Works is concerned, by the Estimate of £27,000 for a new work. That Estimate has varied from £27,000 to £29,000, and ultimately the work has been carried out at an expenditure of £31,600; so that my Estimate of £27,000 was wrong by £4,600. The explanation of that is that this Work was carried out on a part of the Dockyard where one dockyard had been imposed on another, and we really did not know what the difficulties of the site were until we got down. When we got down, among other things that we came on was a very interesting old wooden pitch tank which had been buried in one of the large schemes of reclamation. I have brought here a plan showing the various things done at Portsmouth Dockyard from the date at which it began, and you will see what a series of extensions there has been. This particular work was carried out on a site just *here (pointing to the plan)*, on which, at one stage in the history of this place, in 1710, a very great feat had been made in building what they call the Great Stone Dock. And we had all sorts of obstructions to

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go through which it was impossible for us to foresee. There really were very grave difficulties. We had to adopt very special and peculiar precautions to prevent damage to adjoining works. It was work that we carried out ourselves by our own labour, and I am satisfied that we effected a very large saving; because any contractor who made a contract for the work which we anticipated would be carried out, would have been able to make tremendous claims for extras of such an unforeseen nature as would not have been provided for in the contract at all. These were the circumstances in which I made the Estimate, which I was not able to stand by.

6938. Did that increase the Estimate from £27,000 to £29,000; or from £29,000 to £31,000?—Both; because these difficulties were progressive as we came on them. If the honourable Member would like to know a little more about the difficulties, I may say that as we began to go down we found that it was necessary that a long section of the culvert should be carried on piles, which we had not estimated for. We found a layer of sand 10 feet thick, and I was afraid that if the water got into the sand and got pumped away at all, we should have our culvert fail. Then at the bottom of the pump walls we found the same layer of sand; and then we came on a great deal of timber; there was, as I have said already, that old pitch tank buried right in the earth, and the surrounding ground was found to be very much more highly charged with water than we anticipated. It was close to an old basin, the walls of which were very leaky indeed.

6939. Looking at the larger difference between the original Estimate of £11,600 and the actual expenditure of £31,600, was that contract let for the smaller sum at the beginning?—No, we have done the whole of this work with our own labour. I have undertaken the whole work without a contractor.

6940. How is Parliament kept informed of the increase in the work in regard to your expanding ideas on the site evidently?—By the Annual Estimates. Every increase is shown in the Annual Estimates, and a note is always made on the Parliamentary Vote indicating whether there has been an increase or a reduction. If the honourable Member looks at the Vote for any particular year, he will see that I note both increases and reductions; because I make it a rule directly I see that I can do a work for less money, to reduce the Vote, so that there may not be fluid money.

6941. Now, with regard to the Sheerness Harbour Protection Works, the estimate there was £6,800, and that has been increased to £11,000?—Yes. In that case the work has also been added to, as in the case of the pumping culvert: it is entirely additional work. It is not that I could not carry out the work for the original scheme for the money voted, but it is entirely additional work.

6942. Then

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6942. Then the third item is the conversion of the Melville Hospital, Chatham, into a Marine Barracks. The estimate in that case was increased from £3,000 to £7,500, and ultimately to £8,310. I should have thought that the conversion of a hospital into a Marine Barracks was a matter on which you could have fairly come to some reasonable conclusion as to what it would cost?—That is not such a good case for me, as I shall have to explain. When the 1904-5 Estimates were framed, it had not been decided for what exact purposes the hospital was to be converted. It was contemplated that the School of Music for the Navy, which is now at Eastney, was to be placed there, but, not having had any decision as to the exact purposes for which it was to be used, but having been told that the Board desired to take up the work in the course of that financial year as soon as the new Chatham Hospital, which was being built under the loan, was completed, I put in a provisional sum of £3,000. It was not based on any specific appropriation of the hospital to any specific purposes. I made a very bad estimate. That is briefly the story of the £3,000 estimate. I did not know what was going to be done, and I took much too small a sum. Later on, it was decided that the School of Music should not go there, but that the hospital should be converted to certain purposes for the Marines; and for that I made a very detailed estimate, which amounted, over 21 items, to £7,475, which I rounded to £7,500. What I really have to explain is the discrepancy between that sum and the actual expenditure, which has amounted to £8,111; and that is due to the variations which have occurred during the process of the conversion. In this case also, I got out, as I have already told the honourable Member, an estimate divided into 21 Sub-heads, which he might like to see, and which are in great detail; but as the work went on the Commandant of Marines, on going and seeing what was being taken in hand, required some extra things to be done. On the other hand, in opening up this building we came upon portions in a worse state than we anticipated, and we had to go to the Treasury for that. But I have little excuse, I am sorry to say, for the £3,000, except that it was an approximate estimate that I made before I knew the purposes to which I had to appropriate the building.

6943. Then, am I to take it that this sentence in the Comptroller and Auditor-General's Report, in which he speaks of the original estimate of £3,000 for the conversion of the Melville Hospital at Chatham into Marine Barracks, is really not accurate, and that your £3,000 estimate was for converting the Hospital into a School of Music?—It was not solely for that, because we had not made up our minds. I ought to have explained to the honourable Member that the School of Music is associated with the Marines; they run the School of Music. I do not think it was ever contem-

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plated that the whole of the buildings would be required for the School of Music, but at the time when I framed the £3,000 estimate I had mainly in my mind the accommodation of the School of Music, the supplementary buildings being used for the Marines, because there were Marine Barracks within a hundred yards.

6944. So that when this Estimate of £3,000 was made, you had not made up your mind as to the purpose to which the site was to be adapted?—No, I wanted a sum in the Parliamentary Estimate to enable me to start something.

6945. In view of some reconstruction which had not been finally decided upon?—Yes.

6946. Then I observe that there is an ultimate increase from the £7,500 which, according to what you have stated, was your first estimate for the Marine Barracks, to £8,300?—Yes.

6947. And that increase to £8,300 was in consequence of certain variations?—Yes.

6948. Which could not be foreseen; or was it on account of additional demands from the Department?—It was on account of additional demands from the Department as the process of conversion went on, and also in consequence of additional work being found necessary as we opened up the old work.

6949. So that the excess was not really an excess for the work contracted for?—No, not entirely.

6950. But the reason for the excess was that additional work had to be done?—Yes. This, again, was work that I did myself, but some of it was in excess of what I anticipated would be the cost of altering the old buildings, and some of it was for additional works that were asked for in the process of carrying it out.

6951. I observe that the Treasury say that "they had hoped that though the original scheme was found inadequate, the revised arrangements undertaken a year later had resulted in an estimate which the House of Commons could regard as final"?—I am sorry that it has turned out not to be the case.

Mr. Bowles.

6952. I should just like to ask you one question about the original estimate of £3,000. As I understand, you made that estimate without knowing exactly, or indeed at all, to what purposes it was going to be applied?—Yes.

6953. How was that information supplied to Parliament in the Estimates? Do you remember in what form that £3,000 appeared?—The item is: "Conversion of Melville Hospital, Chatham, into Marine Barracks, £3,000." I think that was the phraseology. I think it appears in the same way previously.

6954. Are you referring there to the 1904-5 Estimates?—No, I am not.

6955. Because this original estimate of £3,000 was made and appeared in the Estimates of 1904-5?—Yes.

6956. How

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6956. How did it appear there?—I should think under exactly the same wording. I am sorry that I have not got it.

6957. But in 1904-5 this building was not a Marine Barracks?—No, it was not a Marine Barracks. We were contemplating converting it into a School of Music, which is associated with the Marine Barracks; the Marines run the School of Music; it is attached to the Marines.

6958. What I mean is this: I understand that in 1904-5 this building was a hospital?—It was.

6959. And you took £3,000 for converting it into a Marine Barracks?—I beg your pardon—converting Melville Hospital into a Marine Barracks.

6960. And that was done in order, as you say, to give yourself £3,000 which you might or might not be called upon to use?—It was somewhat indefinite for what it was to be used; it was to enable me to have Parliamentary approval to start some work on it. On that Vote of £3,000 I could start work as long as I did not compromise the country to a greater total expenditure than £3,000. It is that question of the total estimate. I must not compromise, either by contract or by other measures, the country to a greater total expenditure than the total shown in the Vote.

Sir Daniel Goddard.

6961. The new Pumping Station at Portsmouth is not the same case that we had last year?—No, that is an entirely different building.

6962. That was quite a different one?—Yes.

6963. That was £3,600?—Yes; that was only a building in that case for additional boilers. In this case the deep wells and the culvert were a much more costly scheme.

6964. (To Mr. Headlam.) Notwithstanding the letter of the Treasury in regard to this excess of £3,510, they gave their sanction to it?—This is the Chatham Hospital you are speaking of?

6965. Yes?—Yes, they did.

6966. You said that you could not, offhand, give any account of the cases in which you refused sanction to works begun without Parliamentary approval. I imagine that the same answer applies to this case?—I am afraid that I could not.

6967. But you could produce them?—I could produce the cases, certainly. I do not know whether I ought to do so.

6968. I should like to ask that we should have a statement of the cases under both these heads, in which the Treasury refused their sanction?—I will inquire, if the honourable Member will allow me, whether I should be able to put in such a Return, and will inform him accordingly.

6969. May I ask, upon what does your doubt arise; is it whether you have any record of it?—We have a record of the cases.

6970. Is it whether you would be permitted to do it?—I do not know whether it would be advisable to do it.

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6971. I suppose that this Committee has power to ask for all records?—Certainly.

6972. There is nothing adverse to the Public Service in asking for cases in which you refused your sanction?—No, at first sight I think not; only I think I ought to ask the authority of the Treasury.

6973. Perhaps you will ask them?—Yes.

6974. I do not want to press it unduly, but I will raise the question again, because I should like to see the record; I think it will give us a better idea of what proportion of these cases are refused by the Treasury.

## POSTPONED AND ABANDONED SCHEMES.

Chairman.

6975. (To Sir Edward Raban.) The Comptroller and Auditor-General informs us that the Scheme for the Hoo Ness River Training Works "is not being proceeded with at present." Is it now being proceeded with?—It is not at present. We are doing something slightly different, but we may have to come to it yet.

Sir Daniel Goddard.

6976. In this case the Hoo Ness Estimate was £40,000?—Yes.

6977. The Vote taken for this year under our consideration was £10,000, was it not?—Yes.

6978. And the expenditure was £132?—Yes.

6979. I notice that the explanation of that is simply that the work was deferred. Would you mind giving some explanation of why it was deferred? If you did not intend to spend the money, why did you take £10,000?—At the time that that was taken it was very much intended to spend the money. The question of Training Works and the condition of the Medway is at present engaging the very earnest attention of the Admiralty, as it has done for several years past. In the year before this Item was introduced, they appointed a Committee, consisting of a very eminent outside engineer, Sir Charles Hartley, the Hydrographer and myself, to go into this question, and as the result of the Report of that Committee, the Board decided to make this Training Work, which would have had a considerable and very important bearing on that large scheme for the extension of Chatham Dockyard, which the honourable Member may remember was proposed as a loan work, and was afterwards deferred or abandoned. At the time that large work was deferred or abandoned, the Board made full inquiry whether it was necessary to carry out this Hoo Ness Groyne at once, and they decided to try and save the money and postpone it. I have very strong orders that I am to watch carefully the effect of postponing it. I am taking some other very much cheaper palliative measures,  
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and we are every year making a report as to what should be done.

6980. I suppose that if you have to carry out this scheme you will have to come for another Vote?—Certainly.

6981. As to the other sub-section of this paragraph, dealing with the Boys' Training Establishment at Harwich, that was for a new Rifle Range, I think, was it not?—Yes.

6982. The Estimate for that was £6,000?—Yes.

6983. The Vote taken for it was £3,000, and the expenditure £1 9s. 10d.?—Yes.

6984. That scheme was abandoned?—Yes.

6985. Of course I do not dispute that it is very much better to abandon it after spending 30s., than after spending £3,000, but might I ask why it was abandoned?—The reason for the abandonment was that by the time the project came to be worked out in great detail and arrangements made for carrying it out, it became clear that the expenditure would be larger, and that the difficulties of negotiations for the necessary privileges and the difficulties of providing a danger area, were greater than were anticipated, therefore the Board turned their attention to the question, whether the musketry training of these boys could not be done somewhere else. At that time, the whole question of the training of the boys, during the time that they are Shore Establishments, was under consideration, and they have decided, that for the present certainly they will do their musketry training elsewhere, and thereby they were able to save the money voted for the Rifle Range.

6986. They will do what they intended to do at this Rifle Range, therefore, elsewhere?—Yes.

6987. It was not foreseen before the Vote was taken, that that could be done?—I think the reason partly is that they were not prepared to spend a larger sum upon it. They were looking into the various items of expenditure, and they came to the conclusion, partly in connection with the altered time that the boys spend at the Shore Establishment, that they could arrange for it. The Board put very great pressure on the local officers concerned, and they did arrange to do this musketry training elsewhere.

6988. Can you tell me the date when this scheme was abandoned?—I think I can. I see that the final decision was given on the 2nd of July, 1907.

6989. The Estimate had been already passed then, I suppose?—Yes, that was in this year's Estimate, 1906-7, and that final decision was in the year 1907-8.

6990. It was not till then?—That is the final abandonment; but on the 19th of December, 1906, it was suspended. I may say that then there was very little chance of carrying it out. But the honourable Member asked me when the final decision was taken. The final decision was taken on the 2nd July, 1907.

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6991. That final decision had nothing to do, of course, with not spending this money—it was to abandon it altogether?—Yes. Before that, everything was suspended; but it had been, I think I may say, practically decided in December of the previous year, that nothing would be done.

Sir George Kekewich.

6992. I suppose the real explanation of these abandonments is that the Scheme was not fully considered before it was made?—The Scheme was fully considered, but perhaps the honourable Member will allow me to tell him some of the difficulties in forecasting the exact expense of a scheme of this kind. We make the best estimate that we can of the work, but in the case of a rifle range we have to deal with what is much more difficult, namely, the cost of the land and the necessary rights in connection with danger areas; and we cannot go and show our hand and disclose the scheme to the local people by making inquiries until we have got permission. When the time comes to carry out the work, we have sometimes met with greater opposition than we anticipated, and there comes a period when we are faced with the possibility of vastly increased expenditure to overcome that opposition, either by process of law, or perhaps by paying higher sums as compensation. But the Scheme for a Range was naturally considered and worked out before it was put in the Parliamentary Estimate, and we gave the best estimate that we could for it.

6993. You are speaking of the Scheme for a Range?—Yes.

6994. But how about the Scheme for the Hoo Ness River Training Works. There you say that this work was part of a Scheme for improving the channel of the Medway?—Yes.

6995. But that Scheme was not worked out, as I understand?—Yes, it had got so far that the quantities were taken out. That is the point on which it is brought before you: that we actually paid for the quantities being taken out. The Scheme was so far advanced that we had taken out the quantities and were about to go to tender.

6996. But, as I understand, it is subject to alteration still?—I think that if the Scheme is carried out the original Scheme will be carried out; I do not think there is any intention of altering it.

6997. If the Scheme is fully ripe and fully determined upon, why is not the work begun?—Because, as I have explained to the honourable Member, it was considerably associated with that very much larger Scheme of Extension of Chatham Dockyard which was to cost 4½ millions which did appear once in the Works Loan Bill and was subsequently abandoned. The Board of Admiralty are very anxious indeed about the state of the channel of the Medway, but also they greatly hesitate to incur a large expenditure in the Medway.

6998. Then, as I understand, the Scheme is subject to alteration now?—Perhaps I do not quite understand

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understand the honourable Member; but if the groyne for which this estimate is provided is carried out, I believe it will be carried out on the design and on the drawings, and practically on the quantities which have been taken out.

6999. If it is?—If it is carried out.

7000. But you say that it may not be carried out?—It may not be carried out. We are watching year by year. I am now doing what I call some palliative works to see whether they will have the same effect at a smaller expenditure, this year.

7001. I cannot understand why this expenditure should be incurred upon a scheme that may not be carried out, and that you have not determined to carry out?—The Admiralty had determined to carry it out.

7002. You did not carry it out, and yet you are spending money on it?—No, we are not spending money on this Scheme.

7003. But if you had determined that it should be carried out, you ought to set about the work and do it; is that not so?—Yes, and we shall when the Admiralty have determined on this particular groyne.

7004. If you carry it out at all?—Yes, if we carry it out at all.

7005. Therefore you have not come to a definite conclusion whether you will carry it out?—That is so, but we had come to that conclusion when the great scheme of 4½ millions for the Channel Extension was alive.

7006. And that made all the difference?—That made a tremendous difference.

7007. Now you have not considered whether those circumstances involved the abandonment of this Scheme?—The Board have not made up their mind upon that point; they are going to watch the effect of the palliative measures that I am taking. Perhaps I may explain a little more what the position is. Hoo Ness is a sharp corner on the bank of the Medway which has been wasting away. We have designed a groyne to run out up the river and direct the current rather away from this sharp corner, to the other side of the channel, where it would have washed out the bank against the new wall we were contemplating making in that Scheme. We are still very anxious indeed that Hoo Ness shall not wash away, and I am arranging to put all the ashes and other matters of that kind from the dockyard on Hoo Ness, instead of having them carted out of the yard, and to put the dredgings that go on continuously at the entrance of the locks on to that, to see if that will do instead of the more costly Scheme.

7008. Now, as to the Wireless Telegraphy Station Hong-Kong, have any circumstances occurred which rendered it necessary that that should be abandoned?—Yes. Originally the Admiralty had had no intention of starting a Wireless Telegraphy Station at Hong-Kong, and they had concurred in an arrangement with Lloyds for this Wireless Station. Lloyds apparently did not build a station, because they were not able to come to terms

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with the Marconi people about it. The Russo-Japanese War broke out, and the Commander-in-Chief started a temporary station, which was found of great use. It was thought that probably it would be necessary to establish a permanent station, and we took the money, a provisional sum, for establishing that permanent station. The Admiralty afterwards came to the conclusion that they need not have anything more than a temporary station for the time, and therefore they saved the money.

7009. But that again shows that the scheme had not been thoroughly thought out before the £3,000 estimate was made. I thought you said that the temporary station was set up before the war?—During the war.

7010. But the Admiralty found that it was of so much use that they determined to establish a permanent station, and their decision to establish a permanent station was not taken during the period of the war, was it?—No, that was just towards the end of the war.

7011. Therefore the war does not come in at all as regards the permanent station?—No.

7012. It was really the case then that they had not fully considered the matter, and therefore they subsequently changed their mind?—I think perhaps I have not fully stated the Admiralty's position in the matter. What they really determined to do was to carry on with a temporary station until Lloyds had established a permanent station.

7013. And in that way the expenditure will fall upon Lloyds instead of upon the Admiralty?—Yes.

7014. What will they pay Lloyds for the transmission of messages?—That I cannot quite tell you.

7015. Which is the cheaper plan?—I think probably it will be much cheaper to work with Lloyds. I do not know what we pay; that is not within the province of the Director of Works; but obviously we should be paying only a portion of the cost of a business that is doing commercial work, whereas otherwise we should do all the work ourselves with our own Service men, and probably they would not be working continuously for that reason.

Sir Robert Hobart.

7016. Am I right in thinking that your difficulties arise from these estimates having been prepared in the autumn of 1905, and then presented to Parliament early in 1906, and in that time there occurred a very large change of policy?—There did occur a great change of policy.

7017. And that created considerable difficulty, and made changes in your estimated Works?—That would account for any great falling off in expenditure on the total of the Vote.

7018. And the variations?—And the variations of expenditure on certain works.

7019. There

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Mr. McCrae.

7019. There is one question that I should like to ask you with reference to the postponement of this work at Hoo Ness. Land was bought for the purpose, I suppose?—Yes.

7020. For which you paid?—Yes.

7021. Is that a large area?—Yes.

7022. Extending roughly how far?—For a considerable area of land.

7023. Is it being used at all at present for any remunerative purpose?—No, that is the land on which I am depositing this material, and (this is another very important thing indeed) preventing its being dug away for Portland cement works.

7024. Was this land bought from individuals, or from one proprietor?—I think it was all bought from one proprietor—some trustees.

## ON VOTE 10.

WORKS, BUILDINGS, AND REPAIRS AT HOME AND  
ABROAD.

Sir Daniel Goddard.

7025. On Sub-head B., New Works, the Grant was £464,160. and the expenditure was £313,150?—Yes.

7026. Do I rightly understand that this amount of £151,000 of expenditure less than grant, is due entirely to a change of policy?—Very largely, and to a re-consideration of policy. Some of the expenditure you see was only deferred, that is to say, the Board took time to think over some of these large projects, some they abandoned, but some were gone on with later in the year. For instance, there is one item that I draw the honourable Member's attention to—Portsmouth Lock; we have not let that yet.

7027. Portsmouth Harbour protection?—Yes, Portsmouth Harbour protection. That is one. And Item 5 on page 86, Portsmouth Lock, is another.

7028. I am going to ask you about Portsmouth Harbour protection—the estimate for that was £16,000?—Yes.

7029. You only took for the whole work, £10,000, and you expended £432?—Yes.

7030. What is the explanation of that?—That is one of the items as to which the Board did very seriously consider whether they should go on with it at once or not. And later in the year they decided to go on at once; and consequently I have spent very little money in that year.

7031. I notice that in the Explanatory note at the side it says: "For a period all work was deferred, and subsequently considerable time was necessarily taken up in preparation of scheme." That strikes me as rather a curious explanation. It looks as if the Estimate were taken first and the scheme made out afterwards?—I think I must admit that the wording is not very fortunate. The scheme was the scheme for executing the work.

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The design of the work was settled before the estimate was made, and it was a question whether we should go to a contractor or do it ourselves. Finally we decided to do it ourselves; and then it became an important question as to the exact method of carrying out this particular work.

7032. Then, under Sub-head B, there was a contract for making a new river wall at Chatham?—Yes.

7033. That was a Loan Work, under contract, was it not; there is a correspondence about it?—Yes.

7034. Roughly speaking, it became necessary to reconstruct the wing walls in the entrance of No. 1 Basin?—Yes.

7035. Part of the work was given to the Loan Works contractor without any estimate, was it not?—On the schedule of prices in the other contract.

7036. It dovetailed into another job of theirs?—Yes.

7037. And it was given to them without any contract?—Without any alternative tenders. It was given to them as an extra, on the prices in the schedule of their existing contract—the contract that they had already obtained.

7038. Was the contract that they were doing into which this dovetailed, done on a schedule of prices?—Yes.

7039. There was not a tendered price for the job?—But even in a contract which is a lump sum contract there is a schedule of prices as well.

7040. That is only for extras?—Yes, but this was, if I remember aright, a schedule of prices contract.

7041. When you do work like that on a schedule of prices, does it mean the prime cost of materials and labour, plus a certain percentage for establishment charges and profit?—No. I have a schedule here; would the honourable Member like to see it? I have brought it down.

7042. I know what a schedule of prices is, of course; I could not possibly in a moment or two make any comparison of it. But there is a system of making contracts in which the contractor undertakes to charge you the net or prime cost of the materials, and the net or prime cost of labour, and to add to that a certain percentage to cover his establishment charges and his profit?—Yes.

7043. Is that a principle on which you ever work?—No.

7044. You make him give you a price per rod of brickwork, stonework, and so on?—Yes.

7045. And that includes his profit?—Yes; we give him full quantities of every class and description of work, and he prices every class and description of work, and carries it to the total.

7046. These loan contractors were asked to do the whole of this job that comes under Vote 10 on the rates in their existing contracts?—Yes.

7047. And they did not do so?—No.

7048. They declined?—Yes.

7049. And

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7049. And they tendered a new schedule of prices?—Yes.

7050. Those prices you consider too high?—Yes, I do.

7051. Then I suppose you had negotiations, and they offered a reduction, and you accepted it?—Yes.

7052. Did you consider the question of going to open competition at all?—Certainly; I think I say so in the letter.

7053. I think it says that you did not think any better terms could be got by going to tender?—I am sure of it.

7054. Quite sure?—Quite. May I show the honourable Member the plan, because perhaps it will be a little easier for him to see how closely interwoven the work was.

7055. Was the real reason that you did not want to have two contractors on the job at once?—It would have complicated matters very much indeed. The honourable Member will probably see by my showing *this* plan, which I have tried to colour a little, so that the Committee may see it easily, that under our loan contract we were building a wall across *here*. That was when the Chatham great scheme of extension was proposed, and we intended to close *this* entrance, which leads out of one of the great basins. When it was decided that the scheme should be abandoned, it was also decided that we could not afford to close the entrance. This entrance has long been causing us great anxiety, and under the contract I gave orders for the extra of these two haunches of the arch, so to speak, to the contractor at the exact prices of his contract, and he agreed to that. That, you see, really broke into his work. Now came the most difficult bit of all, and I invite the Committee's attention to the fact that the width of this is 80 feet by about 160 feet, and the men have to pump to drive piles, and do a most elaborate scheme of shoring to prevent this entrance collapsing; and it would have caused the greatest possible difficulty to have another contractor on the site—they would have hampered each other tremendously, and the new contractor must have asked for large prices, because the other contractor had all the facilities that we could give him, the wharves, walls, and working space, and I could not give much more because the space was so small.

7056. That answers that question. But you authorised the work to be continued and completed on these revised rates?—The Board have approved of that.

7057. The estimated cost was £30,000?—Yes.

7058. And you applied for Treasury sanction?—Yes.

7059. On the 7th of March, 1907, the Treasury wrote you a letter in which this paragraph occurs: "That for the action already taken, the responsibility must rest with their Lordships of the Admiralty"; while as to the future, "My Lords,

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while assuming that no such action will be taken without previous reference to this Board, desire me to point out the responsibility of the accounting officer to safeguard financial order in such cases." Why was not the Treasury consulted before these definite steps were taken?—The honourable Member may remember that it was in consequence of the action of this Committee, and their expressed wishes, that we began going to the Treasury. Before that, we considered that we were within our powers. As soon as we found that this Committee desired that in these cases we should go to the Treasury, we not only made it a rule to go in future, but we reported two or three cases that had already happened for their covering authority.

7060. Then this happened before that?—Yes; I can assure the honourable Member that we have carried out the wishes of the Committee entirely.

7061. But there was not really very much urgency about it—about accepting increased prices?—It was very important to get on with it, and I had great anxiety about it. There is a basin behind me with a badly leaky wall; I might have let all the shipping down.

7062. But you did not go on with it immediately, did you?—We went on as soon as it was practical; by the time the contractor got up those haunches we were ready to go on. We went on in little pieces; that is what we paid the extra cost for. We made him take it out in pieces, probably a quarter the size of this room, and each shut in with a complete timber jam, because I was in such fear of letting down the water in the basin. It was a most difficult and anxious engineering work.

7063. (To Mr. Headlam.) I gather from this letter that the Treasury were not quite satisfied with this action of the Admiralty; am I right?—Yes, there appeared to be no case of urgency, and I do not think that the Treasury were quite sure that this case had not occurred after the report of the Public Accounts Committee laying down the stringent rule of consulting the Treasury. At any rate, it seems to the Treasury, as I gather from the letter, that the Admiralty might have come to them.

7064. In throwing the responsibility back upon the Lords of the Admiralty, what did the Treasury mean?—That the Admiralty were disregarding the rules laid down, and the Treasury, of course, could not force them to keep the rules, but merely insisted that they should defend their own acts before this Committee.

7065. (To Sir Edward Raban.) On Part II. of the Vote, "Minor New Works, Additions and Alterations under £2,000 each," Sub-head C, on page 50, I only want to ask you this question: We found out in examination, when we were on the Army Votes, that it was the practice there sometimes to take a work of considerable magnitude

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tude and divide it up, so that it came under the limit. I want to ask whether the Admiralty treats its works in the same way; whether any of these were works that were brought under £2,000 by sub-dividing them?—I think I can confidently say that they were not. We have no desire whatever to do anything of the kind; I do not see why we should. Parliament gives us our money that we ask for on the Votes. I frankly say that we very often try and keep a work down under £2,000, so that it may be within our own power to sanction, instead of having to go to the Treasury and ask for leave to do the work, or to get it approved by Parliament; but I can assure the honourable Member that we do not divide it up and try to evade our Parliamentary responsibility.

7066. Is it done under a special estimate?—No.

7067. Is it done under a triennial system?—No, it is mainly done with our own labour—minor works.

7068. The only thing is that not having specified them in the Estimates otherwise, you would have to go and ask for Treasury sanction; and you avoid that by bringing them under £2,000?—Yes, and we do not give Parliament details of them.

7069. I do not see any details given of these works; I suppose they are rather voluminous?—In the year under consideration there were 864.

7070. They came to £82,000?—Yes, we spent £82,000.

7071. Under £1,000 a-piece on the average?—Yes; there are a great number of small works at home and abroad which can be carried out at once. In apportioning our own money, the honourable Member may like to know we do not apportion the whole of it at the beginning of the year; we keep some of it in reserve to meet unforeseen needs of the Navy. It must happen that at a number of these great stations at home and abroad unforeseen needs crop up within the sum of £2,000 Parliament and the Treasury have given us authority to start works under £2,000.

7072. You will excuse my putting a plain question, but supposing that you had to erect a building which contained machinery, and the whole building and the machinery came to a cost of, say, £4,000, would you divide it up into two contracts, to come under this rule of £2,000?—Perhaps the answer is not a very simple one. The machinery and the building would appear upon entirely different Votes. We should have no hesitation whatever in putting up a building under Vote 10 that did not exceed £2,000, and the Controller, I suppose, has some similar Votes under Vote 8 for providing machinery. But the joint work would be distinctly over £2,000. My authority is that the Board of Admiralty may go up to £2,000 on a work chargeable to Vote 10. Perhaps I may explain to the

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honourable Member that if we started a work under £2,000 and exceeded it, then it has to be transferred to Part I, as a Part I. service, and put into the next Parliamentary Estimate to justify it; and we immediately go to the Treasury if we find that that has happened.

7073. Then, under Sub-head G, "Purchases of Lands and Buildings," the Vote was £23,000, and the expenditure £13,451, so that there was £9,549 expended less than granted. Out of the five items given on page 92, the two last were entirely abandoned, were they not?—Chatham, Hoo Ness; you are referring to the entire abandonment of that?

7074. Yes?—As I explained just now, we are using that land for the deposit of surplus materials, and are thereby deferring our large expenditure on the Hoo Ness groyne, which is very important.

7075. And "Plymouth—Land for the Submarine Depot at Turnchapel." Why are these items put down if they are going to be abandoned?—What happened was that it was contemplated, and very seriously intended, to make a depot for submarine boats at Turnchapel, and provision was made in a lump sum under Sub-head G for this, because, as I think the honourable Member is aware, we only show in our land purchase Estimates a lump sum. We made provision for buying that land, and ultimately the Board decided to adopt another method of dealing with their submarine boats, and the land has not been purchased.

7076. I am only drawing attention to the fact that two large items out of the five in this Account were abandoned?—But I would invite the honourable Member to remember that we are using the Hoo Ness land.

7077. But not the Harwich; and Harwich and Plymouth are the two sums that I am referring to?—Yes, they are abandoned.

Chairman.

7078. I think just now you were asked about the Melville Hospital and the Estimates for 1904-5. I see it is put down there, "Conversion of Melville Hospital into a Marine Barrack," and, as I understand, it was intended then to use it partly for the marines in connection with the School of Music, and partly for the marines for other purposes?—Yes.

## MISCELLANEOUS EFFECTIVE SERVICES.

## SUB-HEAD A.

## FREE PASSAGES ON LEAVE.

Sir George Kekewich.

7079. (To Mr. Eyles.) In such cases as those where passages are granted at the public expense to

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to civilian officers of naval establishments, or for anybody else, and they are sent always by some line of steamers, do you contract for their passages: do you get a rebate on their passages?—We pay a contract rate.

7080. Do you get anything back on taking a quantity, so to speak?—I am afraid that I could not answer that question fully. There is a contract rate for passages, and we get the most favourable terms, considering the amount of business done.

7081. Is there a special contract rate if you send a good many men at the public expense anywhere? Yes, special arrangements are made for large numbers, and in other cases a percentage abatement is allowed.

7082. Were any of these deductions, or these tickets for conveyance, in any way due to His Majesty's ships being made use of, and not the ordinary traffic passenger steamers?—No doubt these were contract passages.

7083. The explanation under Sub-head A bears some reference to the freight being on His Majesty's ships?—The expense incurred on the service to which the Comptroller and Auditor-General calls attention, would be chargeable to that Sub-head, but the passages would be ordered in ordinary course by contract steamers.

7084. Not in ordinary passenger ships?—Yes.

*Mr. Leif Jones.*

7085. In regard to these periodical charges in the Account at Hong-Kong, do I rightly gather that the practice is given up of civilian officers getting their passage paid during the third year of service, whether sick or not?—No. The rule now is that provided an officer's state of health necessitates his having a change, and it is so certified by a Medical Board of Survey, the passage would be allowed.

7086. Only in cases of ill-health?—Only in cases of ill-health certified by a Medical Board of Survey.

7087. That was not the rule?—No, it was not the rule formerly. The rule was that every officer in his third year was given a free passage to Japan or North China.

7088. Was it the rule or the practice?—It was a rule established as long ago as 1868; but in those days officers sent out to Hong-Kong stayed there for a very much longer period than they do now. The period of service is three years only now.

7089. I understand from the Report of the Comptroller and Auditor-General, that the regulations do not cover such an expenditure except in the case of illness. What is the rule in such cases?—The rule was made by the Admiralty as long ago as 1868.

7090. Is that a rule of the Admiralty, and not a

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regulation?—Perhaps I should more accurately describe it as a practice established by Admiralty authority.

7091. That is my whole point. Is this not expenditure really outside the Regulations which the Admiralty ought not to have made?—It is not strictly covered by the King's Regulations as at present drawn.

7092. But the Admiralty may not spend anything which is not covered by the King's Regulations?—That is so.

7093. Then it was irregular expenditure?—It certainly was to that extent irregular. It had been going on since 1868, as I say.

7094. And going on since 1868, and their attention having been drawn to it, they have now stopped it?—Yes.

7095. Which seems to show that it was unnecessary expenditure?—The Admiralty think that under present conditions it is unnecessary except in cases of ill-health, certified by a Medical Board of Survey.

7096. Do you know whether this is the first time that the attention of the Admiralty has been drawn to it?—I am not aware. This is the first time that the Comptroller and Auditor-General has called attention to it.

7097. (To *Mr. Kempe*.) Is it the first time it has come under your notice?—Yes, it is the first time we have noticed it.

7098. (To *Mr. Eyles*.) That raises a rather important question of principle. You have admitted that it was outside the King's Regulations and therefore irregular, and yet it has gone on since 1868, and no one has called attention to it. How is that?—There are certain usages in existence which are not covered by definite regulations.

7099. Could you give me a list of them?—I am afraid that it would be an extremely difficult thing to do. In the present case it was a very economical arrangement. It is far more economical to let an officer have a free passage to take a holiday in Japan, than to bring him home and send out another officer. That consideration was at the bottom of the whole arrangement.

7100. I submit that there is a third course: to regularise the expenditure if it is a necessary one, and not to let it remain as irregular expenditure. Furthermore, I understand that it has stopped altogether now?—It has stopped altogether except when it is necessitated by ill-health.

7101. But that is not outside the Regulations; the Regulations provide for it in case of ill-health?—Yes.

7102. But the extra Regulation expenditure has been wholly stopped?—Yes.

7103. And therefore we are saving money that we formerly spent on extra Regulation expenditure?—Yes.

7104. Then I fail to see how the old practice was economical. We are actually saving money?—The

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—The present practice is economical under different conditions.

7105. That is to say, that if this had been discovered sooner you would have saved a great deal of money?—We might not have spent so much money on free passages.

7106. Ought you not to have discovered this?—I do not think that as Accounting Officer I could have stopped it, because the practice was authorised by the Board of Admiralty, and it had been in existence for 30 years.

7107. You laughed just now, and the Committee laughed when I suggested your providing a list of these Extra Regulation expenditures; but as Accounting Officer, ought you not to draw attention at any rate to such of them as have been brought to light, and would involve a saving of money to the nation?—Certainly.

7108. Do you think that there are any others of the same character as this?—I hope not; but I am reminded that my own Department was about to raise this question when we received the audit query. The number of cases in recent years has been very small, and the conditions different, the period of service being shorter. On this ground my own Department was actually raising the question.

7109. That suggests a curious point. Was it because the expenditure was gradually diminishing to nothing that your Department thought it time to draw attention to it?—It was because of the alteration in the conditions. If an officer stays out there for a shorter time the necessity for his going to Japan is less.

7110. When did your Department become aware, to put it in that way, that this extra-Regulation expenditure was going on?—My Department must have been aware of it since 1868.

7111. And they have never drawn attention to it?—No, attention has not been drawn to it until quite recently.

7112. Why not?—I cannot defend it from a regulation point of view. It certainly ought to have been called attention to, and I think it would have resulted in the Regulation being amended.

7113. When I suggest to you that there are similar cases going on, you repudiate it; you say that you do not know of any?—If I was aware of such cases I should call attention to them.

7114. Hardly, because you were aware of this since 1868, you or your Department—I do not mean you personally—and you did not call attention to it, and were not even about to do so until recently?—But I still say that if I came across a case, or if my Department came across a case of this sort, attention would be drawn to it. The honourable Member will quite understand that our examination of expenditure of this sort is very much stricter than formerly.

7115. I am very glad to know it—It was

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possible, no doubt, for the Board of Admiralty before 1868 to have made a rule of this sort, which was outside the King's Regulations.

7116. I may take it that you do not know in your Department of any extra Regulation expenditure at the present moment to which you have not drawn attention?—I am not aware of any.

7117. If you became aware of any, you would at once draw attention to it?—Certainly. I see that in writing to the Treasury we say, "As, however, officers now appointed at Hong-Kong do not remain there as a rule for a longer period than three years, the necessity for the continuance of the passages has been recently reviewed, and it was decided in May last that these passages should be granted in future only in cases of ill-health on a certificate by a Medical Board of Survey"; that letter is dated 19th March of this year.

7118. That is to say, after you had received the Report of the Comptroller and Auditor-General?—I am trying to ascertain that—I think the formal query was dated September, 1906.

7119. Then, was it in reply to the Comptroller and Auditor-General's query. It was, at any rate, later than the query of the Comptroller and Auditor-General?—I see that this date has reference to the date of the decision, but the grant of free passages to Japan had been under consideration some time before that.

Mr. Boulea.

7120. I understand you to say that in 1868 the Admiralty made a rule about this matter. How was that rule expressed?—It took the form of an Order to Hong-Kong.

7121. Written instructions?—Yes.

7122. To the officer in charge at Hong Kong?—Yes.

7123. And that note would be cited by the Sub-Accounting Officer at Hong-Kong, I suppose, if payment of this money by him was to be called in question?—Certainly.

7124. But is it a common practice at the Admiralty to make special rules overriding the Regulations in special places?—No, on the contrary they never do so in these days.

7125. It may be considered that the 1868 precedent was probably the last?—I should not like to say it was the last, but any such procedure would not be in accordance with the existing practice.

7126. And you agree that the Admiralty ought not to make payments which are not authorised by the Regulations?—Yes.

7127. I suppose the Committee may take it that there are not any other rules of this kind?—The Committee may take it that, so far as I am aware, there are no other rules of this kind.

7128. Do you as Accounting Officer take the view

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view that in presence of that special rule in writing as I understand applying specially to Hong-Kong and exempting it from the ordinary regulations of payment, this matter was an improper payment to have been made. I want to get at what is the force of this so-called rule?—The view I take is that when attention was called to it, had it been intended to have continued the practice, we should have gone to the Treasury and obtained their sanction.

7129. In other words, you take the view that these payments made over a period of 40 years are really payments which, notwithstanding the rule of the Admiralty in view of the Regulations, ought not to have been made in the circumstances?—I accept that view entirely: if we discover any payment which is not covered by the Regulations, notwithstanding that it has been going on for a long number of years, attention is called to it and the necessary authority obtained or the payment discontinued.

7130. In fact, the only real authority for payments of this sort must be in the Regulations?—Yes; quite so, or occasionally, Treasury sanction, as an exception to the Regulations.

7131. Therefore the truth of this case is that for 40 years these payments went on irregularly, and it is simply a case of irregular payments having been made at Hong-Kong. You would not really rely on the fact that the Admiralty wrote a letter 40 years ago, as excusing their regularising the payment?—No, I should call attention to it, and say that it was an exception to the Regulations, and see that the Regulations were altered if the practice were continued.

Mr. McCrae.

7132. I understood you to say that these free passages were really not now necessary except in case of ill-health, because the period for service abroad of those civilian officers was much shorter now?—Yes, that is so. They are not necessary except in cases of ill-health.

7133. And when was the period of service abroad shortened; I think you mentioned that it is only three years' service?—There is no fixed time, but as a rule it is three years. I think that has been the case now for some few years, but there is no hard-and-fast rule about it.

7134. The point I wish to arrive at is, whether the discontinuance of this practice has led to the shortening of service abroad, or was the shorter service adopted before this matter was brought under the notice of the Admiralty?—That is so. I put it rather the other way, if the Honourable Member will allow me: the shortening of the service was one of the reasons which led to this question being called attention to, so far as my Department is concerned.

7135. So that, apart from the irregularity of the payment, there was no necessity for it after the

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On Vote 10—Miscellaneous Effective Services—  
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shorter period of service abroad was introduced?—That is so.

Chairman.

7136. I want to ask you one more question about that. New rules as to payment are constantly made by the Admiralty, are they not?—Yes.

7137. Is there anybody whose duty it is to see that those rules do not conflict with the King's Regulations?—Yes, I should hold myself responsible for seeing that.

7138. Every rule of the Admiralty comes to you before it is promulgated?—Every rule and every proposal entailing new expenditure comes to me.

7137. So that this thing cannot happen again?—No.

Sir Daniel Goddard.

7140. And proposals for curtailing expenditure also come before you, I suppose?—Yes, because I should want to be aware of the authority in order to see that such curtailment was effected.

INSURANCE EXPENSES IN CONNECTION WITH  
GRAND MANŒUVRES, 1906.

Mr. Ashton.

7141. Has this system worked well of insuring the manœuvres?—It has worked very well.

7142. Was that the only occasion on which it was done?—It is quite an exceptional case.

Mr. Leif Jones.

7143. You say that it worked well; do you mean that it paid as a matter of fact?—I have no doubt that it would have paid us better if we had not insured at all; but it was impossible to foresee that. It was considered to be the best plan to adopt under the circumstances.

7144. The general system is that you take the risk; your transactions are so large that it is cheaper if you pay your own insurance by paying damages if they occur?—Yes.

7145. In this case you paid £21,000 as insurance; do you happen to know what amount was paid out by the insurance companies to whom you paid that money?—Not precisely.

7146. Do you know at all?—Yes. I am aware of an amount of about £4,000, but that does not represent the total. I am not aware what the precise total was, because it did not come under the notice of the Admiralty.

7147. Then the insurance people did better out of it than the Department?—Yes.

7148. And you have abandoned it?—It was adopted for that occasion only. The Treasury would refuse to sanction it as a general practice.

Mr. Brigg.

7149. I do not think I quite heard what Mr. Leif



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with Grand Manceuvres, 1906—*continued.*Mr. *Brigg*—*continued.*

Leif Jones was asking you. May I ask do you consider it desirable to insure in cases of this kind: have you any idea what damages were inflicted, or what the cost was?—As I have just stated to the honourable Member on the other side, I am not aware of the total sum which had to be paid by the insurance companies.

7150. Then may I put it in a conjectural way? Under similar circumstances, would you think it desirable to do the same thing again?—We have not done so since.

Sir *Daniel Goddard.*

7151. These claims for damages would come direct to the Admiralty, would they not?—As a matter of fact, the claims were considered by Committees; they did not come direct to the Admiralty.

7152. They would not go to the Insurance Office?—As a matter of fact, they were adjudicated upon by Committees.

7153. Committees of the Admiralty?—The Admiralty was associated with the Committees in regard to certain expenses. We did not insure to cover such expenses as pilotage, harbour dues and so on.

7154. Did you see that all the claims were satisfied?—We were satisfied that they were.

7155. No disputes arose afterwards?—No; the matter has been very satisfactorily settled.

MISCELLANEOUS PAYMENTS AND ALLOWANCES—  
OVERLAPS FROM 1905-6.Sir *Robert Hobart.*

7156. This is a question of the expense of entertaining Their Royal Highnesses when going to India on board His Majesty's ship "Renown"?—That is so.

7157. Can you tell me the length of the time that that ship was being used, so to speak, as a yacht?—On this occasion?

7158. Altogether. She is classed as a battleship, is she not?—I am afraid I could not give the honourable Member that information.

7159. Can you give me any more information about it than is down here?—I think not. I quite concur with the figures which are quoted by the Comptroller and Auditor-General; they are quite correct.

7160. But immediately after her being discontinued for this specific purpose, was she returned to her position in the Fleet?—I am afraid I could not answer the question; I have not the information.

EXPENSES OF PROMOTING TORPOINT URBAN  
DISTRICT WATER BILL, £5,000.Mr. *McCrae.*

7161. With regard to the expenses of promoting

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Urban District Water Bill, £5,000—*continued.*Mr. *McCrae*—*continued.*

the Torpoint Urban District Water Bill, £5,000, the estimate for that was £1,900?—Yes; perhaps the Committee would allow Sir Edward Raban to answer questions on this point.

7162. (To Sir *Edward Raban.*) You can give me the information. The estimate was £1,900, and the payment amounted altogether to £5,000; but I gather from the correspondence that you went on with this arrangement with the local authority after you had decided altogether to abandon your works at Torpoint?—We warned the local authority that the Gunnery School was not going on, so as to give them an opportunity of dropping their Bill. They decided to go on with their Bill, and we agreed to stand in, as we had undertaken to do.

7163. But I notice that the Treasury say on page 143: "In the meanwhile they cannot but express their surprise, that when the change of policy took place in February, 1905, they were not consulted by the Board of Admiralty, before the Council were told that the Admiralty did not propose to withdraw from the terms of the agreement for the water supply. Your letter of 14th March, 1905, did not lead the Treasury to imagine that any change of policy was decided on." There are two points there; the first is that you evidently had an opportunity of withdrawing from the agreement, and the second point, apart from that, is, that you did not inform the Treasury, that although you had abandoned the work, still you were prepared to back up the local authority in this scheme?—I will take the two points separately. As regards the opportunity of withdrawing from the agreement, the Admiralty had entered into a definite agreement with the local authority under which they were to make certain payments in consideration of the water supply under the Bill. It was not a case of the Admiralty having an opportunity of withdrawing, but it was a case in which the Board, having changed their policy about the Gunnery School, felt that they ought to warn the local authority, that the Gunnery School would not be there, although they were willing to continue their agreement for the payment they were to make. The local authority were very much affected, because undoubtedly they had looked to the Gunnery School to bring about the erection of a large number of houses for the wives of sailors and petty officers and warrant officers connected with the establishment. The Admiralty thought that they ought to have the earliest intimation of their decision of policy not to construct the school, but they had actually entered into an agreement, in which they, with the War Office, had undertaken to take certain quantities of water. This water question had been going on for several years. It had been very difficult to get the local authority to undertake such a scheme. The local authority had changed once in the course of the negotiations, and after a tremendous amount

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of conference with them, we had arrived at an agreement. The Admiralty deliberately decided, after very fully considering the question, that what they would do was they would warn the local authority of the loss that they would probably sustain on the houses not being built, but that they would stand to their agreement, and, so far as they were concerned, they would not oppose the Bill going on, and that is what happened.

7164. Then do you agree with this further paragraph: "The result of the whole transaction appears to be (1) that a sum of between £40,000 and £50,000 has been spent in the purchase, &c., of a site which was subsequently decided to be unnecessary; and (2) that after that decision had been arrived at, a further sum of between £5,000 and £6,000 was spent in an unsuccessful attempt to pass a Bill for the purpose of supplying the site with water"?—No, I do not agree at all; certainly not with the first part of it.

7165. Your estimate of your proportion of the cost was £1,900?—Yes.

7166. When you decided to abandon the works altogether for which the water supply was necessary, and when you informed the Urban District Council that you were not going on with those works, do not you think that that was the time to at least definitely commit yourselves with regard to the amount you were to spend, or rather to the share. Had you agreed to pay a certain proportion of the expenses?—Yes, we had. That was scheduled to the Bill. The agreement was all scheduled to the Bill. The Admiralty had signed the agreement with the local authority defining the conditions. It was a tripartite agreement between the local authority, the Admiralty and the War Office, defining the conditions under which they would pay for water from the date at which it was delivered. The Admiralty were to make a certain payment and get a certain amount of water. The War Office were to make a certain payment and get a certain amount of water, and that agreement had been signed, sealed, and delivered.

7167. Then as to the question of costs, were you to bear a *pro rata* proportion of the expenses of the litigation?—Yes, that was all part of the agreement, and our share was to have been not more than the £1,900 that you refer to. Ultimately, when the Bill did not get through, the Admiralty felt that the small local authority could not bear that whole charge, and they asked Treasury authority, under the circumstances stated in the letter, to allow them, as an act of grace, to pay, not the whole cost, but £5,000, which had been fixed as the maximum that the costs were likely to reach.

7168. What was the total expenditure on costs in promoting this Bill?—£5,700, I think. I am afraid I have not got the exact figure.

Mr. Leif Jones.

7169. £5,771 5s. 1d.?—I thought it was about that.

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On Vote 10—Expenses of Promoting Torpoint  
Urban District Water Bill, £5,000—*continued.*

Mr. McCrae.

7170. With regard to the second point, the £40,000 or £50,000?—That land had been bought—a portion of it in 1900-1, and a portion of it in 1901-2, for the purpose of establishing a Gunnery School. A good bit of the land had been held for some time under lease as a rifle range and recreation ground for the "Cambridge," and is used so to this date. The ground, as the correspondence shows, was laid out and a project prepared for utilising it as a Gunnery School. But all the while though it does not appear on the papers, we had also a project for utilising a portion of it for a training school for 1,400 boys and about 200 men connected with them. The honourable Member may remember that last year an item was gone into—I think the honourable Member raised it—on the total estimate for the Boys' Training Establishment. We had a total estimate of £450,000, which has now been reduced to £145,000, and I explained to the Committee how instead of having three or four establishments, the Shotley establishment had been increased in size, and that reduced the total estimate; but in reducing the total estimate and explaining it to the Treasury, the Admiralty always reserved to themselves the right to ask Parliament again to sanction a large additional sum of money for an addition to the Boys' Establishment. At the time that we informed the local authority that we should not build the Gunnery School, the designs for this Boys' Training Establishment were actually before the Admiralty, and it was uncertain—because the honourable Member knows that there had been a considerable change of policy in the training of the Fleet—whether that Boys' Training Establishment should go on. We had waited for five years trying to get this water supply. We were informed that there was a favourable opportunity of getting it, on account of the assent of certain landowners. As it happened, we did not get it, partly on account of the objection of a landowner; and we came to the conclusion that having this very valuable water-side property, which will certainly be utilised some day as a building site, we had better strike while the iron was hot and have the water there.

7171. Would it be possible do you think, to give us a list of land in the possession of the Admiralty that has been acquired for the different works that have been abandoned, and which is not used at all or only used partially for other purposes?—I think it could very easily be given you, because there is so extremely little. Perhaps I might tell the honourable Member that I remember not long ago a proposal to sell a piece of land at Portsmouth Harbour, and we are now straining every nerve to build a magazine on it for which we have the money in this year's Estimates.

7172. You think that this could be given us without any great trouble?—Yes.

7173. I

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## NAVY APPROPRIATION ACCOUNT, 1906-7.

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Urban District Water Bill, £5,000—*continued.*

Mr. Ashton.

7173. I am not quite sure whether your justification for going on with the scheme was because you had consented to back the Bill of the local authority, or whether it was because you really thought you would want the water for other purposes?—It was both. We had worked up this rather small local authority into starting this scheme at great expense to them, and although the Gunnery School had been abandoned, as I say, plans for the Boys' Training Establishment were then lying before the Board, and although it was quite uncertain whether it was going on, it had not been abandoned; and we had the feeling that we had better get the water for this valuable property while we could.

7174. Would it not have been better to have waited till you knew that you should want it? I do not suppose the local authority would have gone on with the scheme unless you desired it?—That is the option that we gave them. We asked them whether they would like at that stage to abandon it, in which case we should not press them to go on with it, but they preferred to go on with it.

7175. In that case, if they knew that you had abandoned the Gunnery School, I do not quite know why you were called upon to provide any money. It was their own fault; they had all the facts before them?—They had all the facts before them.

7176. And yet you think it is fair that the Admiralty should pay the whole of the costs, though these people had all the facts before them to start with?—I am afraid that I can add very little to what is said in the Admiralty letter. The honourable Member must realise that such important questions are not decided by me. The Admiralty had the matter before them, and came to the conclusion that in the case of such a very poor and newly constituted local authority, they should ask Treasury sanction to that act of grace, and they were successful in persuading the Treasury to give their sanction, though reluctantly.

7177. Although the local authority had full knowledge when it entered into the agreement?—The honourable Member must remember that a great deal of expense had been incurred at that time. Engineers had been engaged, the project had been worked out, and counsel, I fancy, had been engaged, and so on. That question was very fully considered at the time. I was asked that question by the Board: How much expense did I think had been incurred at the time this communication was made, and how much subsequently? I was not able to answer the question, but we did ascertain that far more than half the expense they were committed to, and I think that influenced the Admiralty a good deal. We had urged this authority to go for this Bill. They were a small, newly-constituted authority, and they were hardly

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constituted before we came to them and urged them to do it.

7178. (To Mr. Headlam.) Were the Treasury aware of the fact that the local authority knew all the facts before they went to the House of Lords?—We were furnished with a copy of the Petition sent to the Admiralty by the Torpoint Urban District Council, which explains the negotiations which took place, and which shows the conditions under which the Admiralty entered into the work.

7179. And you were aware that the local authority knew that the Gunnery School was not to be placed there?—Yes, we knew that.

7180. And yet you concurred with the Admiralty in thinking that the Admiralty ought to pay the whole of the costs?—We thought that there was an equitable case, as matters had got so far, for paying the expenses which had been incurred by this local authority; but as the honourable Member will gather from the Treasury letter, the opinion of the Treasury was that matters ought not to have been allowed to get so far—that the local authority should have been prevented from introducing their Bill, and so on.

7181. That may be so, but they elected to do it, and they went on with their eyes open, with a full knowledge of all the facts, and it seems to me rather stretching for the Treasury to sanction the Bill?—(Sir Edward Raban.) What I would venture to impress upon the honourable Member is the large expenditure which had been incurred, because the Admiralty had that very prominently before them; and may I also assure the honourable Member that the Admiralty always do realise that these things will be very severely criticised; and with that before them they felt that in justice they ought to do it.

Mr. Bowles.

7182. The thing that mainly strikes me is the point referred to in the Treasury Letter of the 14th of March: Why was it that in February, 1905, when the Admiralty were just about to inform the Council that they did not propose to withdraw from the terms of the Agreement under the entirely altered circumstances, no recourse was had to the Treasury at all?—I should like to explain that. It appears really worse than it is. That particular letter was a reply to a letter from the Treasury on the subject of that Bill, but written in a totally different connection. The Treasury send us every year all Bills that they think likely to affect us, and it is our duty to examine them and put in clauses. I am sorry to say that in dealing with the Treasury Letter in the Department of my office that dealt with it (I am responsible, and I regret it) we treated it as one of the rather routine letters that we deal with only on the question of the wording of Bills, and it was kept distinct from the Torpoint Papers. It was an omission on my part. I ought to have seen to it, and that is how it happened that the

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Mr. Bowles—continued.

Treasury were not informed. But there would have been plenty of other opportunity of informing the Treasury. I am only referring to that particular letter.

7183. That I can understand, but the real point is, after all, why the Treasury was not informed?—The real point was that the Admiralty were still desirous to get that water supply carried out.

7184. That I can also understand, but the Admiralty must have realised that having taken a decision, which materially altered the whole situation, the question whether or not they were justified in carrying out their desire, which was a very right desire on their part, to have a water supply notwithstanding, was a question that ought to have been referred to the Treasury?—That I must treat as a matter of policy, but I would remind the honourable Member again, that the Board had before them my designs for a Training Establishment for 1,400 boys and 200 men connected with it at the moment.

7185. And their view was, and as I understand, still is that this site, although for the moment abandoned, is going to be used for a water supply, if they ever get it?—What I fear will happen will be, that we shall not get the water when we really want it. I may tell the honourable Member that in another current case we entered into an agreement with the local authority, by which we were to have a water supply on the spot in August, 1906, and owing to these difficulties, in engineering works, which it is my duty sometimes to explain to this Committee, we are not going to get it until 1909 at the earliest, so that we really felt that when we had arrived at such a stage, it was wise to go on. The honourable Member may have seen the correspondence, in which we suggest extending the time in the Bill, so that this small authority should not be bound to find the money in a very short time, but we felt that it was wise to go on.

7186. All that I understand, but the only point is, and I think you must agree on consideration, that in the circumstances, the Treasury ought to have been consulted before the Council was so informed?—That I suppose I must say is a matter for the Board, and not for me. I think it would be much better undoubtedly. I think another time we shall certainly do it.

Mr. Leif Jones

7187. I think the transaction is pretty nearly clear now, but there are just one or two points that I should like enlightenment upon. I think you said that the agreement with the District Council was signed when you made your change of plan, was that so? I rather gather from Paragraph 2 of the letter, that the agreement was not signed, because your letter says: "The Admiralty would be justified in concluding the agreement which had already been drafted, and of which the terms had been explained?"

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Mr. Leif Jones—continued.

—Then I am sorry I must correct my evidence. It was signed soon after.

7188. But it is rather important in the history of the transaction, that the agreement was nothing more than an understanding with the District Council. There had been the preliminaries as usual to drafting an agreement, but the agreement was not actually signed?—We had settled the agreement.

7189. That is to say, you had settled the terms on which the agreement was to be made, but the agreement was not actually signed?—I think we had arrived at a stage when it had only got to be copied out fair.

7190. And signed?—Yes

7191. But the signature, after all, is the part of the document that makes it a binding agreement?—I think that the faith of the Admiralty had been pledged to it, although they had not signed it.

7192. You say that the Admiralty could not withdraw from it?—I think they could not.

7193. But you warned the local authority of the change?—Yes.

7194. Why?—Because we thought that they should have an opportunity of dropping the Bill, and we would not force them to go on with it.

7195. Was it such a one-sided transaction? You say that you could not drop it, but that they could?—Yes, I think we could not, but the Admiralty would not have resisted their dropping it.

7196. But do I take it that your view of the agreement was that the District Council was in a position to withdraw, the circumstances having changed, but that the Admiralty were not in a position to withdraw, the circumstances having changed?—I think that the Admiralty approached the District Council with the object of enabling them to withdraw.

7197. I want, if I can, just to understand the exact position; I take it that you were of opinion that the District Council, could if they chose, withdraw from the agreement, and that is why you told them?—Yes.

7198. Were you not in the same position?—I thought not; but really I must not assume the position of the Board of Admiralty.

7199. But for the moment here, you are in the position of the Board of Admiralty?—As I understand it the position was this: The Board of Admiralty considered that the District Council were in a position to withdraw altogether from the negotiations and say: We are not going to have a Bill, and we are not going to have a water supply.

7200. And as a matter of fact you had a difficulty in getting the District Council up to the scratch in this matter?—Yes.

7201. I sit on a District Council, and I know that they are not eager to undertake great water supplies?—Naturally

7202. And

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7202. And unless you had urged it upon them they would have withdrawn?—No; they wished not to withdraw.

7203. That is just the point I want to come to. Knowing that a change had taken place, would they not have been ready to abandon the scheme if the Admiralty had said. We had better abandon it?—No. I can assure the honourable Member—because I had a great deal to do with the negotiations—that we informed them with the object of giving them the opportunity of withdrawing the Bill if they liked.

7204. But did you add to that: "We desire to drop it"?—No, we did not put it in that way. We gave them the opportunity, and left the decision to them.

7205. What is in my mind is that had the Admiralty said: We do not want this scheme to go on now, the matter would have dropped. There was nothing in the agreement which would make the District Council say: You have really undertaken to carry out the scheme and we hold you to your words. If the Admiralty had said: We do not want the scheme any more and you had better not go on with it; I put it to you that the District Council would not have gone on with it?—I cannot say what would have happened. It was not put to them in that way.

7206. On the contrary, they were left under the impression that the Admiralty still wanted to go on?—I beg the honourable Member's pardon, I do not think they were left under any such impression. It was left frankly to them, but they were informed at the earliest possible opportunity, that the Admiralty were not going to build a Gunnery School, so that they might have an opportunity of considering their position.

7207. It was rather an odd position. After all, the Admiralty in this case were one of two contracting parties, and rather the more important party, and they left the minor party without any guidance as to the state of mind of the Admiralty?—We told them that we would go on with our part of it if they wished to go on with the Bill.

7208. At that stage?—Yes.

7209. That you were ready to go on with it, but that they might drop it if they liked?—We did not put it in those words. We gave them the opportunity of considering their position.

7210. But you decline to say whether if the Admiralty had said, We do not want you to go on with it, they would have dropped it?—I do not decline to say anything. I do not know what they would have done on the point, but they distinctly expressed their wish to go on with it—that was very clear.

7211. I see it is stated in the letter—I rather overlooked it though I had underlined it: "The representatives of the District Council were accordingly informed by a personal communication on the 15th February, 1905, and by an official

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letter on the 28th idem, that the Gunnery School scheme had been abandoned, but that the Admiralty did not propose to withdraw from the terms of the agreement." I think, therefore, that the Admiralty does appear to have been responsible for this scheme going on. From my experience of District Councils, I should say that they would have abandoned the scheme directly, if they thought that your support would be withdrawn?—I dare say the honourable Member realises very well from his experience of the subject, that the District Council had seriously to consider the question from the point of view, not only of the supply to the Admiralty, which was a gilt-edged security to them for a large sum of money, but what it would bring in the way of additional houses. Yet in view of all that, they decided to go on. There were a great many irons in the fire. One was, for instance, that they were not certain whether Saltash was going to join in and take some of the water. It was a scheme which had been worked up very well by a very capable engineer, and it looked as if there were considerable possibilities.

7212. The whole point of my questions may be summed up in this way, that, but for the action of the Admiralty, the scheme would have been dropped?—I cannot feel certain of that, but no doubt the Admiralty felt strongly in that direction, and we asked the Treasury to be allowed to pay the £5,000.

7213. So strongly did you feel that, when it came to the subsequent transactions, you said, that although you had agreed to pay £1,900, you were ready to pay the £5,000 out of £5,700?—That was an act of grace.

7214. That really is the whole thing I wanted to arrive at, that the Admiralty were really responsible for the scheme going on, and therefore probably were morally, though not legally, bound to find the money.

Sir George Kekewich.

7215. All this arose out of a change of policy?—Yes.

7216. A change of policy on the part of the Board of Admiralty?—Yes.

7217. It was not a change of policy on the part of the Government?—No.

7218. But a change of policy on the part of the Board of Admiralty?—Yes.

7219. How many times does the Board of Admiralty change its policy in the course of a year? I can understand a change of policy when a new Government comes into power, but I do not understand a change of policy on the part of the Board of Admiralty being repeated as often as it is proved to be, as we find it is in the course of these Comptroller and Auditor-General's Reports. We are told that everything is due to a change of policy. Surely what it means is simply this, that the Board of Admiralty has discovered that it has made

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 10—Expenses of Promoting Torpoint  
Urban District Water Bill, £5,000—continued.

Sir George Kekewich—continued.

made a mistake, and then tries to correct it, or at least changes its mind—that is all?—If the honourable Member will allow me, and if all the other honourable Members will not think that a man in the position of Director of Works is presuming to profess to know a great deal about all sorts of naval policy, I would like to take this opportunity of saying that the changes are really progressive changes.

7220. But expensive changes?—Very economical changes. I cannot agree that they are expensive. May I take one particular item? We had in the Loan Bill an estimate of £170,000 for a new Gunnery School. We shall have spent by a change of policy £150,000 and have provided the accommodation necessary—that is one case of an enormous economy. When I went from the Army to the Navy a great many years ago, I was naturally keen to know the difference between the Army and the Navy matters, and I remember saying to a naval friend of mine, a very distinguished officer, “You want every man in the Navy to be a sapper,” and he said, “Yes, we do; we have a very small Service, and when war comes we are going to expand enormously on what you call the few sappers that we have.” In those days the Navy was a very much smaller service, and every blue-jacket enlisted as a boy went through a very costly and lengthy process of training as a boy, and gradually developed into a very fine seaman gunner. By a gradually progressive policy which you have had communicated to you in Parliament in a series of memoranda year after year by the First Lord, you have reduced the cost of all this training, and got a very much larger supply, much cheaper, of men. All these things must have involved some wasteful expenditure, and I do assure the honourable Member —

7221. I cannot say that it seems to me economical?—I take this saying on the Gunnery Schools. The Gunnery Schools were all to be done on the basis of Whale Island as complete establishments with separate equipments and everything; the Gunnery Schools have now been made day schools for naval barracks, and an enormous sum of money has been saved.

## ON VOTE 11.

## MISCELLANEOUS EFFECTIVE SERVICES.

Sir Daniel Goddard.

7222. (To Mr. Eyles.) On Sub-head D, “Postal and Telegraphic Communications,” there is a surplus of £6,200?—Yes.

7223. There has always been a considerable surplus. There was a surplus of £2,300 last year, was there not?—There was a deficit of £3,200 in 1904-5, but there was a surplus of £2,300 in 1905-6.

7224. Is it not certain that the cost of telegrams will diminish as the use of the wireless apparatus

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 11—Miscellaneous Effective Services—  
continued.

Sir Daniel Goddard—continued.

becomes more usual?—Yes, I should say it is likely.

7225. I take it that that really is the cause of these surpluses, is it not?—Possibly, but it is mainly due to the fact that our ships are more in home waters than formerly.

7226. I will only ask you now, has this sum of £33,000 been reduced now?—It has been reduced to £21,000 in the current year.

7227. Then under Sub-head I, “Assistance rendered to His Majesty’s Ships when in Distress,” there is a sum of £500 paid for expenses attending the stranding of the “Donegal” in the Red Sea?—Yes.

7228. (To Mr. Headlam.) I notice that there is only one letter from the Treasury on page 141 about this, and there is no copy of the application to the Treasury. Am I right in coming to the conclusion from the wording of your letter that the Treasury at first refused to sanction this payment?—There was a long correspondence. The exact amount at stake was not quite agreed to by the Treasury at first.

7229. You say in the letter that is published: “On a review of all the circumstances of the case my Lords will not refuse their sanction to the proposed payment of £500.” That gives me the impression that you had refused something before that; but there is no correspondence to go on?—The Comptroller and Auditor-General, I think, is responsible for the amount of correspondence that is published, but there is considerable correspondence on this question.

7230. What I want to know is, had there been a previous application, and if so, was it refused? Yes, you may say it was refused; the Treasury did not agree at first.

7231. Then why did the Treasury on a full review alter their decision?—I am afraid I cannot give you in a few minutes a review of the case; it was very long and rather complicated; but it was, so far as I recollect, a question of chartering some vessel to go to the help of His Majesty’s ship “Donegal”—there was only one tug in the port at the time and that had been already engaged by someone else; and the amount in dispute was as to how much compensation should be paid to the person who had the prior charter of this tug. For a long time the Treasury thought that this person’s claims were not very well brought out by the Admiralty, and finally further arguments were brought forward and the Treasury agreed. That is a rough statement of the case.

7232. Was this the total amount paid to the man then for the use of the tug, or was there something over and beyond?—I think it was a compromise on the amount claimed.

7233. (To Mr. Eyles.) Then under Sub-head I, “Expenses of Committees,” there are no details given.

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Mr. KEMPE, O.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued]

NAVY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 11—Miscellaneous Effective Services—  
*continued.*

Sir *Daniel Goddard*—continued.

given, with regard to the surplus of £2,020 on a Vote of £3,500. Could not some details be given of what these Committees are, and how much they cost?—Yes, some details could be furnished; but the cause of the surplus is that there were fewer Committees.

7234. This amount has been reduced to £4,500 last year. Has it been still further reduced?—In the current year it is £2,000 only.

7235. Then there is one other small item under Sub-head 12, "Miscellaneous Payments and Allowances," I believe there is included in the expenditure a sum not specified for the training expenses of carrier pigeons?—Yes, but that has ceased.

7236. Wireless telegraphy has ousted pigeons?—Yes.

Sir *George Kekewich*.

7237. I want to ask you a question on Sub-head A, "Passage Money and Conveyance of Officers, Seamen, Marines, &c." Does that mean passage money for the conveyance of only officers and seamen of the Navy, or does it also cover the transport of troops?—Is the honourable Member referring to Army troops?

7238. Yes?—It only covers officers and men of the Navy.

7239. But the Admiralty provides for the transport of troops, does it not?—It carries out the work for the War Office.

7240. Supposing that you have to send a body of troops by a transport vessel; you are the persons who pay for that conveyance. You, the Admiralty, pay for that conveyance and recover it from the War Office; is that not so?—No, it is paid direct by the War Office. If the transport is taken up for the War Office the cost is paid direct by the War Office. The Director of Transports is merely an Agent of the Army for that purpose.

7241. But you arrange the terms on which the transport is undertaken and completed?—The Director of Transports arranges the terms.

7242. Under those circumstances do you have fixed terms for the transport of troops, or do you pay ordinary rates?—I am not fully acquainted with the system.

7243. What I want to get at is this: Do you pay ordinary rates or get rebates?—We certainly get rebates; that is lower terms than those charged to the outside public.

7244. And in any case when you send the crew of a ship by a transport vessel, or whether you arrange for the transport of troops by transport vessels belonging to private companies, do you or do you not get rebates. Supposing that you send a number of officers by any ship, any ordinary liner, do you get rebates or do you pay the ordinary rates?—We get rebates in those cases.

7245. But will you inquire for me, or are you sure of it?—Yes, I am sure.

NAVY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 11—Miscellaneous Effective Services—  
*continued.*

Sir *George Kekewich*—continued.

7246. Will you inquire, and when you come here again will you supply me with the information as to whether you do get rebates or not, both on the transport of troops and on the transport of your own officers, seamen and marines?—Certainly.

7247. Because you will agree with me that if you do not get rebates and sufficient rebates, that would mean the loss of a good deal of public money?—Certainly; but I can assure the Honourable Member that that is not forgotten.

Sir *Robert Hobart*.

7248. Taking some of these items where the expenditure and the grant differ very materially, I suppose we may take it that there was a change of policy. Take, for instance, Sub-head A, Less than Granted, £68,000. I see the explanation is that that surplus was due to saving on railway travelling and subsistence generally. Probably there was some new instruction of the Admiralty?—Yes, new instructions by the Admiralty to promote economy.

7249. I quite agree; an economy by a new arrangement of the Admiralty?—More strict Regulations were issued. The Admiralty very seriously considered this question of the charge for passage money and conveyance, and they drew up fresh Regulations which have been instrumental in bringing about a very considerable economy.

7250. You would call that a change of departmental policy?—I should say it is rather a change in regulations than a change in policy. I might tell the honourable Member that that sub-head has come down from £265,000 in 1906-7 to £208,000 in 1908-9.

7251. I see there are several others of the same sort; for instance, Sub-head D, "Postal and Telegraphic Communications." Do you pay for your letters or do you come to some arrangement with the Post Office?—All inland letters are sent free by the Post Office; foreign letters are prepaid unless they are sent direct to an establishment.

7252. Then under Sub-head E, "Lodging Allowances, &c.," I presume the saving there is due to some new arrangement?—No; a less number of officers happened to be on shore and receiving an allowance instead of lodging.

7253. Under Sub-head I, "Expense of Committees," I see there is a saving of over £2,000. You probably had fewer Committees?—That is entirely due to the appointment of fewer Committees.

7254. And also under Sub-head Q, you probably made a new arrangement about advertisements?—Yes, less expenditure was necessary for advertisements.

7255. Then on Sub-head Z, "Miscellaneous Payments and Allowances," there was a very large increase, £7,571 more than was estimated?—Yes.

7256. And

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Mr. KEMPE, G.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 11—Miscellaneous Effective Services—  
*continued.*

Sir Robert Hobart—continued.

7256. Have you seen the contracts which are made. I suppose these passages are made under contracts?—Yes.

7256A. And, turning to page 99, the principal item is No. 4, £28,900 odd?—Yes, that represents the total expenditure for those items. The excess was due to a very great extent to an item which the Committee has just been discussing.

7257. The Torpoint Water Bill?—Yes.

7258. And also I see a further item, "Entertainment of their Royal Highnesses the Prince and Princess of Wales on board His Majesty's ship "Renown"?—Yes.

7259. You are not able to give me any more particulars about that?—No, I could not give the Honourable Member any more particulars as to the ship itself.

7260. Could you find out for me what length of time His Majesty's ship "Renown" was employed, being a battleship, as a yacht?—I suggest to the Honourable Member that that would be a better subject for a question in the House.

Mr. Leif Jones.

7261. Under Sub-head A, "Passage Money and Conveyance of Officers, Seamen, Marines, &amp;c.,"; who are these officers, seamen and marines?—They are officers and men of the Navy and civilians.

7262. And on what ships are they conveyed?—On private ships.

7263. On private passenger ships?—Yes.

7264. You said that you were certain that you got rebates on the fares?—Yes, I can say that definitely.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 11—Miscellaneous Effective Services—  
*continued.*

Mr. Leif Jones—continued.

7266. You do not take the ordinary passenger rates and pay those?—No.

7267. These cases are all Navy cases, and therefore all come under your purview?—Yes.

7268. Can you tell me in the case of any definite service what the rebate is. For instance, would some of these be between here and India?—Yes, to all parts of the world.

7269. Are any of these carried on Peninsular and Oriental boats?—Yes.

7270. Could you tell me the terms made with the Peninsular and Oriental Company?—I shall be very glad to furnish the Honourable Member with that information.

7271. Could you not tell him to-day? You cannot tell me at all the extent of the rebate you receive?—No, not from memory. I should be glad to give it later.

Mr. Leif Jones.

7273. Then we may have the figures for all the leading companies that do this business for the Government?—Yes.

7274. And also perhaps we might have the dates of the contracts on which these rebates were given. May we go back a few years?—Yes.

*(The Witnesses withdrew.)*



Tuesday, 23 June, 1908.

MEMBERS PRESENT :

Mr. Ashton.	Sir George Kekewich.
Mr. Bowles.	Mr. McCrae.
Mr. Brigg.	Mr. Parker.
Sir Daniel Goddard.	Mr. Mitchell-Thomson.
Sir Robert Hobart.	Colonel Williams.
Mr. Leif Jones.	

COLONEL WILLIAMS IN THE CHAIR.

NAVY APPROPRIATION ACCOUNT, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM called in; and Examined.

Mr. ALFRED EYLES called in; and Examined.

VOTE 11.

MISCELLANEOUS EFFECTIVE SERVICES.

Mr. Leif Jones.

7275. (To Mr. Eyles.) Are you able to give us any particulars in regard to the rebates granted to the Admiralty for the conveyance of officers and men of the Navy, or officers and men of the Army by private companies, about which you were asked on the last occasion?—I can tell the Committee that the Admiralty does get a rebate on all passages ordered, whether for Naval officers and men or Army officers and men. There are, however, two exceptions in the case of the western lines in connection with which, of course, the Admiralty is very little interested.

7276. But, as a general rule, you do get a rebate?—We do.

7277. Has that been the practice for the last 10 years, shall I say?—In the case of one company, yes, but it is not so in the case of the other companies.

7278. Can you tell me when, in the case of the other companies, you began to get a rebate?—The rebate has been of a comparatively recent date—within the last 18 months.

7279. When you say you get a rebate, do you mean a rebate from the published prices?—It is a percentage abatement from the list prices.

7280. Then, am I to understand that no effort was made by the Admiralty to get a rebate from the published list of prices for the conveyance of these large bodies of troops over and above

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Mr. Leif Jones—continued.

the ordinary published prices?—No; let me make that quite clear. I am speaking now rather of individual passages. If a large number of troops are being conveyed tenders are invited, and if it is a very large number of troops, of course, a hired transport is taken up.

7281. Have you got any running contracts with any of these companies for carrying these men on certain recognised routes?—On one route, I think, that is so.

7282. Taking the case where you have a contract for the conveyance of Naval or Army officers and men, you do in that case get a rebate now?—Yes.

7283. But that is not in connection with the company you spoke of just now, as being the one exception to the general rule of there being no rebate until 18 months ago?—No, that applies to a considerable number of companies.

7284. In the case of the company with which you have a running contract, have you compared the prices which you pay with the prices paid by other large bodies travelling by these lines?—Certainly.

7285. And you find you get them cheaper?—Certainly. The Admiralty is quite satisfied on that point.

7286. You mean that the rebate granted to you is

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 11—Miscellaneous Effective Services—  
*continued.**Mr. Leif Jones—continued.*

is larger than the rebate granted to any private people?—The Admiralty think so, certainly.

7287. You know that to be so, so far as you can know at all?—Yes, so far as it is possible to ascertain, the Admiralty are quite satisfied upon that point.

7288. You know it is the practice of shipping companies, if I want to take, for instance, a single berth, I have to pay the published price, but if I say I want passages for a dozen people going to India or South Africa, I can probably get the passages at a considerably reduced rate?—Yes.

7289. You think that you get a bigger rebate than I could get for a dozen people under those circumstances?—Yes, I think so.

7290. Then, you get a very large rebate?—We get a very considerable rebate.

*Sir George Kekewich.*

7291. I think this discussion was originated by me at the last sitting?—I think that was so.

7292. You have not brought up any paper on the subject, I understand?—No, I do not propose to hand in any paper.

7293. You say that you get a considerable rebate on the transport, as I understand, of the officers and men: Could you tell me what rebate you get on the transport of stores—ammunition, guns, and articles of that kind?—I am afraid I can give the honourable Member no figures, but I may say the arrangements for freight of stores are made by the Admiralty shipping agents, and on the best terms obtainable, and no doubt we do get favourable terms, because the amount of freight that we require is considerable.

7294. That means nothing more than that the Admiralty are satisfied?—The Admiralty are quite satisfied.

7295. But the Admiralty are easily satisfied in some cases. I wanted to ask whether you have ever compared the rebate you get on the transport of such material as that with the rebate obtained by such a firm as the Elswick Company on the transport of their manufactures?—I am afraid I could not give the honourable Member an answer to that question.

7296. Could you not obtain the figures of the rebate which the Elswick Company get, and compare it with your figures?—I suppose that would be possible, but I am not quite sure what the Admiralty standing in the matter would be.

7297. I do not know whether it is within your knowledge that they get a very large rebate?—I should imagine that.

7298. It seems to me that if they get a large rebate, there is no reason whatever why you should not get an equal rebate on the transport of similar material?—I have no doubt we do get a similar or perhaps even a better rebate, but I will inquire whether any information can be furnished to the Committee.

7299. I see in the Appropriations in aid of

## NAVY APPROPRIATION ACCOUNT, 1906-7.

ON VOTE 12.

ADMIRALTY OFFICE.

*Mr. Leif Jones.*

Vote 12, on page 15, there is included a repayment to be made by the War Office in connection with Army Transport duties?—Yes.

7300. Those are repayments for the Admiralty services in making arrangements for Army Transport, are they not?—That is so.

7301. On what basis is that figure of £5,300 arrived at. Is that an estimate of the expense which the Admiralty is put to in making those arrangements?—It is a proportion of the mean cost of the Transport Staff at the Admiralty.

7302. The proportion which is estimated to be due to the Army?—That is so.

7303. Who estimates that?—The Admiralty make an estimate, and it is concurred in by the War Office, and approved by the Treasury.

7304. Have the War Office any means of estimating, or are they bound to take the Admiralty estimate?—The War Office have full opportunity of checking our estimate because full details are furnished.

7305. They are satisfied with this figure?—Yes.

ON VOTE 13.

HALF PAY, RESERVED AND RETIRED PAY.

*Mr. Brigg.*

7306. Are these payments on retirement graduated according to a certain scale attaching to the different positions in the Navy?—Yes.

7307. They are not left to any indiscriminate opinion at the time?—No.

*Sir Robert Hobart.*

7308. In regard to Sub-head B "Reserved and Retired Pay" I see there are very large differences between the grant and expenditure?—Yes, there was a considerable difference in that year.

7309. Have you any further explanation to give of that deficit?—No, I do not think there is anything to add to the explanation that is given on page 57, except that it is somewhat difficult to forecast the requirements in any particular year.

7310. Was there something abnormal happened in the alteration of regulations for instance?—No, there was nothing abnormal, but of course the estimate was a little too small. The sub-head itself is affected by voluntary retirements and retirements from physical unfitness, and so on, so that a good many circumstances affect the expenditure.

7311. They were accidental in this case?—Yes. I may say that we have found it necessary to increase the provision under that sub-head in subsequent years, i.e., in both 1907-8 and 1908-9.

*Mr. McCrae.*

7312. I observe on Sub-head C, "Pensions and Gratuities to Seamen and Marines." You spent £23,569 more than was granted and the explanation is, that "a greater number of men of the Royal Naval

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

## ON VOTE 14.

## NAVAL AND MARINE PENSIONS, GRATUITIES, AND COMPENSATION ALLOWANCES.

Mr. McCrae—continued.

Naval Reserve than anticipated exercised the option of receiving a gratuity in lieu of a deferred pension." Does that only apply to this particular year, or is there a change coming over the disposition of men to accept a lump sum instead of pension?—The regulation which admitted of that option being exercised was introduced at a comparatively recent date; therefore, we had not any very reliable figures to go upon.

7313. Which is the cheaper to the State, a gratuity or a deferred pension, or is it actuarially the same?—I think on the whole it is better to pay the gratuity and discharge the liability once and for all.

Mr. Bowles.

7314. I see under Appropriations in Aid of this Vote, which are set out on page 16, you have considerable sums from India and also from Australia and New Zealand. What are they?—The figures given as Appropriations in Aid under this Vote represent a proportion of the total contribution. The total contribution is divided, as shown on pages 18 and 19, between the various votes of the Navy Estimates in accordance with the particular service. It is an arbitrary division.

7315. Is an allotment made to each Vote of the Navy Estimates?—To nearly every Vote—each Vote that is affected by the service.

7316. How can you say what pensions there are affecting any particular year?—The officers concerned are entitled to pensions.

7317. But the officers concerned are the ordinary officers of the Navy, are they not?—Certainly. But if Australia, for instance, pays a contribution for the services of the officers and men of the Navy, they pay not only a proportion of the effective charges, but also of the non-effective charges.

7318. How is the allotment between the various Votes arrived at?—I think it was originally made on the basis of the estimate of the cost of the particular service. In preparing the estimates we had, of course, to take in the effective and non-effective charges, and the Appropriation in Aid was distributed *pro rata*.

7319. According to the cost—according to the amount of each Vote?—Yes.

7320. I suppose the scale is revised from time to time?—No, it has not been revised. There is no particular object in doing that. It would create some confusion in the account, and of course it makes no difference in the aggregate.

Mr. Brigg.

7321. Are these pensions in addition to the ordinary pay of these officers and seamen?—Yes; but the pensions are not drawn at the same time as the pay.

7322. But they receive pensions in addition to

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## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 14—Naval and Marine Pensions, Gratuities, and Compensation Allowances—*continued*.

Mr. Brigg—continued.

their ordinary pay?—They receive pensions after they have ceased to draw their ordinary pay.

7323. And that applies to pensions for wounds as well, I suppose?—No, but the subject of pensions for wounds has been before this Committee several times.

7324. But do they receive pensions in consequence of wounds and receive their pay at the same time?—In certain cases, yes.

7325. There are special circumstances sometimes?—I do not know whether the Committee wish to go all over that ground again, but if an officer receive a wounds pension and is able to continue to discharge his duties he does receive his full pay and his pension for wounds.

Mr. McCrae.

7326. I wish to ask you one further question with regard to the figure which I put to you before of the deficit of £23,000 on Sub-head C, "Pensions and Gratuities to Seamen and Marines." I notice that on page 113 in the forecast which you gave to the Treasury, dated 14th March (that is practically 14 days before the close of the financial year), you estimated the deficit at £18,000—not £23,000.—That is so.

7327. I suppose at that date you could not come nearer?—No, I consider that really a very close forecast, because this figure of £18,000 relates to the whole Vote on which the actual deficit is under £20,000, and, as I explained the other day, our accounts are not made up till many months after this.

## ON VOTE 15.

## "CIVIL PENSIONS AND GRATUITIES."

Sir George Kekewich.

7328. I see the explanation of the deficit on Subhead A is that: "The amounts of new pensions and gratuities to Civil Officers discharged on reduction, were greater than anticipated."—was that a reduction of the staff, in consequence of a new policy?—A reduction of the staff in consequence of a reduction of work.

7329. If you have a reduction of work, do you pension off a man?—He receives the pension or gratuity dependent upon his service.

7330. But he must have reached pensionable age, I suppose?—Not necessarily. If his services are no longer required he would be pensioned or discharged with a gratuity.

7331. He might receive a gratuity; but he is not pensioned under the Superannuation Act unless he has reached pensionable age?—He is pensioned under the Superannuation Act, if ordinarily entitled to a pension, and retired on re-organisation. If he is not on the establishment, but has sufficient service—that is, seven years—and his services are no longer required, he receives

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Mr. KEMPE, C.D., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 15—"Civil Pensions and Gratuities"—  
*continued.*

Sir George Kekewich—continued.

a gratuity of one week's pay for each year of service under the Superannuation Act of 1887.

7332. He must have at least 10 years' service for a pension, must he not?—Yes, and he must be what is known as an established officer.

7333. With regard to the "refund of gratuities by workmen re-entered," which is referred to in the Explanation of the surplus under Sub-head I., Appropriations-in-Aid, what is exactly the meaning of that?—Those few cases represent gratuities that were received by workmen who were discharged, but subsequently re-entered and allowed to count their previous time towards a pension, or a larger gratuity later on.

7334. Then do they refund the whole of the gratuity, or only a proportion?—The whole of the gratuity.

7335. If they want to be borne again on the list for pensions or gratuities in future?—That is so.

7336. There is no reduction in fact?—No.

7337. What is the amount of these gratuities?—The gratuities represent a week's pay for each years' service, or £1 for each year's service, which ever may be the greater.

7338. They are not large in amount?—No.

Sir Robert Hobart.

7339. The Civil Service pensions are on the same basis for all branches of the public service are they not?—Yes, they are all based on the Superannuation Act of 1859.

7340. Whether they are in the Army or in the other branches of the Civil Service, the same rules and regulations govern all the cases?—That is so.

Mr. Ashton.

7341. As regards the reductions referred to in the explanation of the deficit on Sub-head A., are these likely to be permanent?—Yes, the reductions referred to here will be permanent. They are mainly in connection with Works Services—services which have come to an end.

7342. Can you tell me at all what the reductions have amounted to, what you have to pay for these gratuities?—I am afraid I have not the precise figures here.

7343. Has it been going on for two or three years?—Yes, it has been going on now for two or three years.

7344. I suppose the excess of £2,785 would not represent it for the year, would it?—I should not like to answer that question definitely.

7345. You could not say whether it is more or less?—No, I could not without having the precise figures before me, but I may mention as throwing some light upon the honourable Member's question, that we have not increased the provision under that sub-head for the subsequent year.

Mr. Brigg.

7346. On the second item here, "Grant to Sir

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 15—"Civil Pensions and Gratuities"—  
*continued.*

Mr. Brigg—continued.

Henry Pilkington," I notice it is spoken of as a grant, not an allowance or a pension; is there any difference in the form in which the beneficiary receives this amount of £3,000?—Yes, he receives a lump sum of £3,000—it is not a pension.

7347. Is that a grant made by Parliament?—Yes, it is voted by Parliament before it is paid.

7348. In one sum?—Yes, in this vote. The Vote itself was passed by Parliament before the actual payment to Sir Henry Pilkington took place.

7349. The whole service grant earned by Sir Henry Pilkington is paid for by this sum of £3,000?—Yes.

7350. Who is the authority for giving that grant—what authority is it that gives this Grant of £3,000 to Sir Henry Pilkington?—Originally Treasury authority. The Admiralty in the first place proposes to give Sir Henry Pilkington a Grant of £3,000 for his services; this is approved by the Treasury, and the necessary provision is included in Vote 15; that Vote is passed by Parliament, and the payment is then made.

7351. It is passed in the Vote in the ordinary way?—Yes.

## BALANCES IRRECOVERABLE AND CLAIMS ABANDONED.

## PERSONATION AND FORGERY IN ADMIRALTY PAY OFFICE.

Chairman.

7352. (To Mr. Headlam.) I observe as regards the case in paragraph 26 the Treasury did not agree with the Admiralty that no blame was attributable to the paying officer; I gather they thought it was a case of culpable carelessness?—Yes. There was however no reason for doubting the *bona fides* of the officer.

Mr. McCrac.

7353. (To Mr. Eyles.) With regard to this particular case, this sum of £45 was, I gather, obtained from the Admiralty Pay Office, and looking at the explanation on page 63 it was evidently paid not in the ordinary course—not on the ordinary pay day?—That is so.

7354. It is described as being "Payment of an advance of salary to an officer of the Works Loan Department?"—That is so.

7355. Is it customary to make a payment of an advance of salary to an officer before the salary is due?—Perhaps I might make clear to the honourable Member what is meant in this connection by the word "advance," which might perhaps be misleading. Civil Service salaries are paid quarterly; that is to say, there is a quarterly settlement, but two monthly advances are made. The advance here referred to is the ordinary monthly advance.

7356. So that when this officer applied for payment a few days later it was not for an advance of salary

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Mr. McCrac—*continued.*

salary out of the ordinary course, but what was usually paid?—That is so.

Mr. Leif Jones.

7357. (To Mr. Headlam.) I see that the Treasury, although not agreeing with the Admiralty that no blame was attributable to the paying officer, have sanctioned the "write off." The Admiralty appear to have come to the conclusion that no blame was attributable to the paying officer. What was the ground for the Treasury's disagreeing with that view?—The statement of the case as set out in the Admiralty communication sent to the Treasury did not leave the same impression upon the mind of the Treasury as it appears to have left upon the mind of the Admiralty.

7358. (To Mr. Eyles.) Are the salaries generally paid by the same person to the officers of the Works Loan Department?—Yes, they are generally paid by the same person to all the officers who draw their salaries in cash, but in this particular instance, or at this particular date the Paymaster of Contingencies was on leave, and unfortunately his assistant had not been long enough in the office to be cognisant of everyone who came to draw pay.

7359. I was going to ask how many of these officers of the Works Loan Department there are?—I could not say exactly, but there were at that time a very considerable number of such officers.

7360. The ordinary Paymaster of Contingencies would naturally know the set of people to whom the payments were made?—Yes, he would know, and we have laid down stringent rules that in future whoever is paying shall know, and if he has any doubt he shall refuse to pay until he gets satisfactory evidence.

7361. But did not the fact that this fraud was perpetrated on a new Paymaster or a new man—a substitute in his place—rather point to collusion somewhere? How did this fraudulent person who drew the salary and personated the officer get to know that the Paymaster of Contingencies was away?—I am afraid that does rather point to collusion; but of course we had no evidence on the point because the thief was never discovered.

9 Sir George Kekewich.

7362. Do the new regulations provide that no sums should be paid to any man who is not personally known to the Paymaster?—Yes. We have also laid it down that every officer joining the Admiralty shall be introduced to the Paymaster when he draws his pay for the first time.

7363. And that they should be vouched for?—Yes.

7364. Have you had many frauds of this kind, in consequence of the absence of such regulations?—This is the first case of the kind, although the Office has been established for over 100 years.

7365. That is a very curious fact, one would say, because it seems to me so easy to obtain

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Sir George Kekewich—*continued.*

money in this way.—No, it is by no means easy. Several circumstances contributed here; the circumstance of the Paymaster being away and his assistant being a new man, contributed to it on this particular occasion.

7366. When the assistant happens to be a new man and somebody knows that he can get a certain sum of money by personating an officer who is entitled to receive that sum of money on a certain day, it would seem to be easy enough to get the money?—It would be comparatively easy then, but of course we have guarded against that in future.

7367. I am very glad to hear that. Did this case occur in London?—Yes, it was at the Admiralty itself.

7368. Do you pay these sums yourselves at the Admiralty? Do you not pay them through the Paymaster-General's Office?—Not small sums.

7369. Do you call £45 a small sum?—Yes, for that purpose.

7370. You would pay as much as that out of petty cash, would you?—Yes; it is paid by an officer who is called the Paymaster of Contingencies. The Admiralty find it is better to pay these sums in the office than to let the staff go outside the office to get it.

7371. I should have thought £45 was rather a large sum?—No, I think not. We now, however, restrict the payments in cash to officers whose salaries do not exceed £350 a year.

7372. What limit do you make to a single payment?—It would not now exceed £20 or £30.

7373. It would be less than £45. Yes; under the new regulation it would, because we restrict cash payments of salaries to officers who receive not more than £350 a year.

7374. So that the effect of the new regulations is that you have reduced the sum that can be obtained by a man in a single payment?—Yes. We thought that advisable and we have reduced it.

7375. That rather points to the fact that £45 is rather too large a sum?—We thought it better to restrict the payments by cash. It reduces the amount of risk.

Mr. Mitchell-Thomson.

7376. I suppose in the absence of identification, a comparison of the signatures would be more or less a check against fraud?—It would have been, but unfortunately in this particular case the officer had been away on two or three occasions before—he had been paid by cheque, and his signature did not appear in this particular book.

7377. Are any steps being taken under the new Regulations to see that some record of the signatures is kept?—This has always been done, but we have made the system secure now by insisting no identification.

7378. Do you not think that it might fortify matters if you had a register at all events of the signatures of those who are upon the pay roll?

—As

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Mr. *Mitchell-Thomson*—*continued.*

—As a rule the signature appears in the book in a previous column. The book is made out so that the three payments for a quarter appear on the same page. I think that this practically meets the Honourable Member's point.

7379. You do not consider that necessary?—I think no further precaution in that direction is required.

## DOMESTIC ERRONEOUSLY ALLOWED TO A FLAG CAPTAIN.

*Chairman.*

7380. (To Mr. *Kempe*). In paragraph 27 you say that the domestic in question here was "borne in consequence of direct instructions from the Admiralty." Does that mean that he was borne in addition to the allowances?—Yes.

7381. In this case the Flag Captain had elected to draw the authorised allowance in lieu of servants?—Yes, he was allowed a domestic, by the Admiralty, and he was also drawing the allowance.

Mr. *Mitchell-Thomson.*

7382. (To Mr. *Eyles*). Was it only one domestic?—One domestic was borne inadvertently.

7383. Whereas he was drawing the allowance for four?—Yes.

Sir *George Kekewich.*

7384. I see the Comptroller and Auditor-General says here that "the domestic was borne in consequence of direct instructions from the Admiralty." Does that mean that the Admiralty instructed him to employ a domestic although at the same time they were cognisant of the fact that he was drawing the allowance?—No, the Admiralty inadvertently issued a complement for this particular ship which included one domestic for the captain.

7385. Is he entitled to have four domestics on board ship?—Yes.

7386. How did it come about that the Admiralty included one domestic in the complement instead of four?—It was purely an inadvertence.

Mr. *Leif Jones.*

7387. This sum of £149 16. 3d. was an irregular payment?—Yes.

7388. Who discovered it?—It was discovered by my Department.

7389. On discovering it, what is your procedure in the matter?—The procedure in this particular case was to propose to recover it from the officers.

7390. You proposed to recover it; to whom did you make that proposition?—To the Board of Admiralty.

7391. And if they decide that no steps should be taken, you accept that as over-riding your protest?

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On Vote 15—Domestic erroneously Allowed to a Flag Captain—*continued.*

Mr. *Leif Jones*—*continued.*

—I should hardly put it in that way. If they consider the case is one in which the amount should not be recovered from the officers, then they proceed to get the authority which is required for waiving the charge.

7392. What is that authority?—The sanction of the Treasury.

7393. That is part of it; but I take it you cannot allow an irregular payment under any circumstances, can you, yourself?—No.

7394. Then what discharges you from your responsibility for disallowing it?—The sanction of the Treasury to write it off.

7395. Surely there is nothing that can discharge you from your responsibility except your superior officer in your Department—the Chief of your Department?—I think I have explained that the Board of Admiralty proposed to adopt this course.

7396. Who is the chief of your Department. The Board of Admiralty is not the chief of your Department?—The First Lord of the Admiralty is the Chief of the Department.

7397. It is only the discharge of the First Lord of the Admiralty, in writing that relieves you of your responsibility in such a matter, is it not?—Let me put it in this way. Supposing I am told to make a payment which I consider it is not within the power of the Admiralty to make without superior authority, I should point that out. But I should not make the payment unless I received the personal authority of the First Lord of the Admiralty to do so. I should consider that that relieved me from my responsibility, and that alone.

7398. Then a mere decision of the Board of Admiralty would not be treated by you, I gather, as a substitute for the written discharge of the First Lord of the Admiralty?—No, but as a matter of practice if the payment had been approved by the Board and sanctioned by the Treasury, that amounts to the same thing, because that is authority superior to the Admiralty and sufficient *ipso facto* to regularise the payment.

7399. I do not think the Treasury comes into the matter of discharging you from your responsibility. As I understand it, you stated it correctly just now when you said that only the First Lord of the Admiralty can relieve you of your responsibility as Accounting Officer. The question whether the Treasury sanctioned it or not is outside the Department—that is quite another thing?—The First Lord of the Admiralty may direct me to make a payment without obtaining Treasury sanction when I consider such sanction necessary. That is the case I was particularly putting just now, because that is a case in which I am required by the Department itself to make a payment which I think irregular; but it is only the First Lord of the Admiralty who can direct me to do so. If however the prior sanction of the Treasury has been obtained, there can be no question of irregularity and no necessity for a written order from the First Lord.

7400. In

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7400. In such a case it would be your duty to say, "Very well, you have authority, but I must have your orders in writing to make that payment?"—That is so; and as a matter of practice that is done when Treasury sanction has not been obtained.

Mr. *Ashton.*

7401. In this particular case, as I understand it, the Flag Captain had elected to draw the authorised allowance for his four servants?—That is so.

7402. And yet he had a servant on board besides?—Yes.

7403. I suppose that he knew he had already elected to draw the allowance instead of having the servant?—It never occurred to him that the complement as fixed by the Board of Admiralty was incorrect. Then it must be remembered that it was not the same captain all the time—there were three captains during this period.

7404. Did they all happen to draw allowances instead of having servants?—Yes, they all drew allowances instead of having servants. But this £149 does not represent the pay of the servant of one officer. It represents the pay of one servant who was used by three officers.

7405. It seems impossible for him not to know the regulations; must they not have known this?—It must be remembered that this complement was fixed by the Admiralty. The Admiralty say, "the complement of your ship is so and so."

7406. The complement, including one servant for the captain?—Yes.

7407. That being so, they must have been cognisant that while they had this one servant on board they were drawing pay for four servants instead of three?—They were, of course, cognisant that they were drawing the allowance for servants.

7408. And the full allowance for servants?—The full allowance for servants.

7409. That sounds to me a very questionable proceeding; does it not sound so to you?—Personally, I thought it was a case where no injustice would be done by recovering the amount from the officers. But the Board of Admiralty took a different view, and there seems to be a great deal to be said for it, because an officer need not question the complement as laid down by the Board of Admiralty.

7410. Ought not any honest man, if he has drawn for four servants instead of three, to point that out?—It was extremely doubtful whether the officers realised that the domestic was being borne for their own particular use as one of the ordinary servants in lieu of whom the allowance was drawn.

7411. You mean that they were using some servant whom they thought was somebody else's servant?—I should imagine it did not really occur to the officers that the complement as fixed was incorrect.

7412. You speak now of the "officers." You said just now that this was to be written off against one particular officer, did you not?—No, on the

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contrary, I said that this amount related to one servant, but that that one servant was used by three officers.

7413. I should like to know the names of the three Flag Captains. I think we ought to have them?—I am afraid I cannot give you the names of the three officers.

7414. Have you not got them?—I have not got them at the moment.

7415. Would you be good enough to let us have them?—Yes, I could ascertain their names.

7416. Did I understand you to say that it was by the order of the First Lord of the Admiralty that they were relieved from this payment?—No, I did not say the First Lord of the Admiralty, I said the Board of Admiralty. I cannot say from memory—I have not the papers with me—whether the matter did go before the First Lord, but I should think it extremely probable. But I spoke of the Board of Admiralty, not the First Lord, in this connection.

7417. I thought you admitted, in reply to Mr. Leif Jones, that you were responsible only to the First Lord of the Admiralty, and that you could not remit this payment without the consent of the First Lord?—No; I must have been misunderstood.

7418. Do you consider then that you have power to write a sum of money off like this at request of the Board of Admiralty?—If approved by the Treasury.

7419. It must be approved by the Treasury?—Certainly—by some authority superior to the Admiralty.

7420. Then you mean you are responsible to the Board of Admiralty and not to the First Lord of the Admiralty, is that so?—No, I should not like to say that, because I am responsible to the Board of Admiralty and to the First Lord.

7421. Can you write off money if either of them tell you to do so?—No. I think the Honourable Member must have rather misapprehended the previous questions and answers on this particular point. This is a case in which the matter is submitted to the Board of Admiralty; I cannot recollect now whether it was submitted to the First Lord of the Admiralty, but I should think it very likely was, being an important question. But the Board of Admiralty considered it a case in which the pers should be relieved, and I represented that Treasury authority was required before they could be relieved.

7422. You, as Accounting Officer, feel that you are justified in relieving them if the Board of Admiralty take that view?—And the Treasury concur.

7423. Then this matter was before the Treasury too?—This matter has been before the Treasury, and the Treasury did concur in the amount being written off.

7424. (To Mr. *Headlam.*) Do you remember any special reasons why the Flag Captain should be

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be let off under these circumstances?—The Treasury at first took the view which the honourable Member seems to take, and perhaps I may read an extract from the Treasury letter answering the first Admiralty letter, which put the case before the Treasury. The Treasury said: This appears to my Lords *prima facie* to be a case in which some refund should be called for. There is at present no information before them to show that the officers were unaware that they were drawing allowance in lieu of a servant and receiving at the same time the services of an official servant, in ignorance of the rule which allowed either but not both." The Treasury enquired what steps had been taken to bring home responsibility to those officers by whose continued inadvertence this duplication was rendered possible, and they received from the Admiralty a fuller explanation. First of all, upon the point of a refund from the captains themselves, they elicited the fact that there were three officers and that the second and third officers might reasonably be expected to think if their predecessor had drawn a servant allowance and had been allowed a servant, they should be allowed a servant. Then the Admiralty made a point of the fact of the orders from the Admiralty and that sailors were amenable to discipline and could not be expected to question those orders, and in all the circumstances the Treasury finally agreed to accept the Admiralty view and they wrote to the Admiralty: "My Lords are prepared to assent to the proposal of the Lords Commissioners of the Admiralty to waive recovery of the over issues." The Treasury pointed out that after the affair of these three captains took place the Treasury and the Admiralty had come to an agreement on the whole question of over issues of pay, the principle being that every over issue constitutes a debt to be recovered and that where the *bona fides* of the recipient is undoubted he should be required to refund as a maximum not more than one year's over-payment. This agreement having been reached after this incident the Treasury, as I say, agreed to the Admiralty view of this particular case and they proceeded to point the moral and to say that in future the recently agreed to arrangement should be enforced.

7425. And these Naval officers were not even reprimanded for having omitted to disclose the fact that they were receiving money as well?—No, I think the Treasury accepted the Admiralty view.

Mr. McCrae.

7426. (To Mr. Eyles.) This particular over-payment is one of a series which we have here, not entirely on the same footing, of course, but I find at least seven over-payments of different kinds have been made which are mentioned on pages 62 to 64. There are "Over-payments made to Naval Chief Bandmasters transferred to the

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Royal Marines and erroneously allowed to reckon towards the extra pay their service as Naval Chief Bandmasters," representing £59, then lower down there was: "Over-payment of Retainers, etc., to men of the Royal Fleet Reserve, due to a misunderstanding, representing £102, then there were "Over-payments of Coaling Gratuity on H.M.S. Nelson," where the crew had ceased to be entitled to these gratuities, then there were over-payments to certain members of the Staffs of the Electric Light and Power Stations at Devonport and Chatham, representing £32, then there were over-payments on account of tropical pay, payable to stoker ratings owing to a misinterpretation of the instructions, representing £127, then we have the particular question before us, and lastly we have an over-payment of an allowance of 20 per cent. on the emoluments of a store house man at the Cape to meet increased cost of living. Now the point I wish to put to you is this. Do you think all these over-payments are purely the result of accident, or is there any ingenious attempt to get money out of the Admiralty?—They are the result of accident or misinterpretation of regulations. They certainly do not represent attempts to get money out of the Admiralty, because the money does not go into the pocket of the Accountant Officers.

7427. No, but those who get the money are the people who benefit by the misunderstanding?—True, but in most of the cases quoted by the honourable Member, the sums overpaid are distributed amongst a very large number of seamen.

7428. I find that exclusive of store items, which really come under a different category, if you take the cash items alone, they amount altogether to £2,852, taking the two columns on page 64, those charged against balances irrecoverable and those not charged against balances irrecoverable—is not that so?—That is so.

7429. Therefore, we are writing-off £2,852 with Treasury sanction?—Yes. I may mention to the honourable Member that I think that is a comparatively small sum.

7430. You mean having regard to the number of transactions?—Yes, and as compared with previous years.

7431. Then the amount, taking sums under £20 under the one head of charges against balances irrecoverable is £250, and under the head of not charged against balances irrecoverable £256, making together £500 in sums under £20?—Yes.

7432. That is very nearly the same proportion as the total of the one column bears to the other?—That is so.

Mr. Leif Jones.

7433. You appear to have rather contradicted an answer which you gave to me in a subsequent answer which you gave to Mr. Ashton a little while ago, and I am rather anxious to get this matter perfectly clear. In this case the Treasury allowed



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allowed the payment in question, but supposing they had refused to allow the payment, what would have been the position. They would then have come to you and said, "Who authorised this payment or the writing-off." You protested, as I understand, against this payment?—I suggested that it should be recovered.

7434. In your judgment it ought to have been recovered—that was the representation you made?—That is how it appeared to me.

7435. As Accounting Officer, not deciding the question involved which may well come before the Board of Admiralty, you decided that the money ought to be recovered, and if the Treasury had disallowed it, you would have said, "Well, I protested," and then the Treasury would have said, "But the payment has been made and therefore you, as Accounting Officer, are responsible"?—But had the Treasury refused, the question of recovery would then have had to be reconsidered.

7436. Just so, therefore there is a difference between the recovery of a sum that may yet be recovered, and a payment which has been made, but if you have approved a certain payment to be made, the responsibility is yours. is it not, you are answerable to the Treasury for having done so?—Yes.

7437. Then I presume you would have said, "I protested against this payment and I did not allow it"?—Yes, that would have been my position. I should have disallowed the payment in the account.

7438. But in that case you were over-riden, as I understand, that is to say, there was a decision by a higher authority than you, that this payment should be allowed?—Yes.

7439. What is your satisfactory discharge to the Treasury for the payment having been made, if it is a wrong payment?—It appears to me I have satisfied the Treasury, because they have consented to its being written off.

7440. That is as it happens in this case, but if they had not consented?—If they had refused to allow of its being written off, steps would have been taken to recover it.

7441. But you do not get rid of your responsibility by that, because you have been over-ruled?—But surely if the Admiralty recommend to the Treasury that a certain course should be adopted, and the Treasury concur, that is sufficient discharge.

7442. But the Admiralty is not your discharge?—The Treasury is.

7443. I do not know about that, but that is another point. I am dealing solely with your Department at the moment. What is your discharge of your responsibility to disallow a wrong payment?—If I disallow a payment, i.e., if I consider that a payment should not have been made, and should therefore be recovered from the recipient, I recommend that course to the Board of Admiralty. If they take a different view, I

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represent to them that their proposal requires superior authority, namely, that of the Treasury. If then this proposal is put before the Treasury, and they approve, it appears to me that I should have a sufficient discharge.

7444. If the Treasury approve, no doubt it may be so?—Which they did in this case.

7445. Yes, as it so happens; but supposing they had not approved?—If they had not approved, then other steps would have been necessary.

7446. What steps?—The recovery of the money from the officers.

7447. Then do you admit no responsibility for the wrong payment resting on your shoulders?—I do not quite follow what sort of responsibility the Honourable Member is referring to.

7448. I take this case as an illustration—it is a fairly good case. There is an irregular payment of a certain sum of money, and you, as Accounting Officer, disallow the payment?—Quite so.

7449. And yet the payment is made. What is your discharge of your responsibility in not producing the money when the Treasury says, "This payment has been wrongly made, we must have the money"?—The Treasury did not say that.

7450. That is as it happens in this case; but supposing they had said that, what would have been the position?—If they had said, "We do not approve of this being written off as a charge to balances irrecoverable, but we shall expect to find that amount of money in your till," then I should have had to recover it from the officers.

7451. Notwithstanding that the Board of Admiralty had held that the officers need not refund it?—The Board of Admiralty proposed to the Treasury to write it off.

7452. But in the case I am putting *ex hypothesi* the Treasury have refused; the Board of Admiralty have said the officer shall have it without consulting the Treasury, but you have disallowed it; what would be the position then?—I think the Board of Admiralty would have reconsidered their decision had the Treasury not concurred.

7453. Do you recognise yourself as bound by the decision of the Board of Admiralty in such a case?—In such a case I must obtain the sanction of the Treasury before writing it off.

7454. But there is the authority of the Department which can get rid of your responsibility without bringing in the Treasury?—Let me put this case: Supposing the Treasury refused to let this be written-off to balances irrecoverable, I should have resubmitted the case to the Board of Admiralty, and supposing they had adhered to their view and directed me to pass the amount in the account, then I should have done so if I had received the written authority of the First Lord of the Admiralty.

7455. But only then?—Only then.

7456. That was the point I wanted to get at, because no doubt you thoroughly know the view

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of the Treasury on this point?—I think I understand it thoroughly.

7457. No doubt you are familiar with the Treasury Minute of the 10th January, 1883. Perhaps I may read it to you, for it describes the position. It says: "Accounting Officers will understand that if they are desired by their superior officers to order a payment which, under Act of Parliament, Order in Council, Queen's Warrant, Treasury Minute, or otherwise, they believe to be wrong, they must represent their objection, and the reason for it, to such superior officer in writing. If the Order is then repeated in writing, they may obey without further responsibility, but if the officer directing the payment is not the supreme chief of the Department, they 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." That is the practice which you follow?—Yes, precisely.

7458. I wanted to get that quite clear?—That is the practice we follow.

Sir *Robert Hobart.*

7459. I understand that this sum of £67 17s. 6d. is divided between the three captains—there were three captains serving during the period during which this sum was charged?—That is so.

7460. Is that charged in the Pay List or in the Account; who is the person who is the local accountant?—There is the Paymaster, who actually made the payment on what is known as the ship's ledger.

7461. How was the first entry made; was it a claim made by the officer concerned on some form, or did he enter it by error?—The charge in this list of balances irrecoverable represents the pay of the domestic who is borne on the books of the ship and is automatically paid by the Paymaster as forming part of the crew of the ship.

7462. Then the officers concerned were hardly aware of the fact?—The Board of Admiralty felt that there was something in what the Honourable Member says, and they believed that the officers received the full allowance in perfect good faith.

7463. How did the sum get introduced into the account?—Because the domestic was borne upon the books of the ship.

7464. How did the domestic get borne on the books of the ship?—In consequence of an Order from the Admiralty.

7465. Then the Admiralty were aware that there was an additional domestic on board the ship?—As I said at the outset, this domestic was inserted in the complement of the ship by inadvertence.

7466. But by the high authority of the Board of Admiralty?—Yes.

7467. Then the officers concerned would seem to be hardly culpable in the matter?—That was the view of the Board of Admiralty.

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7468. They drew the pay, whatever it was, under the belief that they had the sanction of the Board of Admiralty for doing so?—Undoubtedly that was so.

7469. It was so treated with Admiralty sanction?—As I have said, it was a pure mistake.

7470. Was it a mistake in making up the terras?—It was a mistake in inserting this one domestic in the complement of the ship.

7471. But there must have been some origin for it?—I can only say that the person who inserted the domestic was under a misapprehension. I am afraid there is no further explanation than that.

Sir *George Kekewich.*

7472. Is it a common thing for Flag Captains and officers of that kind to draw allowances for domestics and not employ them?—It is not very common, but they do it in certain cases such as this.

7473. It would be an exceptional case if you found three Flag Captains, one after another, who wished to receive allowances for servants?—In the case of this particular appointment no doubt it was convenient to do so. The three captains held the same appointment in succession.

7474. Was it a question of accommodation?—It was a stationary flagship, and it was no doubt convenient for the officers to draw allowances instead of having the servants.

7475. What I wanted to get at was this: do these Flag Captains really want all these four domestics if they can draw allowances?—That is a question of policy, which I am afraid I could not discuss.

7476. Can you infer from the number of them that draw allowances and do not employ domestics that those domestics are really not required for their personal comfort?—No, I could not draw that conclusion.

7477. You say that the number of cases in which allowances are drawn do not preponderate to such an extent over those in which domestics are employed that you can draw the conclusion that the services of these domestics are not really required?—That is so. Of course an officer in a ship in commission on the high seas could scarcely draw an allowance in lieu of domestics—the domestics must be supplied to the officer or he could not get them at all.

Chairman.

7478. I am not quite clear about this case now. Apparently this Flag Captain drew an allowance for four servants?—Yes.

7479. Probably he lived on shore?—Yes.

7480. And had his servants on shore, probably. Did this servant attend him on board ship—did

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Mr. KEMPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 15—Domestic erroneously Allowed to a Flag Captain—*continued.**Chairman—continued.*

did he know that he was there?—I should think it extremely likely that the officer was entirely unaware of the conditions attaching to the payment of the allowance.

7481. He probably rendered no services to the Flag Captain at all?—I could not answer that question definitely.

7482. Ought not a Flag Captain to know the complement of the ship?—Yes, he is aware of the complement of the ship because it is laid down by the Board of Admiralty.

7483. He sees the list of what the complement is?—Yes.

7484. He might have seen that one domestic was charged and he would have known that he got an allowance?—He might have observed that.

7485. Is there nobody else—the Paymaster, for instance—who would raise the question and say “why only one servant, why not four?”—I think as the complement was laid down by the Board of Admiralty the officers were not really called upon to question it.

7486. They probably thought the complement had been laid down thus on purpose by the Admiralty?—Yes.

7487. And that it was not within their competency to question the complement laid down by the Admiralty?—Quite so.

*Mr. Bowles.*

7488. I suppose the responsibility for this really lies with the Paymaster of the ship?—I think you can hardly hold the Paymaster responsible, because he was paying a man who was authorised to be borne.

7489. But he was also paying an allowance for that man to the Flag Captain?—Yes.

7490. Therefore he was really the man through whom both the contradictory payments were made?—Yes.

7491. It is quite possible that the Flag Captain might have made an arrangement at the beginning of his appointment to draw this allowance and had observed merely that the allowance was paid, and on looking through the complement sheets saw the complement did in fact agree with the Admiralty instructions, but the person who ought to have seen what was going on was the man who every month paid a domestic, and at the same time paid the allowance to the Flag Captain in lieu of a domestic?—No doubt he might have observed it, but he was really acting under orders.

*Chairman.*

7492. But your answer to me was that he would have thought it was an arrangement made at the Admiralty, because the Admiralty sent down the complement showing a servant?—That is so.

B

## NAVY APPROPRIATION ACCOUNT, 1906-7.

## OVER-ISSUES OF PAY AND ALLOWANCES.

*Chairman—continued.*

7493. (To Mr. Kempe.) Paragraph 28 simply reports that the Admiralty have brought their practice into conformity with that of the Army in only recovering one year's over-payment in cases where *bona fides* is established?—That is so.

*Sir George Kekewich.*

7494. (To Mr. Eyles.) One year's over-payment is stated to be the maximum; it is open to the Board of Admiralty to fix anything less than the maximum in particular cases?—Yes I think the principle accepted is that, as a rule, that should be the maximum, but there may be special circumstances which ought to be represented and taken into account.

7495. You mean that the maximum is to be the rule in the absence of special circumstances; that the maximum, that is one year's over-payment, is to be the sum to be recovered?—Yes.

7496. But it is only in the case of a special circumstance that less than one year's over-payment will be recovered?—Yes. The rules were laid down in the course of correspondence between the Treasury and the War Office, and are to the following effect. In principle every over-issue constitutes a debt to be recovered, and *bona fides* on the part of the recipient does not, in strictness, affect the public claim to reimbursement of moneys issued *ultra vires* by one public servant to another. In practice, however, this strict position may be subject to modification by various considerations, such as obscurity of regulations, the hardship of recovering relatively large sums received in good faith, and so forth. The equitable procedure in such cases is to require the recipient, if his *bona fides* is undoubted, to refund, as a maximum, nor more than one year's over-payment. Within the period of one year recovery should normally be effected in full, subject, of course, to the considerations which I mentioned at the outset. If the *bona fides* of the recipient is doubtful, the amount to be refunded by him may be increased, and if *mala fides* is proved the full amount of the over-issue should be recovered. Those are the general rules laid down by the Treasury, after corresponding with the War Office, and those rules have been accepted and are being acted upon by the Admiralty.

7497. The effect is that for however many years recipients may have received over-payments, you cannot, under those rules, call upon them to refund more than one year, and you may under special circumstances whittle it down to nothing?—The Admiralty may call upon an officer to repay more than one year.

7498. But only in the case of *mala fides*?—Exactly.

7499. But if he has been *bona fide* receiving any amount of over-payments for a succession

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Mr. KENPE, C.B., Mr. HEADLAM, and Mr. EYLES.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 15—Over-Issues of Pay and Allowances  
—continued.

Sir George Kekewich—continued.

of years, you cannot recover under these rules more than one year, and, if there are special circumstances to be considered, there is nothing to prevent you from whittling it down to nothing practically. Those rules, therefore, do not seem to me to mean anything?—I am afraid you must ask Mr. Headlam to interpret the rules.

7500. They do not lay down that you are to recover any particular amount, the whole matter is left still entirely to the judgment of the Board of Admiralty, or the officer who advises the Board of Admiralty for the time being?—Yes. Of course these cases of over-payment must necessarily come before the Treasury, and be shown in the list of balances irrecoverable, so that the action of the Admiralty comes under review.

7501. But not more, I imagine, since those rules were made than it did before?—No, certainly not.

7502. So that practically, as it appears to me, the rules do not amount to much as a guarantee against an over-payment of public money being recovered?—I hardly think that was the object of the Treasury in laying down these rules. I should imagine that the object was to lay down rules which were equitable to all parties concerned, and to secure uniformity in such matters.

7503. "To all the parties concerned," especially to those who received the payments, that is what it comes to, as it seems to me?—(Mr. Headlam.) I think the Treasury intention was to tighten up the practice by the issue of these rules.

7504. Then you would agree that the practice must have been very lax before, would you not?—No. I think that these rules, if interpreted in the spirit in which they are laid down, are very strict. The rules as laid down, after communication between the Treasury and the War Office, really tighten up *pro tanto* the practice, and they afford very little loophole. (Mr. Eyles.) I think, as a matter of fact, they accord generally with the previous practice of the Admiralty.

7505. I agree it would have been a tightening up, if you had laid it down in the rules that they should be required to refund as a minimum at least one year's over-payment, which, I think, would have been quite fair in the absence of special circumstances, but apparently it lays it down as a maximum which cannot be exceeded?—(Mr. Headlam.) I hardly think that is so.

Mr. Brigg.

7506. Does the last line of this paragraph over-ride the requirement as to the maximum, when it says, "Without prejudice to the principle that every over-issue constitutes a debt to be recovered"?—I think that, perhaps, Sir George Kekewich overstated the matter, when he said that this maximum could not be

## NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 15—Over-Issues of Pay and Allowances  
—continued.

Mr. Brigg—continued.

exceeded. I think the Treasury have reserved full discretion to themselves in the matter. Those are the general rules for administration, but the Treasury has full power, and has no intention of parting with that power.

Sir George Kekewich.

7507. May I say that that is not the meaning of these words as given here: "That when the *bona fides* of the recipient is undoubted, he should be required to refund as a *maximum*, not more than one year's over-payment." Therefore, when the *bona fides* is undoubted, it seems to me that these words in the Comptroller and Auditor-General's Report mean that the man is never to be required to refund more than one year's over-payment. Mr. Eyles said that, in a case of *mala fides*, he might be; but that is quite a different case?—I think Mr. Eyles was quoting from the rules as laid down in the War Office letter to the Treasury.

7508. I am looking at the words in the Comptroller and Auditor-General's Report?—Yes.

Mr. Brigg.

7509. I see, whatever the agreement was as to the maximum, apparently, from the last sentence, it is not meant to limit recovery by the ordinary functions of law; for it says that it is "without prejudice to the principle that every over-issue constitutes a debt to be recovered"?—Yes; I think, speaking personally, the last sentence of paragraph 28 would be a guiding principle.

Sir Robert Hobart.

7510. May I ask, are these rules which have been adopted by the Admiralty and the War Office applied to the whole of the public service?—I believe not.

7511. Are they only as between these great spending Departments?—So far as I know.

Mr. Leif Jones.

7512. What was the motive of the Treasury in adopting these new rules?—I think they arose out of a case, or a series of cases, which were referred to the Treasury under one of the quarterly schedules of the balances irrecoverable. So far as I remember, there were three cases which seemed rather to indicate an absence of standard. The Treasury, as the honourable Member will note, has not issued a formal minute laying down these rules; it was really a sort of working agreement, as I understand it, co-ordinating rather the practice of the Admiralty and the War Office.

7513. So that practically it allows the Admiralty and the War Office, in cases where the *bona fides* of the recipient is undoubted, to accept one year's over-payment as a discharge for any past over-payments?—I do not think it would prevent them coming to the Treasury.

7514. They would still have to come to the Treasury?

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—continued.

Mr. Leif Jones—continued.

Treasury?—I think so; they would come and say: "This is within the general principle, and we think the circumstances of the case are such that the general principle should be applied to this particular case."

7515. I observe it is said here that it is "without prejudice to the principle that every over-issue constitutes a debt to be recovered"?—Yes, that is the saving clause.

7516. There are saving clauses, but what is the value of that?—The Treasury reserves the power.

7517. In practice, after this, you will not conceivably be able, will you, to recover any over-payment beyond one year from any officers, unless you can show *mala fides*?—I think they would have to show that there has been obscurity in the Regulations, or other circumstances, as well as absence of *mala fides*.

7518. That will not in any way discharge the Accounting Officer from his duty to call attention to such over-payments?—I should hope not.

7519. Or the paying officer?—Certainly not.

Mr. Bowles.

7520. I understand there is nothing said in these rules at all, as to what is to be done with the paying or the authorising officer in any case of over-payment?—That view has not been overlooked. After communicating with the Admiralty, the War Office in their letter raised the point as to the position of the paying officer, and the Treasury concurred with the view of the War Office and said that, when the recipient is excused repayment of an over-issue, the Paying Officer shall also be excused.

7521. Can you suggest upon what principle that decision was taken; it appears to me that, in the case which is contemplated by these rules, in which a man *bonâ fide*, without any suggestion against him, has been overpaid for a long period, the real responsibility rests, as between the paying officer and the payee, upon the paying officer; it is the man who has made these irregular payments, one would think, who ought at least to be as much recovered from as the man who has received the payment. It seems to me that the responsibility really lies at least as much upon the paying and authorising officers as upon the man who has received the money *bonâ fide*. Is there no rule, is there no suggestion made as to what the responsibility of the paying

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On Vote 15—Over-Issues of Pay and Allowances  
—continued.

Mr. Bowles—continued.

officer is, or as to whether he ought not to make it good?—Certainly, he is equally responsible. The sentence I quoted was where no payment is called for from a payee; that is to say, when the recipient is excused from repayment, the paying officer should also be excused. If, on the other hand, it is considered to be a case in which the recipient should refund, the blame should also fall upon the issuing officer; but not necessarily in the form of a money payment. The Army Council have held very strongly in these cases that recovery is not the suitable form of punishment, but that it should be a disciplinary matter.

7522. That I can understand; but I do not understand why, because the perfectly innocent receiver of the money is to be excused, the man who has made the irregular payment is necessarily automatically, therefore, to be excused also?—Only when the over-issue occurs through obscurity of the Regulations, or through some excusable matter of error, falling within the province of Paymaster. If there was any suspicion of deliberate misinterpretation of the Regulations, of course he would be liable.

7523. One assumes *bona fides* in both cases. What I am putting is, that the *bona fides* of the payee does not necessarily excuse carelessness on the part of the paying officer; that seems to be the principle that underlies this rule?—Not carelessness, I think, but only obscurity of the Regulations, or excusable errors of judgment, as to which the Army Council would exercise its discretion, with reference to the Treasury afterwards.

7524. In every case reference would have to be made to the Treasury?—Within the limits of cases that come to the Treasury, that is, above a certain money limit.

LOSSES BY PETTY THEFT.

Sir George Kekewich.

7525. (To Mr. Headlam.) What is meant in paragraph 29, when it says that the Treasury have delegated to the Admiralty "Power to write off losses by theft up to a limit of £5, where no fraud or suspected fraud is involved." I suppose that means, where no collusion is suspected with the persons in charge; where the holder of the money is not accessory to the theft?—Yes, certainly.

[Paragraph 30 postponed.]

GENERAL.

STATEMENTS OF LIQUIDATED DAMAGES, &c.

Mr. W. E. SMITH called in; and Examined.

Chairman.

7526. In paragraph 31 it is stated that the Treasury have asked the Admiralty a certain question; have the Admiralty yet given an answer to the Treasury?—No, that question is still under

Chairman—continued.

consideration, no answer having yet been given.

Sir Daniel Goddard.

7527. This paragraph 31 refers to the case of three

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Sir *Daniel Goddard*—*continued.*

three dumb barges, which were very much delayed in delivery, on account of the contractor going into bankruptcy?—Yes, that was the originating cause, but it was not by any means the sole cause. The detailed causes arose out of the fact that he did go into bankruptcy, that the Receiver established that he had a right, which we did not know he had at the time, of retaining the barges until we agreed upon certain procedure in connection with the payment of the outstanding balance. The matter was under consideration between the Admiralty, the Treasury, the Treasury Solicitor and the Receiver for many months. Ultimately, we had to agree to his conditions, and as soon as we did agree to his conditions the Receiver assisted us in every possible way to get the work delivered promptly.

7528. Does that not point to some great weakness in the contract with this man?—Undoubtedly it does.

7529. Who was responsible for that?—The Admiralty, in conjunction with the Treasury Solicitor, who assisted us with his advice on the subject.

7530. I understand that the barges have now been delivered?—Yes, and they have been in use for some time.

7531. But one of them was 186 days, and the two others 660 and 634 days late delivered?—That is so.

7532. That is to say, two of them were more than two years after the contract dates?—Two of them were nearly two years after the contract dates.

7533. It is more than two years; 660 working days and 634 working days represent more than two years?—Yes, that is so.

7534. Is it your explanation that this interviewing and correspondence, and so forth, is explanatory of two years' delay?—I am stating what is the actual case.

7535. I understand the Admiralty had at last to give an undertaking to pay in full?—That is so.

7536. They did that in order to get delivery of these boats?—That is so.

7537. I cannot understand how it was possible for the Receiver to have refused delivery, when the Admiralty had observed all their part of the contract; is there any explanation of that?—Yes, unfortunately there is; that is to say, the contract was drawn with a condition that we had no right to deduct liquidated damages for delay in delivery. We had, under this particular contract, to make payment in full, and get liquidated damages afterwards if we could. At the same time, the contract was so drawn that the Receiver had a lien on the barges, under which he had a right to retain the barges until we agreed to pay the unbalanced money in full. It was that matter that was for a long time in dispute. The Treasury urged us to exercise our legal rights under the contract to the full. We enlisted the assistance of the Treasury Solicitor, who helped us all he could, but he reluctantly came to the conclusion

NAVY APPROPRIATION ACCOUNT, 1906-7.

On Vote 15—General—Statements of Liquidated Damages, &c.—*continued.*

Sir *Daniel Goddard*—*continued.*

that we had no contractual rights in the matter, and that we should have to agree with the Receiver.

7538. Do I understand that it was no use going to the Courts to get an order to compel him to deliver the barges?—That was the view of the Treasury Solicitor, after obtaining the advice of the best counsel he could get on the subject.

7539. Has that held good?—I do not know, but we have acted on that advice and got the barges. But I may say we have altered our contract since then.

7540. That has been the result of this experience?—Yes, that has been the result.

Mr. *Mitchell-Thomson.*

7541. (To Mr. *Kempe.*) Do you know whether there is any statement of the amount of the liquidated damages actually recovered?—Nothing was recovered in this case.

7542. I do not mean in this particular case. I am referring to the last part of the paragraph; can you tell me what proportion this sum, set out in the statement on page 153, bears to the total amount of possible liquidated damages?—That is a matter that would not come within my purview. (Mr. *Smith.*) I think I can answer that question. It appears really on the face of page 153 itself. If you will look at column 6 you will see, taking the last six items in that statement, liquidated damages were recovered.

7543. That is not the question I am putting. Are those the only instances in which penalties can be claimed?—I take it the Comptroller and Auditor-General has acted in accordance with what might be understood as being covered by the heading; it does not say explicitly that this is all the "contracts for ships and boats on which final instalments were paid in 1906-07 and on which the Admiralty did not recover the full amount of liquidated damages," but I take it that that is what is meant. These are not illustrative cases, I take it, but a statement of all the cases.

7544. The question I am putting is this: If you will look at the first line of paragraph 31, it says: "Statements of liquidated damages not enforced in respect of the late delivery of ships and boats, gun machinery and guns, will be found in the Appendix." Have you got any statement of the liquidated damages that were enforced, except these figures in this table?—Yes, I think I can give the honourable Member the information he wants. I am not in a position to give a complete table, but perhaps I can give the particulars best in this shape. I cannot give the absolute amount of money, because I have not got the information in that form; but I can give it in a form which I think may suit the convenience of the honourable member. Taking the year dealt with by the Comptroller and Auditor-General, comprising all these cases in which final instalments were paid, I find there were 71 craft of all sorts on which final instalments were paid during the year; with respect to 38 of those cases, the vessels were delivered

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Mr. Mitchell-Thomson—continued.

delivered inside the contract date, and consequently no question of liquidated damages arose at all; 10 were somewhat late in relation to the contract date, but the lateness was adjudged by the Admiralty to be due to circumstances outside the contractor's control, and no liquidated damages were considered due, and none were claimed in those 10 cases. In one case the vessel was late and full damages obtained, reckoning from the contract date, no extension of time being granted at all. Then there were four cases which were late where some extension of date was allowed, and full damages were obtained from those extended dates. Then we come to the remaining 18 cases tabulated by the Comptroller and Auditor-General, on page 153.

7545. Then, I understand, liquidated damages or fines were only recovered in five cases, and in four of those in a modified form?—No, it is more than that.

7546. You said there were five cases in which liquidated damages were recovered?—But then there are six more cases in the table on page 153.

7547. I meant other than those specified in this account?—Yes.

Sir George Kekewich.

7548. That is all you have got out of the 33 cases?—That is all out of the 33 cases. Of course, in 10 out of the 33 cases we reckoned we had no claim at all against the contractor.

7549. Can you tell me what amount was actually recovered?—I cannot. It was a small amount—probably £2,000 or £3,000.

7550. The amount of liquidated damages that was not recovered by the Admiralty was, I suppose, about the same, according to this table on page 153: I have not added it up, but it looks to me about the same?—I have added it up, and I can tell the honourable Member the result. The figures amount to £2,733 10s., of which we recovered £288.

7551. That is out of these contracts that are referred to on page 153?—Quite so.

7552. That means that you actually lost about £2,450, does it not?—No, I would not put it in that form. I think in many cases where we did not recover liquidated damages, we gained a good deal, and did not lose anything.

7553. Is that the case with these barges?—We lost the services of these barges. But take, for instance, the first case in the table on page 153, "Coal bagging lighter," that was a new design of a vessel built, and very largely designed for us, by the Thames Ironworks Company. The company could have delivered that vessel very much earlier than they did deliver her, but she would have been in a condition in which she would not have been nearly so effective as she was in the condition in which she was delivered. We did not press for delivery, because we found that the contractors were making inventions, at no cost to ourselves, considerably

NAVY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 15—General—Statements of Liquidated Damages, &c.—continued.

Sir George Kekewich—continued.

increasing the value of the vessel. They carried those inventions to a successful issue, and the result was that when the vessel came to us 144 days late, we considered that the result to us was very much better than possibly the strict bargain covered by the contract, and although technically the firm incurred £576 liquidated damages, we considered we did very much better to have the vessel as she was, than to have got her earlier and to have had no question of liquidated damages at all.

7554. Then may I take it that where there was nothing to be gained by the Admiralty by letting off the contractor, and where the contractor has no reasonable excuse to offer, in all such cases the Admiralty do recover the amount of liquidated damages?—Yes, quite so, with the utmost rigidity.

7555. Subject to modifications where they consider that it would be best for the public interest?—Quite so; of course there are some cases, such as the admission of new firms or of old firms undertaking new work, we regard it as prejudicial to the public interest to penalise the contractor very rigidly under circumstances like that, because that would tend to stifle enterprise and to limit the field of competition, and ultimately to raise prices against us.

Sir Robert Hobart.

7556. In the case of these dumb barges, except the loss of their services you do not think any great loss was incurred?—Absolutely none.

7557. Of course, there was the loss of their services for a considerable number of days?—Yes. Fortunately that did not increase the expense. It might have done so, but in this particular case it did not do so. We were able to meet all the services required of these barges, without incurring increased expense.

Mr. Parker.

7558. In fixing the amount of these damages, do you utilise the services of an outside arbitrator? Is the amount fixed in that way, is it submitted to arbitration? Supposing a boat is not delivered to date, and you are entitled to damages on that account; when a dispute arises, is the question of damages submitted to outside arbitration?—This particular case is not a case requiring arbitration at all. The whole thing is automatic; it is contained inside the terms of the contract. Part of the contract is that, without going into the question of what damages may actually arise through late delivery, we agree, as between the two parties to the contract, that damages shall be assessed at the rate of so much a day. Then the only thing that arises is to ascertain, first, how many working days the vessel is late in delivery, and then to deal with the question, raised by another honourable Member a few minutes ago, as to whether there are any circumstances justifying a remission in regard to the delay arising from circumstances outside the firm's control, and such

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Mr. Parker—*continued.*

such like considerations. It is not a question of arbitration at all.

7559. The whole thing is laid down in the terms of the contract?—Quite so, it is automatic.

7560. And the contractor has no appeal to an arbitrator in a case of this kind?—It is simply a question of late delivery. The contract contains a clause providing for reference to an arbitrator in some circumstances, but this particular circumstance would hardly, in ordinary cases, come inside the necessity of arbitration.

(Mr. W. E. Smith withdrew.)

[Paragraph 32 postponed.]

COMMISSION PAID TO AUCTIONEERS FOR SALES OF OLD STORES.

Chairman.

7561. (To Mr. Kempe.) In regard to paragraph 33, the Commission payable to Auctioneers has been reduced in consequence of what was said last year?—Yes, it is very satisfactory.

[Paragraph 35 postponed.]

TOTAL COST STATEMENT.

Mr. Ashton.

7562. (To Mr. Eyles.) I want to ask you a question with regard to the table on page 155, where you will find a statement of the cost of the work done by other Departments for the Navy. Towards the bottom of the page you will see "Class II., Vote 23, Stationery and Printing £92,656." Do you know whether that is about the ordinary amount of expenditure for the Navy for stationery and printing?—Yes, I think so.

7563. Could you tell me what it has been for the last two or three years before this?—I am afraid I have not got the previous accounts here.

7564. It was about the same amount, was it?—Yes. I could give the honourable Member that information later.

7565. It seems a very large amount, does it not?—I think it is about the ordinary amount.

7566. I have worked it out, and it comes to more than a quarter of one per cent. on the whole of the expenditure of the Navy. That seems

NAVY APPROPRIATION ACCOUNT, 1906-7.  
On Vote 15—Total Cost Statement—*continued.*

Mr. Ashton—*continued.*

to be a very large item for stationery and printing?—It is a large item, certainly.

7567. Do you know how it would compare with the expenditure in the Army, for instance?—No, I do not know if the Comptroller and Auditor-General has the figure.

7568. (To Mr. Kempe.) Could you tell me how it would compare with the Army?—I have not got the Army figure at the moment.

7569. (To Mr. Eyles.) While that figure is being looked up, perhaps I might ask you, do you know how it compares with any great railway company, or any other undertaking of the same description?—I do not, but I hardly think it would be possible to make such a comparison.

7570. Of course there are a number of reports and so forth in the case of the Army, which there would not be in the case of a railway company; but to spend a quarter of one per cent. in stationery and printing seems an enormous percentage?—It is very large. As regards the cost of printing, that matter has been inquired into by Committees of the House.

7571. That is as regards the total cost of printing. That is not as regards the expenditure of the different offices, I think?—It is mainly Parliamentary printing.

7572. May I ask whether this sum for stationery and printing includes the cost of the "History of the War"?—No, it does not. The honourable Member, of course, knows that it does include the cost of printing all the accounts that are laid upon the Table of the House, e.g., this particular Account which we are considering. (Mr. Kempe.) I see the amount for stationery and printing in the case of the Army is £111,381.

7573. So that it is obviously very considerably larger in the case of the Army, comparing it with the total expenditure?—Yes.

[Note by Mr. Eyles. The expenditure on stationery and printing for the Navy in the three years ended 1906-7 was as follows:—1904-5, £118,000; 1905-6, £105,000; 1906-7, £92,000.]

Chairman.

7574. (To Mr. Eyles.) Have you anything to add on these Accounts?—Perhaps I may hand in a statement about the "Montagu," for which I was asked on a previous occasion (*handing in the same*).

(The Witnesses withdrew.)



Tuesday, 30 June, 1908.

MEMBERS PRESENT :

Mr. Ashton.	Sir George Kekewich.
Mr. Bowles.	Sir George McCrae.
Mr. Brigg.	Mr. Parker.
Sir Daniel Goddard.	Mr. Mitchell-Thomson.
Mr. Hobhouse.	Colonel Williams.
Mr. Leif Jones.	

COLONEL WILLIAMS IN THE CHAIR.

GREENWICH HOSPITAL AND TRAVERS' FOUNDATION ACCOUNTS, 1906-7.

Mr. JOHN A. KEMPE, C.B., and Mr. M. F. HEADLAM called in; and Examined.

Mr. C. H. R. STANSFIELD called in; and Examined.

Chairman.

7575. (To Mr. Kempe.) You have nothing to add to your report on the Greenwich Hospital Account?—Nothing at all. It is quite regular.

Mr. Ashton.

7576. (To Mr. Stansfield.) I notice an item on page 5: "By expenditure on account of property in Greenwich, including rent for property in the Isle of Dogs" How comes it that you rent property; what is the "rent" there referred to?—It is ground rent; it is in respect of property that was acquired by the Commissioners of Greenwich Hospital in the old days, to keep an open front to the Hospital.

Chairman.

7577. Might it not, with advantage, be stated in next year's Account, that this was ground rent?—Yes, that could be done.

Mr. Ashton.

7578. Then, lower down, I see an item, "By cost of administration at the Admiralty, £3,593," is that the whole cost of administering the fund?—That is the whole cost of administration at the Admiralty.

7579. Would that be the whole cost of administration; is there anything more charged for administration, excepting as regards the particular estates which are referred to separately?—Except as regards the estates and law charges, I think that includes the whole cost of administration.

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Mr. Ashton—continued.

7580. I suppose the whole of the estimates would go to the Admiralty, and be looked through there?—Yes, the Admiralty is the centre.

7581. And the General Accounts of the whole fund would go to the Admiralty, and be looked through there?—Yes.

7582. On page 7, I notice in the Income Account there are "Pensions to two retired naval officers," which seem to be quite apart from next item—"Pensions to 13 retired naval officers." What is the difference between the two sets of retired naval officers to whom pensions are given?—The two retired naval officers are the survivors of the old Naval Knights of Windsor, who were transferred to this fund with the funds which attached to the Charity.

7583. Then they will gradually disappear, and the pensions will be all under one heading?—Yes, they will eventually be all under one heading.

Mr. Brigg.

7584. On page 2, I see an item of a loan obtained from a Corporation, as I understand; are those loans advertised at the time?—The item referred to is the repayment of a loan advanced by Greenwich Hospital.

7585. When you borrow money, do you advertise that you are going to borrow?—No, the occasion for borrowing has very rarely arisen; in this case the Corporation of Huddersfield borrowed, and this is a repayment by the Corporation of a loan contracted, I think, 30 years ago, or more.

7586. Then there is no advertising of the fact

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at

30 June, 1906.]

MR. KEMPE, C.B., MR. HEADLAM, and MR. STANSFIELD.

[Continued.]

## GREENWICH HOSPITAL AND TRAVERS' FOUNDATION ACCOUNTS, 1906-7.

## GREENWICH HOSPITAL AND TRAVERS' FOUNDATION ACCOUNTS, 1906-7.

*Mr. Brigg—continued.*

at all, I understand?—No. The Solicitor has, when occasion required it, inserted a notice that there were sums available for lending, but not in the name of Greenwich Hospital; it has never been advertised publicly that Greenwich Hospital had money to lend.

7587. Then it is private lender's money, so to speak?—More or less. There are a great number of bodies and Corporations who know that Greenwich Hospital has large funds, which are available at times for loans and investment.

7588. And those who do not know have no means of getting to know?—They have not.

*Sir Daniel Goddard.*

7589. What rate of interest do you get on that loan?—Taking our loans all round, the rate at present is close upon 3½ per cent. We have lately been getting 4 per cent., but, of course, the rate of interest is coming down now—money is getting cheaper.

7590. This was a definite loan at a definite rate of interest?—This particular loan to the Huddersfield Corporation was at 4 per cent.

7591. You do not think you would get any better terms by advertising these loans?—I am quite sure we should not. There is no occasion to do it. As a matter of fact, our money goes out as fast as it comes in. We get, I think, the pick of the securities of this class that are open.

*Mr. Ashton.*

7592. Arising out of that, may I ask, does your Solicitor arrange these loans for you?—It is part of my duty, as Director of Greenwich

*Mr. Ashton—continued.*

Hospital, to look out for opportunities of investing money. We have a Greenwich Hospital Council, which consists of the Secretary to the Admiralty, the Accountant-General, and myself, and we thoroughly weigh the merits of each proposal. The Solicitor conducts an investigation and, where necessary, a report and valuation is obtained from the Admiralty Surveyors, and then, of course, the loan has finally to be sanctioned by the Board of Admiralty, and in some cases by the Treasury.

7593. It is not all done by the Solicitor for you?—No, he acts the part of a family solicitor.

*Mr. Brigg.*

7594. You have money to the extent of two and a half millions in your hands to invest, as I understand?—It is nearly four millions.

7595. Which you invest according as these three gentlemen you have spoken of think fit?—Yes, with the authority of the Board of Admiralty and, in certain cases, as I say, of the Treasury. It is all laid down by Statute.

7596. You do ask the Treasury before you lend money?—In certain cases.

7597. In what kind of cases?—In the case of loans to Corporations, or Municipal Authorities of any sort, or if we propose to purchase land. We can lend money on mortgage without the authority of the Treasury.

7598. And in doubtful cases, you apply to the Treasury?—It is all laid down in the Greenwich Hospital Act of 1865.

*(Mr. Stansfield withdrew.)*

## NAVY APPROPRIATION ACCOUNT, 1906-7.

MR. ALFRED EYLES, C.B., and Colonel Sir EDWARD RABAN, K.C.B., R.E., called in; and Examined.

*Chairman.*

7599. We will now take the paragraphs of the Report on the Appropriation Account, which were postponed until Sir Edward Raban could be present?—(Sir Edward Raban.) Perhaps I may hand in a Return for which I was asked on a previous occasion, which shows the "Land and property acquired since 1898 for various Admiralty purposes, and not at present utilized for such purposes," which I am directed by the Board to present.

*(The same was handed in.)  
(Vide Appendix.)*

## EXCESS COST OF ERECTION OF A COASTGUARD STATION AT INGOLDMELLS.

*Chairman.*

7600. (To Mr. Kempe.) In paragraph 30, you say that you have asked the Treasury whether

*Chairman—continued.*

they concur in the view there expressed, but that the reply of that Board has not yet reached you—has any report reached you now?—Yes, we have had a reply, and the Treasury practically support the view expressed in that Report.

7601. They support your view?—Yes.

7602. (To Mr. Headlam.) The Treasury concur?—Yes, acting on the advice of the Treasury Solicitor.

*Mr. Leif Jones.*

7603. (To Sir Edward Raban.) Why was it that no claim for liquidated damages was made in this case?—As the arbitrator under the contract, I did not think there was any case for such a claim.

7604. You were the arbitrator under the contract?—Yes. But I may also say that the contractor was an undischarged bankrupt, and apparently

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Excess Cost of Erection of a Coastguard Station  
at Ingoldmells—continued.

Mr. Leif Jones—continued.

apparently his previous creditors had a claim to the whole of his estate, so that it was not a very liberal thing to do.

7605. In the second part of the paragraph, I see you released sums amounting to £55, and paid them over to the contractors before the completion of the contract, without the consent of the Treasury, as I understand?—Yes.

7606. Do you accept the Treasury view of that matter, that by so doing you were exceeding your powers?—No.

7607. Is that a matter in dispute between you and the Treasury now?—I do not know that I am a big enough man to speak of myself as a disputant, but I would like to explain the case to the Honourable Member because I think I can make it clear.

7608. (To Mr. Headlam.) As I understand, the Treasury agree with the Comptroller and Auditor-General in the view that the release of this money was a waiver of the contract conditions, and therefore it ought to have had your consent?—Yes, that the Admiralty, under the terms of the contract, were not entitled to make the release.

7609. (To Sir Edward Raban.) I understand the Comptroller and Auditor-General takes the same view, and I gather you would like to explain the case?—Yes, I would like to explain the case.

7610. I should be very glad to hear the explanation?—The Honourable Member may remember that the Committee have before now asked me to look more carefully into the question of these coastguard contracts. There had been one or two cases brought before them in which contractors had gone bankrupt, and there was a particular case brought before the Committee, in which we had given a man £500 in excess of the contract price to enable him to finish the work and prevent his going bankrupt. I have, in accordance, with the directions of the Committee, very carefully considered these coastguard contracts. These coastguards contracts are, in a very marked sense, differently treated from our ordinary contracts at our great naval yards. At the great naval yards I prepare a list of firms who are invited to tender, and I am responsible for every firm whose name is put upon the list. I ought not to ask them to tender unless they are a suitable firm. But the Committee will understand that at these isolated stations dotted round the coast of England, we cannot do that. We invite tenders by public advertisement, and we get tenders from a great number of people. We found in dealing with these cases it was very difficult for these small contractors to furnish bonds. I suppose each one of us, when we started in life, were told by our father that whatever we did we must not back bills. People do not like backing bills. Therefore we had to find out some other way of meeting the need, and we do one of three things—that is to say, we either, in addition to the ordinary 10 per cent. reserve on the contract,

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NAVY APPROPRIATION ACCOUNT, 1906-7.  
Excess Cost of Erection of a Coastguard Station  
at Ingoldmells—continued.

Mr. Leif Jones—continued.

have another special reserve (and that was what was done in this case—there was a special reserve in addition to the ordinary 10 per cent.) or we require the contractor to enter into a bond with some security or to some approved guarantee society. We do that for the convenience of the contractor. In drawing up the conditions for these contracts, in accordance with the view expressed by the Committee that the conditions of the contract should be more closely looked into, I deliberately asked the Treasury Solicitor, who was acting for us, to arrange for this special clause providing for additional security in addition to the 10 per cent. reserve. When the Treasury Solicitor had drafted the clause, I sent the papers back, and asked him whether I had the same power of releasing the reserve under that portion of the contract as I had under the other, and he advised me that the wording was sufficient for me to do so, and in accordance with that wording I did it. Now the point has been reconsidered very fully, and I suppose, as sometimes happens when a man has drawn up a clause with rather a blank mind as to any particular case arising, the particular case having arisen, he sees that the clause might be improved or altered. But that is briefly the state of affairs. Before the contract form was settled I did ask whether it did enable me to release the special security, and I was advised that the wording was such as to enable me to do so. It received the sanction of the Board that it should be left with me, and I acted upon it. As regards the actual facts of the case, it was one of those cases again in which we had our contract on very low terms. The tenders ranged from £945 to £1,721. That is the kind of thing that is constantly happening with these small coastguard contractors without large experience. The man got to work, and was going on exceedingly well with the work, and we found he was in financial difficulties. Twice I gave him an advance to pay his wages in order to prevent him going bankrupt, and I believed in so doing I was doing a most excellent thing in the interests of the service, because I prevented his going bankrupt, and if I had had a little more courage and given him another advance or two, I believe we should have got through altogether, but at last my heart failed me (because I am surrounded by financial authorities who watch these matters very critically) and I let the man go bankrupt.

7611. But there was nothing to prevent your appealing to those authorities for sanction; it was in the power of the Treasury at any time to release the money?—Yes, but I had been advised by the Treasury Solicitor that the duty was imposed upon me by the contract, it was left to me by the contract. The Admiralty have decided now that the contract is to be altered to make it perfectly clear that I shall not be able to release the special reserve. They have considered it very carefully and very fully, and they have come to the conclusion that on the whole they will retain that power to themselves;

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MR. KEMPE, C.B., MR. HEADLAM, MR. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Excess Cost of Erection of a Coastguard Station  
at Ingoldmells—*continued.*Mr. *Leif Jones*—*continued.*

themselves; but under the contract the duty rested upon me.

7612. In future, I understand, the Board have decided against such a release being given on your authority only?—Yes, against its being given by me.

Sir *George McCrae*.

7613. You said that you had had difficulty now and again with contractors who are not able to fulfil their obligations; do you find yourself that a new firm if they have any work to do have quite as good a chance as some of the old firms who have been on your list for some time; you do put on new firms from time to time I suppose?—Yes, new firms are put on our list from time to time. Personally, I am rather anxious to bring in new blood when I can, because otherwise sometimes a few firms get into the habit of getting all the things.

7614. In your view, a new firm is not handicapped in applying for a contract?—A new firm is not handicapped so far as we are concerned, but I suppose a new firm is always handicapped in not quite knowing the Government practice and procedure. The experience of an old firm is very valuable in regard to matters of that sort. On the other hand, a new firm will often give an extraordinarily low tender in order to get on the list of successful contractors, to see what the work is really like.

7615. When I speak of a new firm I do not mean a firm newly starting in that line of business, but a firm that is new to the Admiralty?—Quite so.

## APPOINTMENT OF ARBITRATORS.

*Chairman.*

7616. Paragraph 32 deals with the appointment of arbitrators which we had before us on the first day on which we dealt with the Navy Appropriation Accounts; has the question gone any further since then?—I do not quite know what was said on the previous occasion, but I do not think anything further has happened. At present it remains that the Admiralty wish that I should be the arbitrator in these contracts.

7617. The consideration of the point was practically put off until you were here. We had before us the Treasury Minute of the 15th December, 1906, and the letter from the Admiralty of the 18th September last?—I do not think anything has happened since then. In the latest contracts I do remain arbitrator

Sir *George McCrae*.

7618. I can quite see the convenience of your being the arbitrator, of course it saves a good deal of dispute; and I have often seen in the case of corporations that a certain man, one of their own body, was named as sole arbitrator, but that man was very rarely one of the parties concerned.

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Appointment of Arbitrators—*continued.*Sir *George McCrae*—*continued.*

In these cases, however, you are really a party to the contract, and it seems rather to give you an unfair advantage over the other party. It has occurred to me whether it would not be a good thing if, without bringing in any outside assistance at all, one of the Law Officers of the Crown, or even someone under the Admiralty, though not in your own department, were appointed, so as to bring in, so to speak, an unbiased mind to the review of the situation. Has that ever occurred to you?—The Board of Admiralty naturally went into the question very carefully after hearing the views of the Committee, and I think I may safely say they went into it with the view, so far as there was any preconceived view, of carrying out the suggestion of the Committee that I should cease to act as arbitrator. A great many proposals were put before them as alternatives to that; among others such a proposal as that which the honourable Member has mentioned, that someone under the Government, but not in my own department, should be arbitrator. But, after hearing all the pros and cons of it they deliberately came to the conclusion that they would adhere to the present practice. But, as I say, the question was very fully considered.

7619. Could you shortly give us the reasons which led them to that conclusion and the objections which they saw to any other course?—As Mr. Eyles reminds me, you have the Admiralty letter printed in the evidence. That gives the result of the deliberations of the Admiralty on this point in which I was concerned, and though I was fully heard I was not present, so that I do not know the whole story. But I can assure the honourable Member that they started with the idea of meeting the wishes of the Committee, and they only came to the other conclusion after hearing all the facts. As the honourable Member asks me to state briefly some of the reasons, I can dwell on one or two of the reasons, but I would ask the honourable Member to understand that they may not be all the reasons which the Admiralty had in their mind. In the first place, it was considered that, although as the honourable Member has pointed out, I am deeply concerned in the contract, I am not in the position of a man like an outside engineer who is daily wrestling with the contractor. The contractor in this case is wrestling with our Superintending Engineer on the spot, and the questions that arise are questions that come up in the process of carrying out the contract, and that leaves me to a considerable extent with an open mind. Then, in the second place, in the case of many of our large engineering works, a great deal of the work has been entirely covered up long before any stage of arbitration can be arrived at. I am, of course, familiar with the work, through seeing it myself or through my subordinates, as the work goes on from time to time, and the Admiralty considered, therefore that I am in a better position than others to  
adjudicate

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Appointment of Arbitrators—*continued.*Sir George McCrae—*continued.*

adjudicate upon it. I think they also considered that anyone who was representing a great Department of the State should not be considered to be a man who would desire to do anything that was unfair. I have in my mind the remarks of a former Member of the Committee, who is now the First Lord of the Admiralty, upon this subject, as to whether my tendency might be to unduly favour the contractor instead of unduly favouring the Admiralty. Then, again, I think it was considered that there would be very much greater delay in presenting these cases to an outside arbitrator, and that the greater delay would involve greater cost. I think, perhaps, the last of the reasons which I can usefully give is that they did not feel that there was any very general desire for this change, and that the bulk of our contractors were quite satisfied with what had gone on—that it worked well on the whole, and they came to the conclusion that the system had best not be altered.

Mr. Parker.

7620. I understand your position is really that of a kind of chief engineer; you are really at the head; the superintendent whom you spoke of has to pass the work of the contractors?—Yes.

7621. You said just now that it had been stated, or considered, that it might perhaps be too much to the advantage of the contractor for you to be the arbitrator; but is not the general opinion that it rather acts the other way, that it is to the advantage of the Government for their own official or engineer to be the sole arbitrator in the case of dispute arising?—Do I understand the honourable Member to say that that is the general opinion?

7622. I am putting to you that that is the general opinion outside?—I think the only answer I can give on that point is what I said to this Committee once before; I had even suggested to the great contractors that if they felt strongly on the point they should hold a meeting and address the Admiralty themselves on the point. They have not done so, and I think the Admiralty have the impression (perhaps they are wrongly informed, but not by me) that the majority of the great contractors do not object to it.

7623. I do not wish you to understand that I am opposed to the practice under which you work; with my personal experience I am strongly in favour of the practice of municipal corporations and bodies, such as the Admiralty, appointing their own engineer as arbitrator; I think it acts better both for the contractor and the other parties. But there is just one question I should like to ask: In your experience where you have acted as arbitrator, have you any cases in the Admiralty where the contractor has gone to law outside, not being satisfied with the terms of your arbitration; has a case been brought before a Court of Law as against the Admiralty? Can the contractor do that within the terms of the contract?

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Appointment of Arbitrators—*continued.*Mr. Parker—*continued.*

—It would depend upon the point upon which he wished to do it. As arbitrator, I did once state a case at the request of the contractor, in order that a point of law might be argued. I was advised by my legal adviser, at the request of the contractor, to state a case; but he did not pursue it in that particular instance. That is the only instance in which there has been anything approaching an outside appeal to the general law Courts as against my decision.

7624. Your experience would lead you to the belief that there was less litigation—less costly litigation—by contractors than there would be if they were to appoint arbitrators outside your own department?—I think there has been very much less cost in regard to arbitration. Upon that point the honourable member might like to know that arbitrations in my room without any Counsel are not infrequent. Supposing a contractor is dissatisfied with the decision of the department, if he asks me to arbitrate it is often done in a very informal way; he comes before me himself with his own local agent who has been superintending the men on the works, and one of the assistant Directors of Works represents the Admiralty and he has with him the Superintending Engineer, the officer who has been in charge of the work; they sit in my room and perhaps each has a surveyor to assist him, and in the course of two or three hours, or sometimes less, we, in the most informal way, go into the whole business in a way that could not be done if it had to go to an outside arbitrator. I believe I am right in saying that the contractors are very well satisfied with that method of doing it.

7625. You know that this practice is very large with large contractors and municipal corporations, could you say in your experience the contractors are satisfied in those cases? I want to draw an inference from the two cases?—You mean these informal arbitrations of which I spoke?

7626. Yes?—I believe they are very well satisfied.

Sir George Kekewich.

7627. Who are the contractors whom the Admiralty appoint as arbitrators? Are they men who are in any way responsible for any of the difficulties out of which the arbitration arose?—To answer your first question, I am the arbitrator named in the contracts.

7628. You are always the arbitrator?—I am always the arbitrator. In Works Contracts I am named in the printed form as arbitrator.

7629. Is that the case where the matter with regard to which arbitration is sought takes place in a distant harbour or in a distant place?—Yes.

7630. I have in my mind a case of a dock at Shanghai. In that case the arbitrator was not yourself, but the arbitrator was the very surveyor who surveyed the bottom of the dock?—The Admiralty have not built any dock at Shanghai, nor done anything in connection with the dock at Shanghai

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EVLES,  
and Colonel Sir E. RABAN.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Appointment of Arbitrators—*continued.*Sir George Kekewich—*continued.*

Shanghai that I know of. I think the honourable Member must be thinking of some other case.

7631. Do you mean that there are no local arbitrators?—There are no local arbitrators. I am the arbitrator in all the Admiralty Works Contracts.

Mr. Leif Jones.

7632. There was a case at Hong Kong in connection with the Dockyard extension there which was referred to in the First Report of the Committee last year?—Yes, perhaps the honourable Member, is thinking of the case of Hong Kong. We had no arbitrator at Hong Kong. That was a case before I took over the duties, and there it was the Civil Engineer in Chief who acted as arbitrator. I think perhaps the honourable Member is referring to the decision of the late Civil Engineer in Chief before I took over his work.

Sir George Kekewich.

7633. That was the case of the Civil Engineer-in-Chief, acting as arbitrator. I see it says: "The Civil Engineer, acting as arbitrator, awarded the contractor the sum of £1,267 for the extra work, and £5,500 for the hindrance." Under the present arrangements, would such a case as that come before you?—Yes.

7634. The Civil Engineer would not act as arbitrator in such a case now?—I think the honourable Member does not quite understand what happened. When the Admiralty started their great policy of naval works under the Naval Works Loans Act they made two kings in Brentford instead of one—they had two officials, one called the Civil Engineer-in-Chief of Loans Works, and the other the Director of Works. Two years ago, they were both rolled back into one. During the period which the Honourable Member is dealing with, Sir Henry Pilkington was the Civil Engineer-in-Chief of Loans Works, and as Civil Engineer-in-Chief of Loans Works he was looking after the Hong Kong contract. But now I am both Director of Works and Civil Engineer-in-Chief. I am obliged to hold both titles in consequence of the conditions of the contract, to enable me to be arbitrator.

Sir Daniel Goddard.

7635. In every case of these contracts the contractor knows that you are the arbitrator I understand?—Yes; it is in the printed conditions of the contract.

7636. As I understood the tenour of an answer which you gave before, you have had no complaints on the part of contractors of that arrangement?—There has been one complaint at least.

7637. There was one complaint, you say?—Certainly.

7638. What was the nature of the work there?—That was one of the large Loan Works.

7639. What was the work?—It was the Bermuda Dockyard Extension.

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Appointment of Arbitrators—*continued.*Sir Daniel Goddard—*continued.*

7640. Did that come up before us?—No; you have not had it before you.

7641. Can you state what the question was? Did the contractor object to this clause in the contract?—Do you mean when the contract was made?

7642. Yes?—Oh, no.

7643. That was the question which I was asking: Had you had any contractor who had objected to your being the arbitrator?—I misunderstood the honourable Member's question. I am not aware of a single case in which a contractor has said at the time of making his contract, that he objected to my acting as arbitrator.

7644. In this particular case, you speak of where there was a complaint, was it that they did not approve of the award?—I do not think I can say that. I think it would be unfair for me to leave that impression upon the honourable Member's mind. I would like to be perfectly frank about it. They asked the Admiralty before the arbitration to appoint an outside arbitrator.

7645. Notwithstanding the clause in the contract?—Yes, notwithstanding the clause in the contract.

7646. On what grounds did they make an objection; was it on the ground that they had not noticed the paragraph in the contract, or on the ground that they did not think you would be a fair arbitrator, or what were their grounds for objecting to you as arbitrator and asking to have an outside arbitrator?—I think they considered the case would be better dealt with by an outside arbitrator. I think they were unwilling that I should arbitrate in that particular case.

7647. What happened in that case?—The Admiralty adhered to the terms of the contract.

7648. Has it been settled?—Yes.

CHARGES IN CONNECTION WITH THE ABANDONED-  
TRAINING ESTABLISHMENT FOR BOYS A  
QUEENSFERRY.

Sir Daniel Goddard.

7649. (to Sir Edward Raban). Paragraph 35 deals with the Queensferry site?—Yes.

7650. That was a site that was purchased a good many years ago?—Yes. That case is referred to in the statement which I handed in at the beginning of my evidence to-day and of which I have spare copies if honourable Members would like to see them (*handing in the same*).

7651. This land is not being used now for the purpose for which it was bought?—It is not being used for the purpose for which it was bought. If you will look at the heading of the Return it is "Land and Property acquired since 1898 for various Admiralty purposes, and not at present utilised for such purposes." I hope that is what was required; I understood what the Committee wished was a statement of land and property purchased for certain purposes and not used for those purposes, and I thought the Committee might be

content.

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Charges in Connection with the Abandoned  
Training Establishment for Boys at  
Queensferry—*continued.*Sir Daniel Goddard—*continued.*

content to go back 10 years, and I have therefore taken a period of 10 years.

7652. This land is used for something other than the purposes it was originally intended for?—Yes, other than the purposes it was purchased for.

7653. I understand there are charges for feu duty amounting to £372 a year paid on it?—Yes.

7654. And then in addition to that the Admiralty has entered into an agreement to pay the local authority a sum not exceeding £150; is not that so?—Yes. That agreement was come to considerably earlier and was quite independent of the other.

7655. It was in consideration of the local authority making a swimming bath for the boys in the proposed training establishment, was it not?—Yes. I think Mr. Eyles would like to deal with that part of the case.

7656. The training establishment was abandoned and the swimming bath was left?—The swimming bath is there still. What happened was this: A training ship, the "Caledonia," was posted at Queensferry and the Admiralty induced the local authority by certain payments to establish a swimming bath where the boys might be taught to swim.

7657. Is there any actual Return for these two annual charges amounting to about £530 a year?—As regards the first one undoubtedly it is a fact, as is shown in this Return, that we agreed to a heavy feu duty for land that was intended to be used for building. We are not now using it for building land. We were going to put a large establishment for boys on shore under the large Estimate which we had in vote 10 of £450,000 on this site, and we feued it as building land. In consequence of a change of policy we are not going to build upon that site, but we are still compelled to pay the feu.

7658. I am not disputing the statement of the facts, but my question is whether we are getting any return for that money now?—We are using the land for two purposes. In the first place, we are continuing to use on it the Naval Hospital which was established when the boys' training ship was there. We have re-opened that for the use of the Cruiser Squadron which is going to have its base on the Firth of Forth at Rosyth. That was re-opened on the 1st April this year, and is in full use. The rest of the ground is to be used by the Cruiser Squadron for a recreation ground, and any other purpose that may arise in the meantime.

7659. Can you say what is its yearly value for that purpose? I presume it would be very small?—Compared to the feu it would be distinctly small.

7660. I do not know whether it is stated in this Return, but could you tell me how much money has been spent already on this site?—I could easily get the figure, but I may say it is quite a small sum.

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Charges in Connection with the Abandoned  
Training Establishment for Boys at  
Queensferry—*continued.*Sir Daniel Goddard—*continued.*

7661. Does it cost anything for upkeep?—Undoubtedly.

7662. I mean in addition to these feu expenses?—Yes, there is the upkeep of the hospital.

7663. But the hospital has only just been started since the 1st April, I understood?—I am afraid I did not quite explain the position. The hospital was built several years ago. I suppose it was started before I came to the Admiralty 12 or 14 years ago for the boys of the training ship the "Caledonia." It was closed temporarily when the "Caledonia" was removed, and it has been re-opened now for the Cruiser Squadron. There is the cost of the maintenance of the buildings on the ground, but it would be the ordinary small cost of repairs and maintenance and not any large question of building.

7664. This is a perpetual feu, is it not?—Yes.

7665. And there is no way of getting out of it at all?—Yes, there was a way of getting out of it; we suggested a way to the Treasury which involved a considerable sacrifice, and they thought it was not quite good enough. It is practically a very similar case to the other two cases quoted in this return, only in Scotland people seem to prefer to feu land perpetually rather than to sell it outright.

7666. We can only put it down to a change of policy that has resulted in a great waste of public money; is that so?—The note at the head of the Return tries to indicate that it has not resulted in a large waste.

Mr. Mitchell-Thomson.

7667. You referred just now to the Rosyth scheme. This land is on the other side of the Firth of Forth from the Rosyth scheme, is it not?—Yes.

7668. I do not quite follow what use you think it might be. I do not see that you can ever hope to utilise it. Have you any hope of using it otherwise than as a recreation ground?—For the next 10 or 12 years I think it will continue to be used. At the present moment, as the Honourable Member perhaps knows, there is no means of landing at Rosyth; there is a long foreshore. And I personally, as a works-man, am very anxious to keep the Navy out of Rosyth while the contractor is there, so as not to have any interference with him, so that we may get the work done as quickly as possible. Therefore for 10 or 12 years at least there would be no new hospital built on the Rosyth side: we have not it in our minds to build a hospital at present, though there are sites available. But after that time I cannot see anything.

7669. I think you said that you would rather that Mr. Eyles was asked about the training establishment?—Yes.

7670. (To Mr. Eyles.) This agreement as to the swimming bath was to continue, as I understand for 20 years?—Yes.

7671. You

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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Charges in Connection with the Abandoned  
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Queensferry—continued.

Mr. Mitchell-Thomson—continued.

7671. You were to pay a sum not exceeding  
£150 annually?—That is so.7672. Does that mean that the swimming bath  
cost £3,000, because that seems incredible?—I am  
not sure what the capital expenditure was. Of  
course this £150 which the Admiralty agreed to  
pay was towards the maintenance, including a  
sinking fund for the original cost.7673. Quite so; but even then it seems to be  
rather a large amount. This swimming bath is  
not a structure, is it. Is it a floating swimming  
bath?—(Sir Edward Raban.) It is entirely a  
covered in building; it is covered in and heated in  
winter. It is quite a costly thing.7674. I thought it was a floating swimming-  
bath?—No, this is on shore.

Sir George Kekewich.

7675. On the whole transaction of the closing of  
the boys' training establishment on the "Cale-  
donia" and the transfer of the boys as I under-  
stand to the Shotley Training Establishment, and  
taking into consideration the amount the Admiralty  
have to pay, would you say there had been a great  
loss upon the whole transaction?—I should not  
say there had been a great loss on the transaction  
if we are not going to build another boys' training  
establishment on shore.7676. You would say as the matter stands at  
present there is not a loss but a saving?—Certa-  
inly, a very large saving.7677. Taking into consideration all the money  
which we have to pay practically for nothing?—  
Yes. Perhaps I might draw the honourable  
Member's attention to the fact that the two things  
do not go together. The dates are very different.  
For instance, the swimming bath agreement was  
entered into in 1897 for a limited term of years. I  
forget how many years—I think it was 20 years.  
I did not make the agreement; it was not done in  
my department. The other thing happened in  
quite recent years. We began negotiating for the  
feu in 1903. There was really no idea at all of any  
change in the conditions in 1897; but even allowing  
for everything, under the terms under which we  
could have escaped from the feu, there would have  
been a very large saving on the whole transaction.7678. I see that the hospital occupies something  
like a tenth part of the area?—Yes.7679. Is it possible for you to sell the remainder  
of the area as it seems to be of no use?—We  
cannot sell it, but we could sub-let it. We have  
made efforts in that direction.7680. Why could you not sell it—you have  
bought it, have you not?—We have only feued  
it.7681. You could sub-let it?—We have power  
under our lease to sub-let it subject to the conditions  
of the feu. But on the whole, the Admiralty  
decided the other day to drop all attempts to part  
with it.

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Charges in Connection with the Abandoned  
Training Establishment for Boys at  
Queensferry—continued.

Sir George Kekewich—continued.

7682. What were their reasons for coming to that  
decision?—Because they think now it may come  
in useful for the Cruiser Squadron.7683. Although it is on the other side of the  
Firth of Forth, from Rosyth?—Yes. For the  
present. As I have explained, I could not myself  
see any probable use for it after say, 10 or 12  
years hence. But for some time to come we will  
not have the use of the Rosyth land, because the  
contractor will be spread over all the land there  
with his plant and his works.7684. Cannot you sub-let this land from year  
to year—what does it consist of?—It consists of  
agricultural land.7685. Is it not sub-let as agricultural land?  
—We have sub-let some of it, but now it is  
reserved. We are only letting the grazing of it now  
because the Admiralty desire to retain it for the  
purposes of the Cruiser Squadron.7686. Until it could be used for the Cruiser  
Squadron, would it not be useful to let it from  
year to year?—I think we are getting a small  
sum for the grazing at present. I have not  
the information at the moment, but I could  
easily find that out.7687. As regards the swimming bath, is it  
usual for the Admiralty to enter into long contracts  
for that kind of thing—in this case they entered  
into a contract for 20 years. Surely that is a  
very long time, considering the possibility of  
changes which always exists?—I think, although  
it is not exactly my affair, the answer to the  
honourable Member's question is this: We invite  
the local authority to erect a swimming bath,  
and they want to be paid for it in meal or malt.  
If we like to pay for it in malt, and spread it over  
20 years, well and good. If we want to spread it  
over 10 years they will have it in meal, and we  
should have to pay a bigger annual sum. We  
had to arrange the best terms we could to make  
it pay them to erect what we were not prepared to  
erect at our own expense, on our own land, but  
what we greatly desired to have, namely, a  
swimming bath available for the use of the boys  
at the training establishment. These were the  
best terms that could be arrived at, and the  
payment was spread over 20 years.7688. (To Mr. Eyles.) When it speaks here of a  
charge of 1d. per head for admission fees, does that  
mean 1d. for each bath each time a boy goes  
there?—Yes, that is so.7689. When the boys did go there, that must  
have amounted to a considerable sum, and there  
is also the annual contribution of £150. Under  
those circumstances would it not have been  
cheaper for the Admiralty to have erected a swim-  
ming bath for the boys, themselves?—(Sir Edward  
Raban.) I do not think it would. We should  
have had to buy a site.7690. But you had this land on which to put  
it?—Not in those days. As I reminded the  
honourable



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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Charges in Connection with the Abandoned  
Training Establishment for Boys at  
Queensferry—*continued.*Sir George Kekewich—*continued.*

honourable Member, the agreement as to the swimming bath was in 1897, and we only began to negotiate to feu the land in 1903. In 1897 there was no intention of putting the boys on shore, they were living then on the "Caledonia," and the Admiralty were very anxious that the boys should be taught to swim, that was the object of the agreement. I may mention that I believe I am right in saying that the local authority have made a loss on the bath, so that apparently our bargain was a pretty good one.

7691. But the use of the swimming bath is not confined to these boys, is it?—It is because of the boys that they have lost the money.

7692. Although the Admiralty pay £150 a year they still lose money?—Yes, I think they are very sorry they made the bath.

Mr. Brigg.

7693. Do I understand that the bath has become the property of the Admiralty for 20 years?—No.

7694. They are paying the cost of erecting it, are they not?—They are not paying the whole of the cost of erecting it—they are paying a certain percentage on it.

7695. It says here, "including the charges for repayment of the capital borrowed for the erection"?—Yes, not the whole capital. But I am going rather beyond my province—no doubt Mr. Eyles will speak to that. (Mr. Eyles.) The £150 really represents the limit of the Admiralty contribution towards the loss sustained on the working of the bath in the year. The Admiralty pay that sum provided the loss reaches that figure as it has done every year.

7696. That is quite clear. It says they decided to pay, "an annual contribution to make good to the local authority any deficiency between annual income and annual upkeep, including the charges for repayment of the capital borrowed for the erection"?—That is so—that is thrown into the annual cost of maintenance as being part of the charge which would otherwise fall on the rates.

7697. And it is not yours when you have paid for it?—The Admiralty is not really paying for the swimming bath with this £150 a year.

7698. But it says here that they are?—No, they are paying a sum towards meeting the loss on the working of the bath during the year including an annuity in repayment of the capital—that is to say, the annuity is thrown into the cost of maintenance.

7699. In lieu of interest upon capital?—The annuity would include interest.

7700. Not the capital itself?—The annuity is in repayment of the capital.

Chairman.

7701. Do you know whether the Municipality borrowed at more than 20 years—for 30 or 40

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years?—I am not sure upon what terms they borrowed the money, but £150 is the limit of the annual contribution by the Admiralty towards the loss sustained by the local authority, although it is much less than originally asked for.

Mr. Brigg.

7702. (To Mr. Kempe.) May I ask, does the word "charges" in this sentence in your paragraph include charges for the payment of interest on capital borrowed, or the capital itself?—It certainly includes sinking fund, but I am not sure what the other charges may be. I have not got the figures.

Mr. Leif Jones.

7703. (To Sir Edward Raban.) I understood you to say that the local authority have lost money over this?—I believe so, but I think Mr. Eyles can tell you as to that. (Mr. Eyles.) Yes, I understand it is so.

7704. Could you tell me what has been spent by the Admiralty upon these baths altogether?—I have not got the figure at the moment.

7705. Could you not tell me what this £150 a year represents?—The agreement, which is dated the 13th December, 1897, was to the effect that the Admiralty should contribute up to a maximum of £150 annually.

7706. To what?—Towards any loss sustained by the burgh.

7707. Any loss in what?—Any loss in maintaining the baths. The contribution was not to exceed the amount of the loss or £150.

7708. It was not to exceed the loss sustained in maintaining the baths?—No.

7709. Who built the baths?—The burgh of Queensferry.

7710. They expended the whole of the capital that was necessary for the purpose?—That is so.

7711. And the Admiralty made no contribution towards it?—No, except as I say, in so far as it formed part of the £150 a year.

7712. The £150 a year was subsequent to the expenditure, I gather?—Yes.

7713. Was it agreed to before the burgh made the expenditure?—It was agreed to.

7713A. Did you approach the burgh and ask them to build some swimming baths for you?—Yes.

7714. You suggested that they should build the swimming baths, and they agreed to do it?—Yes.

7715. Can you tell me what they expected to spend upon them?—I am not aware of the precise figure.

7716. That is part of the agreement. You agreed to pay £150 towards the maintenance of the baths as I understand, in addition to anything they might get out of charging a penny per head for the boys bathing?—Yes, and also from charges to the public.

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7717 I

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1906-7.  
Charges in Connection with the Abandoned  
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Mr. Leif Jones—*continued.*

7717. I presume you must have had an estimate from them of what they were going to spend?—I am afraid, in the absence of papers, I could not tell the honourable Member definitely what the estimate of the outlay was. I understand it was about £3300.

7718. Who entered into this agreement?—The Board of Admiralty.

7719. The Board of Admiralty is not at Queen's Ferry—what was the transaction there? In certain cases that have come before this Committee we have heard of local engineers upon the spot entering into agreements with local authorities for water supply and so forth, in cases where the Board of Admiralty certainly did not sanction it?—This was a formal agreement, sanctioned by the Board of Admiralty.

7720. This swimming bath was really part of their policy?—That is so.

7721. And it was actually settled by the Board of Admiralty in London?—Yes.

7722. You know that to be the case?—Certainly. The agreement was drawn up by the Solicitor and approved by the Treasury.

7723. It is not the case of any local officer upon the spot doing it?—No.

7724. Why did they not buy the site while they were about it and build the baths themselves?—Sir Edward Raban has already stated that he thinks that would have been more expensive.

7725. That I can understand, judging from the price of the land which they did buy. In the case of the land referred to in the previous part of this paragraph here, for 26 acres they paid a feu duty of £371—that is over £14 per acre per annum. (To Sir Edward Raban.) Is not that so?—Yes, £14 an acre.

7726. For what was agricultural land, you said?—Yes.

7727. Is not that a very high price for agricultural land, even in Scotland?—When agricultural land becomes building land I think the owner generally looks to getting more for it.

7728. Then is this building land?—It was bought for building.

7729. But surely the Admiralty in buying land for building might very naturally choose land which other people would not build upon—was the exact spot where the boys' training establishment was to be situated a matter of very much importance to them—they did not want to take prospective building land for that purpose, did they?—The reason they wanted that particular site was that they had already on shore this hospital. It was considered a very suitable and healthy site upon a little bit of high ground above the Firth of Forth, and they considered this was the best site.

7730. Was not this price arrived at after the hospital was built, merely because it was supposed that the Admiralty would extend in that part

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of the world. Naturally this would be land that would have only an agricultural value but from the fact that you had built the hospital there it had suddenly got a building value, and then you went and paid this higher price?—I suppose that must have been the case.

7731. It strikes me as a very extravagant price?—If you desire to build on a particular piece of land, in my experience it generally happens that the landlord realises that it has a building value.

7732. But in this case it would have been cheaper to have levelled the hospital to the ground and gone to another part of the world and built another hospital?—The hospital was tied to the training ship "Caledonia." This site happened to be the most conveniently situated site—that is to say, near the most convenient landing place for the boys to go ashore from the "Caledonia." Here was a ship moored in the stream, and the boys came ashore at South Queensferry, which was its place of supply, and the hospital was built upon this site because it was convenient to the "Caledonia."

7733. Would it have been any serious inconvenience to them if it had been five miles away?—Yes.

7734. Or three miles away?—Yes.

7735. Or one mile away?—Even that would have involved a serious loss of time, as I think I can explain to the honourable Member. To take a boy who is ill a mile or two would not matter very much if you have a suitable ambulance; but when you have a matter of 600 boys landing for recreation and the time is limited, an extra mile makes a great deal of difference. That was the condition here. I think there were about 600 boys on the "Caledonia," and it is very desirable to get those boys on shore as often as you can to have their games and then get them back to the ship, and that is where the distance of a mile comes in.

7736. But could not the ship be moved?—The ship could not be moved nearer the shore because of the configuration of the shore, and also the ship must have been moored at this spot, or practically at this spot, because there again it was a question of having a convenient access for landing. There was a means of landing at this particular place which was convenient at all states of the tide; that was not always easy at South Queensferry, and the mooring of the ship had some relation to that. When I say that the ship could not be moved, I do not mean within a small area, but I think the siting of the ship was very deliberately considered by the authorities concerned.

7737. Is there no power to enable you to take land for Admiralty purposes at a value to be decided by arbitration?—Certainly that can be done under two Acts.

7738. Why was not that done in this case?—I think the experience of the Admiralty has been that it is much cheaper to agree with your adver-

sary

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sary than to go to arbitration when buying land. Our experience of arbitration has been rather unfortunate.

7739. This experience, under which you are paying £14 a year for agricultural land in Scotland seems to be a very unfortunate experience. I cannot believe that any arbitrator would have awarded such a sum as a perpetual feu duty. It seems to me that the Admiralty has raised its own market against itself—that is my point. You build a hospital on leased land, and then you decide to extend it, and it becomes known that you are going to acquire more land and a price is asked which is out of all proportion to the value of the land. I cannot imagine that any private builder could ever put up houses to pay at this rate; could you build houses there to recoup you that extraordinary expenditure?—We think undoubtedly at present we could not, because at one time we should have done it if we could, under the conditions of the feu—we should have sold it for the purpose, if we could, but we failed to do so.

7740. Then may I take it that the real plea that you put in is that it was necessary for you to have this land practically?—Yes.

7741. You could have taken it compulsorily and gone to arbitration as to the price, but you came to a voluntary agreement at a figure which in your judgment, judging from past experience, is a less price than you would have had to pay if you had gone to arbitration?—Yes, I think you may take that as the view of the Admiralty upon the question. I should like to point out to the honourable Member that it is a very rare thing to hear of a great corporation or a railway company going to arbitration, because they have found that it does pay them best to agree with their adversaries. I can give the honourable Member a case that happened some years ago where we were buying land, and we did take it compulsorily. We were advised by a very experienced adviser in London to give no more than £7,000. We were asked £8,000 for it, and we were strongly advised not to give £8,000, but to let it go to arbitration. They came into Court and asked £40,000 for it, and they produced plenty of witnesses to speak to its being worth £40,000. On the last day of the arbitration, counsel representing the vendors said he did not wish to ask for a larger figure than ought to be awarded, and he came down to £25,000, and he got £15,000—he did very well.

7742. I think in this case you would have come off well on that because you might have offered the lessor £2 an acre for that land; he would have asked for £6 an acre, and on arbitration it would have come to £4, judging from your illustration. As it stands, the figure is £14?—The honourable Member will remember that the Admiralty have this disadvantage in going to arbitration—that no great Department of the State can go into Court and offer a less sum than

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they are advised is a fair one. They must offer a fair price. I do not think it would be consistent with our position to offer less than a fair price, and that, of course, means that there is a very high basis for averaging.

7743. This figure seems to me very high. I cannot imagine that any private purchaser would have paid a quarter of this sum to the fortunate owner of this feu?—I think the considerations I have mentioned have to be borne in mind.

Mr. Parker.

7744. You say that in the matter of going to arbitration for settling the price of land the Admiralty practice has not worked out very satisfactorily when they go to arbitration. That is not at all my experience with land arbitrations for big municipal authorities, either for street improvements or for public purposes. There have been occasions when the landlord has got a big figure, but I certainly think in this case obviously the Admiralty, if I may use a slang phrase, have been had?—We do occasionally go to arbitration—I could give several instances, but we are like the great railway companies, very reluctant to go to arbitration, and we try to arrive at an agreement.

Mr. Bowles.

7745. I see that this return which you have handed in is headed "Land and property acquired since 1898 for various Admiralty purposes and not at present utilised for such purposes." Is this a complete list of all real property and house property which will fall under that description?—Yes. Perhaps I might take the opportunity of explaining to the Committee that I have not included the case of Hoo Ness. The honourable Member will remember that we were talking about the case of Hoo Ness on the last occasion when I was here. I have brought a plan to explain why I have not included Hoo Ness. You will see Hoo Ness coloured here on this plan (*producing a plan*), and you will see the river winding round it. We cannot allow Hoo Ness to disappear, and there is some danger of Hoo Ness disappearing, and we are carrying out certain works *here* (*pointing to the plan*), therefore I have not included Hoo Ness. But apart from that I have tried, and I believe I have succeeded, in including every single instance in this return, and as you will see I have included some small coastguard cases in this return.

7746. May we understand that all these properties would have been used for some useful purpose if it had not been for the changes begun in 1904?—Yes.

7747. And that therefore during the interval between 1898 and 1904 they were all dealt with by the Admiralty as had been originally intended?—All the other properties. I took 10 years as a round figure. I was doubtful what period I should take. I have been Director of Works for 12 years, but I thought 10 years was a good round figure

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES,  
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Queensferry—continued.

Mr. Bowles—continued.

to take, and as it well overlapped the period that had been mentioned as the time of the change of policy, I took that figure.

7748. May we take it that this list does represent all the Admiralty purchases, so to speak, which have been rendered relatively useless by change of policy during the last 10 years?—Yes.

Mr. Ashton.

7749. I suppose there is a great deal of land held by the Admiralty purchased before 1898 which is found not to be wanted?—No, the Admiralty were not large holders of land formerly. The Admiralty began to have more use of shore establishments about the year 1890; they had then just started the system of naval barracks and rifle ranges. Of course, we held land at our great dockyards, but apart from that we were not large holders of land. But fortunately for us the War Office were large owners of land, and we have acquired a great deal of land from them.

7750. Then before 1898 there was very little derelict land in the hands of the Admiralty?—Yes, I cannot remember any derelict land.

7751. That would apply to some here?—Yes, in consequence of these changes of policy.

7752. That is why I thought there would be some before 1898; that changes of policy would have caused the same result then?—I might instance some of our foreign stations. For instance, at Jamaica and Halifax and Esquimalt.

7753. Is there any policy on the part of the Admiralty of dealing with this waste land—do they try to sell it when they can?—The Admiralty have tremendous hesitation in parting with any land. They always remember that they gave up Woolwich Dockyard and sold half the Deptford Dockyard, and there is a sort of instinct at the Admiralty not to sell any of their land if they can avoid it. But in isolated cases we have parted with it.

7754. I can understand that would be the case in respect of populous districts, where land is likely to be wanted?—May I take such a case as the second one in this Return: the land at Trevol; that is a very valuable site on the shore of the Hamoaze and Devonport Harbour. I think we shall never part with that if we can avoid it.

7755. That is already used for a rifle range, I see, but taking the next one, I should say that was absolutely useless. It appears to be a right of way for a railway. Surely that is perfectly useless?—In respect of that strip, we paid very highly for severance, and I should hold on to that like grim death as long as I possibly could.

7756. It would be worth nothing to sell, I suppose, and it might be worth a good deal to you in case you wanted to make a railway there sometime, but turning over the page, taking those cases of coastguard stations, and so on, those are obviously very small pieces of land; would it

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Queensferry—continued.

Mr. Ashton—continued.

not be worth while to get rid of those when a mistake has been made in acquiring them?—Certainly. Some of them are retained to see if they can be utilised by the Territorial Army. It might be a great convenience to those bodies to get hold of these drill batteries, or even the sites. We were waiting to ascertain that before we parted with them.

7757. If you find that they are not wanted, you will part with them?—Yes, when we can get a suitable offer.

Sir Daniel Goddard.

7758. (To Mr. Headlam.) Does the Treasury have anything to do with these purchases of land—are they submitted to the Treasury?—Yes, certainly. (Sir Edward Raban.) Both purchases and sales are submitted to the Treasury.

7759. (To Mr. Headlam.) Does the Treasury accept the Estimate of the Admiralty as to the value of the land?—As a rule, they do eventually.

7760. You have heard all the examination that has gone on this morning, as to this Queensferry land? I can hardly imagine any office like the Treasury passing a lease like this without some explanation?—I see the Treasury did accede to the Admiralty request in 1903 in a case where there was a feu duty of £14 a year per acre; that is the case in question.

7761. They agreed to passing it?—Yes.

7762. Did any correspondence pass about it?—The Admiralty made that application, and the Treasury agreed. I do not think there is any other correspondence. (Sir Edward Raban.) I have found the information which the honourable Member was asking for a little time ago as to the letting of the land at South Queensferry, which is available. We are letting it for £33 a year.

Sir George Kekewich.

7763. You are letting for £33 a year what you actually pay £371 a year for?—Yes.

7764. That is a considerable loss?—Yes.

7765. (To Mr. Headlam.) Before consenting to the purchase of this land by the Admiralty, do you not consult a land expert?—No, we have no land expert. The Admiralty have a land expert, and the War Office, of course, have a land expert in the case of purchases of land.

7766. May I gather that this means that you simply assent without any inquiry to any price that the Admiralty choose to submit to you?—I think that would not be quite an accurate statement. We inquire as a rule, if we consider it necessary. But apparently in this case, no special inquiry was made.

7767. Have you any cases where they have inquired?—There was a very large correspondence in connection with that swimming bath. It was not exactly a case of purchase of land, but I think

we

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[Continued.]

## NAVY APPROPRIATION ACCOUNT, 1906-7.

Charges in Connection with the Abandoned  
Training Institution for Boys at  
Queensferry—continued.

Sir George Kekewich—continued.

we very often make inquiries—as, for instance, in the case of the War Office—in the case of the purchase of land for re-mount farms, near Melton Mowbray. I think the Treasury in most cases makes inquiries.

7768. Have you objected to the price on the ground that it is excessive, being building land price, for instance, put upon purely agricultural land; have you made any objection of that kind?—I have not in my memory any case at present, but I have no doubt objections have been made if a demand is put forward in that way.

7769. Do you not think that it would be a good thing if the Treasury looked a little more sharply at these purchases by the Admiralty after what we have heard to-day?—I certainly think that the Treasury should, and does, look into all the cases.

7770. But the Treasury looks into them without any technical knowledge, and as I understand, as a rule, they merely consent to the price that the Admiralty choose to submit to them. What I would like to suggest is that the Treasury should exercise a discretion, based upon the opinion of some expert, whose advice might be taken?—Does the honourable Member mean to suggest that we should have a second expert to check the Admiralty expert, or the War Office expert?

7771. What I mean is that in a case where land is proposed to be rented by the Admiralty at £14 per acre, you might at any rate inquire what the nature of the land was, that being an exorbitant price per acre; it is a price that is not justified unless the land was of particular building value?—The Admiralty informed the Treasury that this site at Queensferry was necessary for Admiralty purposes, and that the best

## NAVY APPROPRIATION ACCOUNT, 1906-7.

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Sir George Kekewich—continued.

terms which could be got were a perpetual feu at a feu duty of £14 per acre. I find from the papers that the Treasury accepted the Admiralty's statement in that case.

7772. My point is that the price was so exceptional that it demanded further inquiry by the Treasury?—I am afraid I can only say that the Treasury did not make further inquiry in that case.

7773. My object in asking the question, as it always is in asking such questions, is rather with regard to the future than with the object of trying to take up spilt milk. What I should like to have is some undertaking from the Treasury that they will look more closely into these matters in detail?—I think the Treasury would certainly undertake to look very carefully into all the cases, but they would not undertake to have a technical expert. They take the technical evidence of the Admiralty, and they have neither the staff nor the time to go into technical expert evidence for themselves.

7774. Whether they have technical evidence or not, they ought to require very accurate and close explanations in a case of this kind before assenting to it?—In this case, they accepted the Admiralty's statement.

Mr. Ashton.

7775. (To Sir Edward Raban.) Do you remember at what price the Admiralty valued this land themselves—what value did they put upon it?—The Admiralty considered that a reasonable feu duty would be £10.

7776. As high as that?—Yes. We were asked £16, and as the result of the negotiations it came to £14.

## NAVAL WORKS ACTS ACCOUNT, 1906-7.

Chairman.

7777. (To Mr. Kempe.) Paragraph 1 of your Report upon the Naval Works Acts Account merely states the issues from the Consolidated Fund?—That is so.

COMPARISON OF ESTIMATED WITH ACTUAL EXPEN-  
DITURE IN 1906-7.

Chairman.

7778. (To Mr. Kempe.) With regard to the sentence towards the end of paragraph 3: "that the under-expenditure is largely due to modifications in the original schemes"; those are legitimate reductions on the schemes are they not?—Yes; they were laid before Parliament in a Command Paper.

Mr. Ashton.

7779. (To Sir Edward Raban.) As regards the fourth item in this list, under the heading "Under-expenditure"—"Bermuda Dock Extension," is Bermuda one of the places that is being given up as a dockyard?—No.

7780. Can you tell me what is the total cost of the Bermuda Dockyard Extension under the Loan items?—I can give it you in a moment.

7781. I see it is given here, on page 4—£600,000?—I think it will be a little less ultimately; it is given in the Command Paper.

7782. It is given on page 4. Taking all these items under the heading: (b) "Adapting Naval Ports to present needs of Fleet," on page 4, can you tell me what the total cost of those added together is?—I have not got the items added together.

7783. I

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NAVAL WORKS ACTS ACCOUNT, 1906-7.  
Comparison of Estimated with Actual  
Expenditure in 1906-7—continued.

Mr. Ashton—continued.

7783. I should like to know the total of what we are having to spend on adapting the ports for these large vessels?—I will have it added up in a minute.

7784. While that figure is being got, I may, perhaps, ask you a further question: at the bottom of page 4 there is an item of work done by His Majesty's Office of Works, £22,622; what work do they do for you?—That is renting the office of Sir Henry Pilkington.

7785. Would that represent so large a sum as £22,000?—It was over a good many years—10 years. I think that is the explanation.

Mr. Bowles.

7786. In regard to the sixth item in this list of under-expenditure in paragraph 3, I see there is a large under-expenditure on "coal facilities and fuel storage, £286,255"—that seems a very large sum?—It is due to a reconsideration of all the schemes. During this particular year, when the new Board came into office, they took the whole of the Loan items and went through them all in detail, and the result of their consideration represented a total reduction on the total Estimate of £2,397,000, and that was the cause of the delay in getting on with the work.

7787. It was held up, so to speak, pending his survey?—Yes, Every item was reviewed.

Sir George Kekewich.

7788. Taking Item 10 under this heading "Under-expenditure," to what was that large saving on the electric light and power in naval establishments due; was it due to reduction of the naval establishments to be lighted?—There is going to be ultimately a saving on the original total estimate of £200,000 on that item. That is due to certain works having been abandoned that were going to be carried out.

Sir Daniel Goddard.

7789. I notice, from the explanatory statement of the Comptroller and Auditor-General, there were certain items, namely, 2, 3, 4, and 5, in which the under-expenditure is not due to modification of original schemes?—Yes.

7790. To take the first of those, Keyham Dockyard extension, there was an under-expenditure there of nearly £100,000?—Yes.

7791. I do not understand the note which says that "greater progress was made in the previous year than anticipated. Main contract completed, but not brought fully to account." What does that mean—does it mean that you did work in the previous year which you intended to do this year?—We had to make the estimate for two years in regard to Naval Works Loans works; we used to take the Loans Bills every second year. And not only was I compelled to give an estimate for two years ahead, but I was afterwards asked to divide it up into the individual years, so that

NAVAL WORKS ACTS ACCOUNT, 1906-7.  
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Sir Daniel Goddard—continued.

20 months ahead I was asked to say what I should expend in the second of the two years. We paid £43,000 for work done more than we anticipated the first year, and then, on the other hand, towards the end of this year under review there were a number of items outstanding that were subsequently arbitrated upon by me in an informal manner, but they had not been paid and settled by the end of the year; therefore, the expenditure was short upon those.

7792. Does the explanation that "the main contract was completed, but not fully brought to account," indicate that there will be a saving on the contract?—No, it does not necessarily indicate that there will be a saving.

7793. The under-expenditure is not due to that?—It does not necessarily follow. On some of the items there is a saving, but all it means is that there are a large number of claims as to which the final bill is in, but it has not been settled; that is all it means.

7794. I see in the case of the Hong Kong Dockyard extension there is also an under-expenditure of £96,500; there the explanation is just the reverse; that is due to slower progress under the contracts, not greater. It comes to the same result as in the former case, but in this case it was because of slower progress?—The contractor had a great misfortune in that case, some of the pumping well he was executing collapsed and threw him back very much.

7795. Was that the case in which you came across some sort of volcanic rock?—There was some granite that was not expected.

7796. Has that difficulty been got over now?—Yes.

7797. You have got out of the rock?—The dock is finished now. The caisson is not quite finished; it has not been tested; but the dock is practically finished.

7798. Then, taking the next case, the Bermuda Dockyard extension, there is an under-expenditure there of £46,872. That is the case you were referring to a short time ago in which you said the contractor wished to have an outside arbitrator?—Yes.

7799. That has been settled now, I understand?—Yes.

7800. I do not understand the explanation of the under-expenditure there. There was an under-expenditure of £46,872?—Yes; there will be a saving of £29,000 on the total estimate there.

7801. Then, as regards the difference between that and the £46,872, what is that due to?—That is due to claims outstanding which had not been settled.

7802. Have they now been settled?—Yes.

7803. What was the settlement?—I was the arbitrator in that case, and I have brought the Assistant Director of Works here, and, perhaps, if the honourable Member wishes to go into it further, he would get any information from him.

7804. I

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## NAVAL WORKS ACTS ACCOUNT, 1906-7.

Comparison of Estimated with Actual  
Expenditure in 1906-7—continued.

Sir Daniel Goddard—continued.

7804. I do not want to go into it; I merely want to know what the award was. You were the arbitrator, and so you know what the award was?—I think the award was about £1,500 on the claim, and there was a fine of £3,000 for delay in the execution.

7805. I understood you to say that of this under-expenditure of £46,800, £29,000 will be saved?—Yes.

7806. Then that leaves a much larger sum than you have accounted for by the award?—Yes; the award was uncertain at the time; it might have been larger or smaller.

7807. But there is still an under-expenditure of £17,000 to account for?—Yes.

7808. Do I understand that you awarded £3,000 or £4,000?—No, I awarded £1,500, but I deducted £3,000 from it for delay in execution.

7809. Then there is still £15,000 to account for?—That will be spent in the following year.

7810. But I understand the work was completed?—The main contract was completed, but there were buildings to finish. In all these cases there are other works; for instance, in the case which the honourable Member was referring to, of Keyham, the main contract comprised basins and docks amounting to about 3½ millions, and there is about one million of other work; and so in this case of Bermuda there was the main contract for the main work which was completed, but we do supplemental work by supplemental contracts, or, in some cases, by departmental labour, and it is on those works that the money will be spent in the following year.

7811. When you estimated an expenditure of £68,200, did that include merely the main contract?—It includes supplemental contracts.

7812. The main contract was completed, but not the supplemental contracts?—Yes.

7813. Therefore, the £16,000 odd would be spent in the next year?—Yes.

7814. Is there any reason why it should not have been spent in this year?—Many of these supplemental or minor works could not be done until the main contractor can be got off the ground. For instance, in the case of Keyham it will be two years before we can complete the buildings, because we could not start building until Sir John Jackson has gone away.

7815. Take the next case, Simons Bay Dockyard extension; there, again, there is an under-expenditure of £78,325?—Yes.

7816. What was the reason of that under-expenditure?—£32,000 of it was spent in excess in the previous year; that is to say, we spent more than we expected. As I have explained, I have to estimate 20 months ahead.

7817. You say there was that over-expenditure in the previous year?—Yes, and the balance is due to the progress not having been so fast as we anticipated 20 months before. It is really very difficult to estimate 20 months beforehand.

## NAVAL WORKS ACTS ACCOUNT, 1906-7.

Comparison of Estimated with Actual  
Expenditure in 1906-7—continued.

Sir Daniel Goddard—continued.

7818. Is this work completed?—No.

7819. In the two cases of over-expenditure at the bottom of this list, is the explanation simply that they have expended more in that particular year than they should have done?—Yes, more than was estimated to be done.

7820. It would have come in in the next year?—Yes, or sometimes the year before; perhaps they were short on the year before.

7821. In all these cases, do I understand that your estimate was for two years?—Originally it was for two years, and then I was ordered to divide it into each of the two years.

7822. And these are the two years, the year before this and this year?—Yes.

Mr. Ashton.

7823. Can you give me the total for which I was asking a few minutes ago: that is, the estimated cost of adapting the naval ports to the present needs of the Fleet?—This is our latest estimate. We ought to do a little better than this. The estimate in the Command Paper for Section B of the Naval Works Act is £16,724,596.

Sir Daniel Goddard.

7824. What is the amount now still outstanding under the Naval Works Loan Unexpended?—(Mr. Eyles.) I can give you the figures in this way: The revised total estimated cost of the Loan Works is £29,840,000; the expenditure to the 31st March, 1907, was £25,561,895, which includes £241,820 charged to Navy Votes prior to the inclusion of the works in the Loan Schedule; the estimated expenditure in 1907-8 was £1,063,254, and in 1908-9, £968,671. Those figures represent an expenditure totalling altogether to £27,593,820. Then there will remain to complete the works, to be met out of Navy Votes in the year 1907-8, £679,048; in the year 1908-9, £390,661; and in future years, £1,176,471; so that there has been, or will have to be provided out of Navy Votes, including the £241,820 previously referred to, a total of £2,488,000. Adding this amount to the total of £27,352,000 provided by loan, we get the total revised estimated cost of £29,840,000. The honourable Member will understand that a good many of these figures are estimated at present, and are subject to revision.

7825. Then you mean a revision of the expenditure has been made since this account was brought out?—That is so.

7826. Originally it was £27,352,000, now it is £29,840,000—is that so?—No.

7827. The total amount provided was £27,000,000 was it not?—The total amount provided by loan was £27,352,000. That has not been varied. What has been revised is the total estimated cost of the works.

7828. In this account, out of that £27,352,000 there were £2,000,000 unexpended of the loan money?—Yes.

7829. What

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[Continued]

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Comparison of Estimated with Actual Expenditure  
in 1906-7—*continued*.

Sir Daniel Goddard—*continued*.

7829. What is there unexpended now out of that?—I have told the honourable Member that in the year 1907-8 it is estimated that the expenditure was £1,063,254, and in the current year it is expected to be £968,671.

7830. Then that roughly takes it up?—Yes.

7831. And if it was not for the decrease of the cost of the works it would have absorbed the whole of the money provided?—The total cost of the works has been decreased by £2,366,933.

#### LARGE EXTRAS ON CONTRACTS.

Chairman.

7832. (To Sir Edward Raban.) With regard to the last sentence of paragraph 4, has that expectation been fulfilled? Have the terms turned out more favourable to the Admiralty by using these contractors than by using departmental labour?—Certainly, I think no doubt they have.

Sir George Kekewich.

7833. I suppose these are cases such as you described just now, where the main contracts are let, and then there are certain extras to be done after the main contract is let?—No, not in the sense in which I was explaining just now. It is not a case in which the site would not have been available—this was a different case from that.

7834. I understand that, but I gather you have first of all certain definable items which you include in your main contract?—Yes.

7835. Then you find that there are, as I imagine is always the case in such contracts, certain things left over that have to be completed by yourself?—Yes.

7836. Is it invariably the case that there should be extras in connection with such contracts as this?—I think it is almost invariable that there must be some extras, but these were not exactly the kind of extras such as I think the honourable Member has in mind, such as are incident to the carrying out of the work. These are really, to a certain extent, additional works which could not be defined at the time the contracts were let. As the honourable Member will understand, it is almost impossible in making any contracts to foresee all the things that will happen, and naturally there will be some percentage both of extras and omissions. But this is not a case which I would claim as falling under that head because there were very considerable additional works running, as the honourable Member sees, into a large sum of money which were ordered as extras. The Committee have expressed a desire that we should not, in future, order these extras without the sanction of the Treasury, but this took place before we knew of the Committee's wish—it was before the memorandum was issued.

7837. At the time you entered into these contracts were you aware that there would be a con-

NAVAL WORKS ACTS ACCOUNT, 1906-7.

Large Extras on Contracts—*continued*.

Sir George Kekewich—*continued*.

siderable amount of extras?—I think I may say we were quite aware that there would be extras.

7838. You foresaw and knew it?—Yes.

7839. And those extras were quite outside the original contract, were they?—Some of them were; they were of two kinds. For instance, in the case of the Portsmouth Power Station it was one of those cases of misfortune where we came on a bad stratum of soil; we had a very big work to deal with there again. I was telling the Committee the other day how unfortunate I was at Portsmouth. At the base of the chimney stack, although we had made careful investigations, we came on running sand; there was a building almost in the immediate vicinity where blue clay was found, and there was good foundation at a depth of 11 feet 8. That would be one of those unforeseen things that must sometimes happen. But there were others works which were quite additional, and the reason of those being ordered as extras was that the Admiralty were starting on a new policy of applying electric light and power to their dockyards, and at the time these stations were designed there were certain matters not fully worked out in detail which involved things that were actual extras and which we should now come to the Treasury for in accordance with the wishes of the Committee.

7840. You mean that in future there will be no such cases as this?—There will be such cases, but we shall be on the watch to order what is "extras" with the permission of the Treasury. We now invariably go to the Treasury.

7841. When you now have to erect a building do you not test the subsoil by making borings?—We make borings, or we go by the experience of immediately adjacent buildings. If we have the experience of immediately adjacent buildings we should not necessarily make a boring.

7842. You did not make a boring in this case?—No.

7843. You came upon running sand?—Quite so.

7844. And that necessitated a large use of concrete?—Yes, and heavy pumping.

7845. But as a matter of fact, as I understand, most of these extras were foreseen at the time when you made the main contract?—It was foreseen that there would be extras.

7846. That being so, could you not have got the consent of the Treasury to authorise them?—In those days we did not think that necessary.

7847. This is a new departure?—It is a new departure in consequence of the expression of opinion by this Committee.

7848. Therefore, so far as this case is concerned, this will never happen again under the same circumstances because in such cases as this in future you will always go to the Treasury for their consent so far as it is possible to foresee cases of extras?—Yes, we are doing that now.

Mr. Brigg.

7849. As regards these omissions, these seem

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Large Extras on Contracts—continued.NAVAL WORKS ACTS ACCOUNT, 1906-7.  
Large Extras on Contracts—continued.Mr. *Brigg*—continued.

to be things that were taken from the contract and not carried out?—They were not carried out. In this particular case we had to make variations, for instance, in the foundations of the chimney stack and other similar variations, and what we did was we prepared a new bill of quantities for the work as actually done, and we deducted from the bill of quantities all the original work; so that the omissions look very much larger than they ordinarily would because we had a new bill for the new work as executed. That accounts for the large sums here. It was really a method of accounting.

Mr. *Ashton*.

7850. As I understand—it was really owing to the fact that as regards this new work you could not get a contract for most of it to be done by contract?—We could not specify it in the original contract.

7851. But you were aware that a good deal of extra work would have to be done?—Yes.

7852. Surely it would have been possible to get a contract based upon the schedule of prices?—What we do is we pay for the additional work at the rates in the schedule of quantities, or on proportionate rates.

7853. I did not gather from what is stated in this paragraph that it was done in that way—of course, you are not responsible for this paragraph. I gather that you had your contract and then when you found that you had all this extra work you then made a bargain with the same contractor?—That is correct, and what we did was done on the basis of the rates in the schedule, so far as there were rates in the schedule.

7854. But that was not arranged with the contractor beforehand?—No.

7855. Why was it not arranged beforehand; surely that is better, because otherwise you are rather in the hands of the contractor, are you not?—The honourable Member may remember that last week I mentioned a case where I had to resist such a claim on the part of a contractor and got a reduction. If it reaches a certain pitch I can either use my own departmental labour or make some other arrangement.

7856. But if you put it in as part of the original arrangement you need not be in any such difficulty—ought not that to be arranged beforehand as part of the contract?—We cannot always do so. In this particular case we could not define the work, and it is very difficult to ask a contractor to give any rates for undefined work. If it had been so much brickwork of the same kind as was included in the contract we could have provided for it in the way the honourable Member suggests.

7857. These were contracts for electric light and power machinery?—Yes, in the case of this contract for the Chatham Power Station, the figure for extras, of £6,580, was for work in connection with the boiler seatings, and engine room floor, and so on, and I am not sure whether the exact type of boilers had been settled at the time the building of the house was started. But the

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Mr. *Ashton*—continued.

honourable Member is quite right in what he is suggesting: we constantly make such a provision in the contracts. The year before last, in the case of Shotley, I explained we bound the contractor to do about £40,000 of extra work.

7858. You admit that it would have been better to do that if you could do so?—I admit cheerfully, if we could define the work, that is the right principle, but I am very reluctant to ask a contractor to give a price for something that I cannot define. But the principle put by the honourable Member I cheerfully accept.

Sir *George McCrae*.

7859. In the three cases mentioned in this paragraph, the extras bear a large proportion to the amount of the contract?—Yes.

7860. The total of the three contracts amounts to £84,000?—Yes.

7861. And the extras amounted to £39,000?—Yes.

7862. Then you have to set off against that certain omissions, which bring the amount of extras down to £24,600?—Yes.

7863. I wish to ask a question in regard to a sentence in the second paragraph, where it is said: "It was found that reasonable terms could be made with the contractors for these extras on the basis of their contracts." I have listened very carefully to what you said to Mr. Ashton about the contract rates, but I do not quite understand what you mean by the "basis of their contracts." You did not take the contract rates, but something based upon what you thought was equivalent, having regard to them?—Yes, having regard to the proportional rates; the words we use are: "The rates of the tender or the proportional rates," and then the surveyors fight it out.

7864. I notice it is stated here that: "It was realised that the extra works necessary would either have to be done by Departmental labour or by the contractors for the works, as owing to the restricted site and the nature of the contingent works, it would not be practicable to introduce other contractors to carry them out." Did you go carefully into what the cost of these works would be if carried out by Departmental labour?—Yes, I did.

7865. Was it very much in excess of what you were able to arrange with the contractor?—Yes. Our difficulty in some of these cases is that we have not got the plant, and it does not pay me to buy plant. Moreover, I have Parliamentary difficulty in buying plant which I have not foreseen, and so in some cases I have not been able to do works which I should like to do. I have not such a free hand as the contractor has. In one of these cases, for instance, he was using six or seven pumps.

7866. Altogether apart from the question of plant, had the Departmental employees the technical knowledge necessary in every case?—

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Yes,

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## NAVAL WORKS ACTS ACCOUNT, 1906-7.

Large Extras on Contracts—*continued.*Sir George McCrae—*continued.*

Yes, we should have no hesitation in undertaking the work, so far as that is concerned.

7867. Even the electrical part of it?—No; this has no relation to the electric work.

7868. This is building?—Yes. I am erecting buildings and cutting big trenches for the mains, and so on. I have nothing to do with the electric work.

CONTRACTS NOT SUBJECT TO COMPETITIVE  
TENDER.

Chairman.

7869. (To Sir Edward Raban.) Were these contracts to which reference is made in paragraph 5 entered into before the report of this Committee of 1906?—I had nothing to do with those contracts. I think Mr. Eyles can speak to that. (Mr. Eyles.) The Director of Dockyards has asked me to supply the Committee with information upon that point. All these contracts were entered into before the Report of the Committee of 1906 except one, and for that we obtained the specific sanction of the Treasury.

Sir George McCrae.

7870. I suppose there is no possibility of this being repeated under the new system now?—None whatever; but, as the Committee are aware, we are still in correspondence with the Treasury with regard to certain rules which we hope to establish.

Sir Daniel Goddard.

7871. You say that all these cases occurred before the Report of this Committee in 1906, except one, but that one is not in this lot, I take it, is it?—Yes, it forms part of the £163,000 quoted by the Comptroller and Auditor-General in the paragraph, and for that Treasury sanction was obtained.

7872. Then the second part of the paragraph does not apply to that?—No. When I was asked the question I took it that the Committee were only referring to the first part of this paragraph.

7873. The objection to giving sanction which is referred to there did not apply to the one particular case you have mentioned?—No. The Treasury specifically sanctioned the case which is included in the first part of this paragraph. The paragraph is divided into two parts. In the first part the Comptroller and Auditor-General quotes a total figure of £163,000. With one exception the whole of that expenditure relates to the period prior to the date of the Report of this Committee in 1906.

7874. What was the one exception; how large was it?—£6,761 is the precise figure. We obtained the specific sanction of the Treasury for that.

7875. You have fallen in with the views of the Committee?—Yes.

7876. And you will always go for Treasury sanction in the future?—That is so.

## NAVAL WORKS ACTS ACCOUNT, 1906-7.

PEMBROKE JETTY: SETTLEMENT WITH  
CONTRACTORS NOT YET ARRIVED AT.

Chairman.

7877. (To Sir Edward Raban.) In regard to the matter referred to in paragraph 7, are you now going to take legal action in this matter?—I am sorry to say the question is really not quite settled yet whether we are going to take action or not. I think they have not closed finally in the legal conflict, but it is getting near, it I believe.

Sir Daniel Goddard.

7878. This has been hanging fire a very long time?—Yes, I used to be very sanguine and used to tell the Committee that I hoped it was going to be done within the next year, but I no longer say that.

WORKS BEGUN WITHOUT PARLIAMENTARY  
APPROVAL.

Sir Daniel Goddard.

7879. (To Mr. Headlam.) Before we leave the Navy Appropriation Account I should like to refer to a question which I asked you on the 19th June with regard to works begun without Parliamentary approval. I asked you a question as to whether there had been any refusals on the part of the Treasury, and you said in answer to my question, that you could not say offhand, and in a further answer you said that you could not answer the question at present. I want to know whether you can now give me an answer?—I also said that I would consult the authorities at the Treasury. I have done so and they have authorised me to say that the Treasury has always taken a very serious view of its responsibility in authorising the inception of new works services in anticipation of Parliamentary authority, and also the extension of authorised works under the same conditions. Those are the two cases. This view has been repeatedly pressed on the Admiralty and the War Office, and the Treasury gladly recognise that the great spending departments have willingly co-operated, and that the latter are very chary as a rule, of putting forward cases for Treasury sanction unless for serious sanitary reasons or reasons connected with the national defence. The number of such cases must naturally vary in each year, and a return of cases sanctioned and refused would have no value to show whether the Admiralty or Treasury practice has altered in one direction or another; the fact that in any one year there had been no refusals might show that the Treasury policy was being carried out and that the Admiralty had put forward no cases which the Treasury, with full consciousness of their own responsibility to Parliament, had thought fit to refuse. Therefore the opinion of the Treasury authorities was that a return such as I was asked for by the honourable Member would be misleading.

7880. Even

30 June, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES,  
and Colonel Sir E. RABAN.

[Continued.]

## NAVAL WORKS ACTS ACCOUNT, 1906-7.

Works begun without Parliamentary approval—  
*continued.*

Sir Daniel Goddard—continued.

7880. Even if it covered a certain number of years?—It would require so much explanation in each case, that it would be very confused, and in their opinion it would not serve the purposes which were indicated.

7881. The purpose which I wished to indicate was of course that we always have before us the cases where the sanction of the Treasury is given, and we never have before us the cases in which their sanction is not given?—Yes.

7882. Therefore, we can form no idea as to the relative proportion of each?—I think a return of such cases would give you no clue to the attitude of the Treasury or any variation in the attitude of either the Treasury or the Admiralty. The Admiralty and the War Office are both fully alive to the necessity of only putting forward very important cases, but the Treasury must always reserve to themselves full authority to exercise their own discretion in sanctioning such cases if necessary. The mere fact that no cases are put forward in any year might mean that the Admiralty considered that there was nothing of sufficient importance to put forward, and the fact that the

## NAVAL WORKS ACTS ACCOUNT, 1906-7.

Works begun without Parliamentary approval—  
*continued.*

Sir Daniel Goddard—continued.

Treasury had refused no cases in any year might show that all the cases put forward though they might be a large number, were of such importance as to justify the sanction in anticipation of Parliamentary approval.

7883. I could understand that there may be some misapprehension with regard to a return, but at the same time you will understand it is a great power that is vested in the Treasury, this power of giving sanction to expenditure that has not been before Parliament?—Certainly, the Treasury recognise that.

7884. It would greatly strengthen the confidence of Parliament in that power if they knew, to some extent, at all events, whether it was ever exercised adversely to the department asking for sanction?—Certainly, but if it was found that no cases had been refused it might give perhaps an idea to the Committee that the Treasury was not exercising its discretion in a proper way; but it would not at all follow that it was so, because, as I say, the Admiralty and the War Office cases are very carefully tested and very carefully examined before they are put forward.

## CIVIL SERVICE APPROPRIATION ACCOUNT.

## CLASS I.

## VOTE 12, PETERHEAD HARBOUR.

7885. (To Mr. Kempe.) I think there is nothing

at all on your report on the Peterhead Harbour, is there, that calls for remark?—No.

7886. (To Sir Edward Raban.) Do you wish to say anything about that Vote?—No.

## STORE ACCOUNTS OF THE NAVY.

## WORKS DEPARTMENT'S STORES.

## VALUE OF STOCK AT 31ST MARCH, 1907.

Chairman.

7887. (To Mr. Kempe.) Paragraph 26 merely reports the decrease in the value of the stocks in 1906-7?—That is so.

## WORKS, STORE ACCOUNTS, DEPTFORD.

Mr. Ashton.

7888. (To Sir Edward Raban.) With regard to paragraph 27, will you explain why these moulds for concrete blocks were sold—are they the sort of thing that you would always be wanting?—They were sent home in case we should want them, but they were for blocks of a particular size, and after some consideration we decided that they were not worth keeping. It is of course costly to us to keep things and count them, and value them, and bring them forward in the store ledger and so on.

B

Sir Daniel Goddard.

7889. I understand they cost £100 to bring them back from Ascension?—Yes.

7890. It seems rather an expensive luxury?—It was, very. The honourable Member will recollect that Ascension was closed rather suddenly, like the other foreign stations, and an order was given to send home everything that was likely to be useful as soon as possible. The whole thing had to be done in a great hurry. The officer in charge of the works had these perfectly good moulds, and they were of no use to him there. He had no means of knowing what the freight would amount to because a freight steamer was engaged to call at Ascension, and he sent them home. As it happened we got very little for them, but I have looked carefully into it, and I think on the whole the officer in charge was justified in sending these things home, though it now appears it would have been cheaper to burn them.

7891. Are they wooden moulds?—Yes, they are only wooden moulds for making concrete blocks.

(The Witnesses withdrew.)

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Tuesday, 7 July, 1908.

MEMBERS PRESENT:

Mr. Ashton.  
Mr. Bowles.  
Mr. Brigg.  
Sir Daniel Goddard.  
Sir Robert Hobart.  
Mr. Hobhouse.

Mr. Leif Jones.  
Sir George Kekewich.  
Sir George McCrae.  
Mr. Mitchell-Thomson.  
Colonel Williams.

COLONEL WILLIAMS IN THE CHAIR.

STORE ACCOUNTS OF THE NAVY.

Mr. JOHN A. KEMPE, C.B., Mr. M. F. HEADLAM and Mr. ALFRED EYLES, C.B.,  
called in; and Examined.

Mr. JOHN FORSEY called in; and Examined.

*Chairman.*

7892. (To Mr. Kempe.) Paragraph 1 of your Report on these Accounts merely states that you have carried out the usual test examination. You have nothing further to say upon that matter?—No.

DOCKYARD STORES.

VALUATION OF STOCKS AT 31ST MARCH, 1907.

7893. As regards paragraph 2, I take it you have nothing to add to what is stated there?—No.

STOCK OF STEAMBOATS, &c.

7894. I understand you wish to say something in regard to the valuation of stores?—I have nothing to say beyond what I have said already in the Report on the Army Account. The question was raised there because there had been a change made in the Army Accounts in consequence of

*Chairman—continued.*

change of system, but the Navy declined to come into the proposed change in the valuation of stores, and therefore I have not been able to raise the question upon this Account, but I thought the Committee proposed to postpone the question until this Account was taken. The Committee could not get the Admiralty's explanation at the time the War Office Account was taken, and therefore it was necessary to postpone it until this Account was taken.

*Mr. Mitchell-Thomson.*

7895. (To Mr. Forsey.) Perhaps we might have the Admiralty explanation as to why they decline to come into this arrangement as regards the valuation of stores?—I think the question with regard to the valuation of stores is one rather for the Inspector of Dockyard Accounts, who is present, than myself, if you would put the question to him.

Mr. WILLIAM G. ROFF called in; and Examined.

*Chairman.*

7896. You are Inspector of Dockyard Expense Accounts?—Yes.

*Mr. Mitchell-Thomson.*

7897. Will you give the Committee a short statement as to why the Admiralty have taken

*Mr. Mitchell-Thomson—continued.*

up the position of refusing to come into the same arrangement as the War Office have already come into with regard to the valuation of stores?—I have here a short memorandum which I think would put the Committee in possession of the Admiralty position in the matter, if I might be allowed to read it.

7898. Will

7 July, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, C.B.,  
Mr. FORSEY, and Mr. ROFF.

[Continued.]

## STORE ACCOUNTS OF THE NAVY.

Stock of Steamboats, &c.—*continued.**Chairman.*

7898. Will you please do so?—I might, perhaps, explain that this memorandum was handed to the representatives of the War Office at the conference. Information as to the value of stocks of stores in hand at the commencement and close of the financial year is given in the Navy Appropriation Account under the following Votes:—Vote 2; Vote 8, Sections II. and III.; Vote 9, and Vote 10. Rate books, or official price lists, are published for guidance in valuing stores included under Vote 2 and Vote 8. They represent by means of periodical revision the current market values of articles embraced therein which have been purchased; all articles which, from being only the produce of the Government workshops, have no known market value, are rated at the average cost of their production. These rate books form the basis of the annual valuation accounts of Vote 2 and Vote 8 Stores. In the case of Vote 9, the vocabulary rates are used, while in the case of Vote 10 the basis of valuation is the last price paid for similar articles. The information as to value of stocks has been published in the Navy Appropriation Account for many years, and has been reviewed by the Comptroller and Auditor-General. The form in which it is presented has been revised from time to time to meet the requirements of that officer and the Public Accounts Committee. In connection with his review of the Valuation Account of the Naval Ordnance Department (Vote 9) for 1905-6, the Comptroller and Auditor-General reported that at his suggestion the Admiralty had prepared the Account under various main heads as is done in the analogous Army Account, and that he had asked whether there is any objection to the publication in future of the Annual Statement in this form with the Appropriation Account of the year, as in the case of the Army. The Comptroller and Auditor-General has been informed that his proposal has been adopted, and will be found to have been embodied in the Appropriation Account for 1906-7. The procedure in arriving at the figures is generally as follows:—The actual balance of quantities of stock held on charge at each Depot is extracted from the Store Ledgers, and valued out as explained above at the particular Depot. The value is given at the prices ruling on 31st March, and those on 1st April, so that the difference due to variation in price is clearly shown. The Returns from the various Depots are tabulated at the Admiralty, and the summary *in value*, with all supporting documents, are open to the Auditors. In the case of stores available for shipbuilding, &c., purposes (Vote 8), a valuation of the stock balances at the commencement and close of the year is absolutely necessary, as, under the Army and Navy Audit Act, 1889, Expense Accounts are kept for the information of Parliament. These Expense Accounts have to be rendered in the same form as the programme of shipbuilding, &c., appended to the Navy Estimates, which necessarily includes the net

## STORE ACCOUNTS OF THE NAVY.

Stock of Steamboats, &c.—*continued.**Chairman—continued.*

value of stores *issued from stock*, and they have also to be in agreement with the cash expenditure reported in the Appropriation Account, such agreement being effected by means of the Stock Valuation Adjustment Accounts. The supply branch for shipbuilding, &c., stores (Vote 8) embody the Annual Valuation Account in their explanatory Statement of Amounts to be provided for this purpose in the Navy Estimates, which is prepared for the information of the Board of Admiralty. It cannot be urged that the returns for the Valuation of Stock as regards Votes other than Vote 8 are absolutely necessary, as the Department watches its actual stock from current independent returns. It may, however, be accepted that Parliament will require, and rightly require, that there should be some evidence on the face of the Appropriation Accounts of each store vote to show that stocks have not been unduly depleted. The present method is preferred by the Admiralty for many reasons, *e.g.*, (a) Figures give a much more safe and comprehensive survey of variations; (b) The Admiralty returns are accurate, or reasonably accurate; (c) The labour involved, which is not of a highly paid character, is spread over the various depots, and the abolition of the return would not lead to any appreciable reduction in staff; (d) The Admiralty does not require a "quantity" return for the purpose of watching stock, having the information in another form; (e) The Admiralty objects to the publication of "quantity" returns on principle.

*Mr. Mitchell-Thomson.*

7899. (To Mr. Kempe). I think it would be of advantage to the Committee if we could hear what you have to say on the explanation which we have just heard given in this memorandum?—I entirely agree with the explanations given by Mr. Roff, and in point of fact we have always found the Returns as given by the Admiralty quite satisfactory; they are absolutely necessary for our purposes, because under Statute we have to examine with regard to the programme, and it would be impossible to follow out the Expense Accounts unless we had figures as to the value to follow it out with. We can only work upon figures; we cannot work upon quantities except by comparing quantities and value. Therefore, we are quite satisfied with the present Admiralty arrangements. In fact this only applies to Vote 8 Stores. The Ordnance Stores which are dealt with in a later paragraph are not affected by this; there is no question of programme there.

7900. You are altogether satisfied that in the case of Vote 8 Stores a "quantity" return would not serve the purpose?—It would not.

7901. It would be more misleading than useful?—We could not compare it. We could not see how much had been used to make a ship, or whether it was the right quantity—we should not know whether the amount voted by Parliament

WAS

7 July, 1908.]

MR. KEMPE, C.B., MR. HEADLAM, MR. EYLES, C.B.,  
MR. FORSEY, and MR. ROFF.

[Continued.]

## STORE ACCOUNTS OF THE NAVY.

Stock of Steamboats, &c—*continued.*Sir *George Kekewich.*

was spent upon a ship unless we knew the value of the stores used.

7902. (To Mr. *Roff.*) I suppose you object to a quantity Return on public grounds?—Quite so.

7903. You think it would be very undesirable to put it in print and let it be known to everybody?—That is so.

Mr. *Brigg.*

7904. (To Mr. *Forsey.*) Do you use any special means to prevent the quantities being improperly diminished between one time and another?—Yes; that is watched over by the periodical returns of the state of the stocks and so on, which are received from time to time.

7905. You say "periodical" returns; to whom are those made?—To myself as Director of Stores.

7906. You do compare the quantities from time to time?—That is so.

Sir *Robert Hobart.*

7907. (To Mr. *Roff.*) I think I understood you to say that the clerical labour employed was not of a very high class?—It is not of a highly paid character.

7908. But it is left to them to calculate the value?—They are furnished with rate books for the different patterns, and they are furnished with the quantities, and they have simply to find the corresponding rate for the pattern, and value it out. That is checked in the same section in which the valuation is carried out.

7909. But supposing there is any depreciation in quality, how is that provided for?—That is provided for in quite another way. That is provided for by periodical surveys.

7910. When it is computed by this low-class labour they take it at rates which you provide?—Yes.

7911. They are not in any way answerable for the value?—Not in any way.

(Mr. *Roff* withdrew.)STATEMENT OF LOSSES AND DEPRECIATION OF  
NAVAL STORES AND STEAM VESSEL COAL  
DURING 1906-7.Mr. *Ashton.*

7912. (To Mr. *Forsey.*) I notice under paragraph 5 the losses are much larger than usual, and it is stated that a special investigation of Naval stocks has taken place—that is so, is it not?—That is so.

7913. What is meant by a special investigation—do you not have a regular investigation every year that would tell you the position of your stocks?—We do, but perhaps I may explain what this special investigation referred to here is. About four years ago, as probably will be within the recollection of the Committee, an Admiralty Inquiry Committee sat, and it was considered generally that the stock might in

## STORE ACCOUNTS OF THE NAVY.

Statement of Losses and Depreciation of Naval  
Stores and Steam Vessel Coal during 1906-7  
—*continued.*Mr. *Ashton*—*continued.*

certain directions, at all events, be reduced. That situation was more or less forced upon one by the fact that on account of the paying-off of ineffective ships large quantities of stores were thrown upon our hands, for which there was no immediate use seen. The whole stock was, under these circumstances, overhauled with a view to reducing it to what you might call its present-day value in the light of the disappearance, or comparative disappearance, of the use for which many of the articles were originally provided. That is the abnormal circumstance referred to here.

Mr. *Bowles.*

7914. I see under head (D) here there is £3,202 put down for "losses in transit"—is that losses upon the transit of all the naval stores during the year?—No. If you will look at the following page, page 159, you will see it is more or less explained in the second paragraph there.

7915. That explains it as to half of it—as to £1,625 out of £3,200?—Yes.

7916. Am I to understand the remaining £1,600 to be the total loss upon the transit of all the naval stores during this year?—That is so.

7917. Is that rather an unusually large loss?—It is somewhat larger than usual, consequent on the bringing home from foreign yards which were reduced, of a very large quantity of stores that had become surplus there.

7918. How is that figure of £1,620 arrived at? It is not depreciation—it is an absolute loss of material, I take it?—It is as the honourable Member rightly infers, the total losses in transit on the total quantity of stores shipped during the year, including the loss of a cargo of coals, which was rather abnormal, to which reference is made in the second paragraph on page 159.

Mr. *Brigg.*

7919. Will you kindly explain rather more fully what is meant by the words "less recoveries by police"—are those the whole of the losses that were recovered; or what losses were there recovered besides those?—I often think that the heading "Recoveries by Police" is a misleading heading. It is a general term which is used in the Dockyard Accounts for stores which have been recovered in various ways. It does not mean that in every case the stores have been recovered by the police.

7920. Does it presuppose that they had been stolen?—No, not at all; they would be stores that may be lying about the yard, apparently not under control, though the professional officer would know that the stores had been placed there, but if there was no apparent master or owner of the articles, the police take possession of them and bring the matter to notice on the following day, and it goes under the general head of "Recoveries by Police."

7921. Is

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, C.B.,  
and Mr. FORSEY.

[Continued.]

## STORE ACCOUNTS OF THE NAVY.

Statement of Losses and Depreciation of Naval  
Stores and Steam Vessel Coal during 1906-7  
—continued.

Mr. Brigg—continued.

7921. Is not that a very misleading term? The ordinary interpretation of those words would imply that it had been stolen before it was recovered by the police?—I must ask you to bear in mind that these are police within the dockyard walls, they are our own servants in that sense, they are not police outside the gates.

7922. Are there any recoveries by other police besides those which you speak of?—No; they are our own stores and our own police.

7923. They are not things that have been stolen at all?—Not at all.

Chairman.

7294. There would be no harm in missing out the words "by the police," I suppose?—No. I was discussing that question with some members of my staff two or three days ago. I think the term "Recoveries by Police" is altogether misleading, but I would like the Committee to bear in mind that these are our own police within the dockyard gates. You can quite understand that a policeman going round the dockyard might see some stores lying in a corner of which there was no apparent owner; he probably might ask a man whom he saw at work in the neighbourhood, "Are those your stores?" and if the man says "No," he would take possession of them in order that they might be brought to notice.

7925. But to an ordinary layman the words "Recoveries by police" would suggest that there is something criminal about it, and therefore if the term can be altered in some way it would be well to do so?—Yes, I think it should be altered.

Mr. Brigg.

7926. You might call them "Derelict Stores"?—They are not always derelict, by any means.

Sir Daniel Goddard.

7927. They are stores in transit?—Yes, that may be taken to represent the case.

Sir George Kekewich.

7928. Taking Item (C), "Superseded and Obsolete Stores," the figure there represents a large increase over the similar item for last year and the three preceding years?—That is so.

7929. That is due to the special investigation of Naval Stocks?—That is so, the stocks, as I have just explained, arising from very abnormal circumstances.

7930. Do you have that investigation at periods of years?—Annually now.

7931. But this was a special investigation?—This was a special investigation.

7932. And that investigation disclosed the fact that there were a large number of obsolete and obsolescent stores?—Yes, a large number of

## STORE ACCOUNTS OF THE NAVY.

Statement of Losses and Depreciation of Naval  
Stores and Steam Vessel Coal during 1906-7  
—continued.

Sir George Kekewich—continued.

obsolete stores and of stores which were in process of becoming obsolete.

7933. Will the same thing take place again—that there will be a large accumulation, and there will have to be a special investigation, and then there will be a special charge in some particular year?—I do not think that would be possible unless there was a large change in Naval policy which resulted in the scrapping, we will say, of a large number of ships, such as you have had during the last three years.

7934. You think now that nothing of the same sort is likely to recur?—I do not see how it would be possible except under such circumstances as I have indicated.

7935. Therefore this item will be kept at a certain normal charge?—Exactly.

Mr. Mitchell-Thomson.

7936. As regards the depreciation on Harbour Service Boats, I suppose those are pinnaces?—They would not necessarily be pinnaces—they would be pulling boats, cutters and so on. I think it will at once be apparent to the honourable Member how this has arisen. If you pay off and make arrangements to scrap a large number of ships, you do not necessarily sell the whole of the stores on board. As regards Harbour Service Boats, our requirements are met in the ordinary way by the natural wear and tear of ships' boats, which come in for harbour service boats. But in the case of scrapping a large number of ships, you could have no use for the whole of the boats returned into Store from them.

7937. I quite understand that, but could you tell me what percentage the depreciation represents?—I cannot tell you the exact percentage. There is a system under which a boat becomes classified as a harbour service boat which I will explain. A boat becomes a harbour service boat when she has been so worn or damaged as to render her present value only equal to about one-half of her original value. Supposing, for instance, a boat cost £50 originally, and she is damaged to such an extent that it would require £25 to repair her, she would be classified as a harbour service boat—that is a boat unsuitable to be taken outside the harbour for the ordinary work of a battleship or cruiser or anything of that sort. In that case the percentage you might take roughly as one-half.

7938. The Report says that it is desirable to dispose of these boats; do you know as a matter of fact whether any large quantity of these boats have been disposed of?—You will see at once it would be very undesirable to throw the whole of them upon the market at one time, in that case you might as well sell them as firewood; therefore we are gradually unloading them at the periodical sales at the Dockyards.

7939. They

7 July, 1908.]

Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, C.B.,  
and Mr. FORSEY.

[Continued.]

## STORE ACCOUNTS OF THE NAVY.

Statement of Losses and Depreciation of Naval  
Stores and Steam Vessel Coal during 1906-7  
—continued.

Sir Daniel Goddard.

7939. They are being got rid of?—They are being got rid of.

7940. Does this figure of £38,453 in the first line on page 159 mean the money that was realised for the superseded and obsolete stores, or is that a valuation?—That is their reduced value.

7941. That is a valuation?—That is a valuation. The value at which we consider they are worth retaining in the service or which they would realise if sold.

7942. These are superseded and obsolete, and therefore they are no use to the Service?—Exactly.

7943. Why do you not get rid of them?—That is the valuation at which they have been issued for sale, and we anticipate they will realise it when they are sold.

7944. This applies to some time ago, and you have probably sold them by this time. Did they realise the money?—We have not sold them all, because we should lose money by unloading the whole of them on the market at one time. Moreover, we have been trying very strenuously to get rid of them in a more serviceable way for the benefit of the Crown, rather than throwing them on the market for sale. We have approached the Trinity Board, the Board of Trade, and so on, to see if they could use them in any way.

7945. I suppose anchors become obsolete because of the change of the shape?—That is so.

7946. But there are plenty of vessels that do use these anchors after they become obsolete for the Service?—You mean ships outside the Service?

7947. Yes.—Probably there are, but at the same time they are of great value and use to us as mooring anchors, because in the case of the large Admiralty pattern anchors, the fluke is flattened, and it is then used as a mooring anchor.

7948. If they are used like that, and they have some use for you, you should not write them down as obsolete altogether?—Yes. I should be sorry to say what exact proportion this represents of their original cost, but its value as a mooring anchor to us would not be its value if it was in use as an anchor on board ship.

7949. How do you value that? Is that the old-iron price—is that the value of wrought iron?—There again I should like the Committee to understand that I am not in that sense the valuing officer; these figures represent the professional value put on it by the Admiralty professional officers.

7950. An anchor is a heavy thing; do you weigh them or what do you do? Have they any mark of the weight upon them?—Yes, every anchor has its weight marked thereon.

7951. And do you assign a value to them per ton?—I do not assign that value at all; if you would like to know how that value is arrived at, whether it is on a given weight or proportion, I would ascertain that for the information of the Committee, but as to assigning values of that

## STORE ACCOUNTS OF THE NAVY.

Statement of Losses and Depreciation of Naval  
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—continued.

Sir Daniel Goddard—continued.

description, I am entirely in the hands of the professional officers who do assign that value.

7952. There does not seem to be any principle on which the depreciation is made?—I would not be prepared to say that.

7953. Take a chain cable, how does a chain cable become obsolete?—Because, for instance, that particular size may not now be in use in the Service. I think that would at once be apparent if you compare the size of ships, speaking generally, that are now in commission in the Service as compared with those of which the Committee have heard so much as having been scrapped. These latter were very much smaller ships and therefore required a lighter chain cable, and that lighter chain cable would not be of much use for the present-day ships.

7954. You have a lot of smaller ships, too?—Yes.

7955. You do not want to buy new material if you have all this stuff, unless it has deteriorated in value, and you do not seem to say that that is the case; it is only stated here that it is superseded, and from your statement that is either because it is too small for your current use, or it has become obsolete because you put something else in place of it?—Yes.

7956. A chain cable, unless it has very badly deteriorated, or worn out, would be a very serviceable article for hundreds of vessels?—If it had been worn out in any way it would have been broken up and sold as old iron. The Admiralty would not take the responsibility of selling, for any use to which it might perchance be put, an unsafe cable.

7957. As I understand it, your valuers put a haphazard value upon this?—I could not admit that for a moment.

7958. Why not have written it down quite half, then, or why not have written it off altogether?—I am not prepared to say without calculation what particular proportion of the value or prime cost this depreciation here represents. I have not the least doubt that it is done on a well-defined basis; for instance, the Committee will no doubt recollect the question of blocks last year, where one value was assigned at one Yard and a different value at another. That sort of thing will not occur again, and we are bringing the whole of these valuations to a uniform basis.

7959. You have the blocks here again this year, another £6,000 of them?—That arises from precisely the same cause as you are pursuing with regard to the chain cable. Masts and rigging are disappearing, and therefore, naturally that class of goods is becoming useless.

7960. I want to know whether these estimates of value are ever realised?—Most certainly. When a professional value is placed upon an article in store for sale, it could not be sold at a figure below that professional valuation, without special approval.

7961. You



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STORE ACCOUNTS OF THE NAVY.  
Statement of Losses and Depreciation of Naval  
Stores and Steam Vessel Coal during 1906-7  
—continued.

Sir Daniel Goddard—continued.

7961. You will try to sell it and then keep it in store?—And try it again the following year, and if not realised then, the valuation which had been assigned to it would be reconsidered.

7962. Every year it becomes more obsolete?—So far as the Naval Service is concerned, but it may be of use outside.

7963. I should have thought the better way would be to clear it out?—If you did so, you would throw away money very largely.

Mr. Leif Jones.

7964. I understand the figures here are not figures of value, but figures of depreciation of value?—That is so, and in so much I should like to amend my previous reply. The £38,453 represents the amount by which the original value has been reduced, and not the reduced present value of the articles.

CHATHAM DOCKYARD.

Chairman.

7965. (To Mr. Kempe.) With regard to paragraph 6, "Discovery of old metal, &c., on the Extension of Chatham Dockyard," you have heard nothing more in your recent Inquiry as to this dumping of material?—No.

Sir Daniel Goddard.

7966. (To Mr. Forsey.) This is a renewal of an old paragraph. It is a discovery of materials and old metal?—It is arising out of it. A further search has been made. I have brought down a plan, which will, more or less, explain the situation. (Handing the same to the honourable Member.)

7967. How long ago was this?—When the search was made?

7968. It is said to be due to the now extinct Fleet Reserve, which used to lie in the neighbouring basin. How long ago is that?—This matter has reference to the stores which were discovered, and which the Committee discussed last year. Following upon that, the Admiral Superintendent of the Yard ordered a detailed search to be made of the whole of the neighbouring waste land where these other stores have been found.

7969. Will you allow me to take it in my order; how long ago was this?—This investigation has been carried out during this particular year.

7970. When was the Fleet Reserve there?—Up till about five years ago.

7971. Then whatever you have found has probably been lying there for five years?—Yes.

7972. I quite understand that it is part of the land that is not often gone over, and all that sort of thing?—May I tell you, which I am sure would help matters, the description of things which have been found. That piece of ground

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STORE ACCOUNTS OF THE NAVY.  
Chatham Dockyard—continued.

Sir Daniel Goddard—continued.

has been in use apparently in times past as a sullage ground, where rubbish has been dumped. It is now used partly for the same purpose, but the ground has been dug up yard by yard, with the result that we have found rubbish—that is what it amounts to—which, when we had it all sorted, has realised this sum of money. For instance, an old railway line has been discovered, which was used many years ago, that is one thing; then there were old tool scraps, old gas fittings, worn-out zinc slabs, probably from the old ships of the Fleet Reserve, old name-plates, tin wash-basins, and other smaller articles. All these were spread over that enormous area, which is as large as Chatham Dockyard itself, and when weighed up they realised that sum of money.

7973. There must have been a lot of them?—Yes, it was spread over 212 acres of land.

7974. The Committee would be very much more assured if you could say whether the whole area has now been examined?—It has.

7975. And you are not likely to find any more gold mines there?—No, and I question whether the game has been worth the candle in doing it.

Sir George Kekewich.

7976. I suppose the game would be worth the candle if you made it somebody's duty to look over these vast areas that were appurtenances of the docks?—That has been done now. Consequent upon this, we at once complained that the police, as we thought, had not sufficiently patrolled the place, but they made out a very good case that they had not sufficient strength to do it, with the result that the police force within the dockyard has been increased, so as to enable them to patrol this extensive area. As far as I can see, there is no possibility of anything getting there again, because the ships from which the accumulation evidently arose have been cleared out.

7977. I daresay, now that this gold mine, or whatever you may call it, has been discovered, that area will be looked over satisfactorily, but are there not other areas in connection with other dockyards where the same thing might occur?—I am not aware of any, but the occurrence at Chatham has naturally called attention to the matter, and should there be any they would be more closely watched. There is certainly no waste ground in the immediate neighbourhood of any other dockyard as there is in the case of the Chatham Yard.

7978. The authorities of the dockyard should make it somebody's duty to look after every corner of the dockyard to see that there was none of this dumped waste about?—The regulations themselves are sufficient to ensure it, but I would ask you to bear in mind that these ships had been lying all round there at about two miles distance from the proper Receiving House or Store House, in the dockyard, where this old rubbish would gladly have been received, and the bluejacket (I can quite

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Sir George Kekewich—continued.

see what occurred), instead of giving himself the trouble of marching that two miles with half-a-dozen old tin wash-basins or something of that sort, has thrown them on to that piece of waste ground. That is really what has occurred.

7979. But my point is that that area should have been looked after, and that all areas in the dock, areas in the dockyard, should be looked after?—We have made arrangements now by increasing the police force to enable this to be done.

7980. Have you done so with regard to other dockyards also?—The same set of circumstances do not apply there.

7981. No waste land?—I do not think so.

Mr. Brigg.

7982. It is your theory, of course, apart from all facts you have not got, that these materials were thrown on to a heap at varying times within five years by the bluejackets on the ships?—I should say within 50 years.

7983. I thought you said five?—That is when the ships were removed from there.

Mr. Leif Jones.

7984. I think you said you had a detailed search of all this land?—Yes.

7985. What did it cost you to search?—I could not tell you, but that is the meaning of my remark when I said that I personally did not believe the game had been worth the candle. I could not tell you the labour charge in connection with that.

7986. It would be rather important to know that; how much an acre has it cost you to plough this fertile land?—I am told £418 in all.

7987. You have recovered nearly £2,000 for an expenditure of £418?—Yes, and now that I see that, I withdraw my previous remark as to the game not being worth the candle.

7988. I gather that this is a kind of dust heap for past ages?—I am afraid it has been used as such.

7989. Are all Admiralty dust heaps as rich as this?—I am not aware that there are any more.

7990. It has occurred to me that there are people that search dust heaps for hidden treasure?—There are, certainly, but the question naturally arises, what are the police doing in allowing them on your dust heap?

7991. I am suggesting that you should let authorised people search them?—I cannot believe that the honourable Member is making that suggestion with any sincerity.

7992. Perhaps not altogether, but the question is whether it is well to allow such a large accumulation, because, after all, there must have been considerable value in the materials found there?—I do ask the Committee to understand that this was in no sense known; it is an enormous area, consisting of 212 acres, an area almost as large as

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Mr. Leif Jones—continued.

Chatham Yard. It is there perfectly vacant—please do not think I am keeping anything back at all—and I cannot trace how this stuff got there, nor how long it may have been accumulating there, but I do see how it has in all probability occurred, which I have already explained.

7993. You have no reason to suspect similar accumulations of rich deposits in other ashpits of the Admiralty?—None whatever.

Mr. Bowles.

7994. I suppose this particular area has now been sufficiently cultivated; you are now finished with it?—It has been sufficiently overhauled, and we are increasing the force of police by three men to enable an efficient patrol of the place to be made for the future. They said they had been unable to do it hitherto on account of the insufficient force.

7995. As far as this particular extension of Chatham is concerned, the search is finished, and you have concluded the matter?—That is so.

Chairman.

7996. (To Mr. Kempe.) Referring to paragraph 7, "Robberies of old metal from Chatham Dockyard," is there any use going into that in view of your last sentence? Have you yet received the Admiralty Report and the papers upon it?—No, but I think the Admiralty might explain better than I can the position (Mr. Forsey). In connection with this matter, I saw the Secretary to the Admiralty, specially with a view to what I was to tell the Committee now. Personally, I can tell you nothing more than I did last year, that is to say, the whole matter was turned over to a Committee of very important officers to investigate in all its bearings. They are busy men, and have not been able to sit from day to day, but they have met very frequently. For the moment their Report has not yet been submitted to my Lords, and therefore we are in precisely the same position as we were in last year. I have reason to believe that the Report has been agreed to, and will be submitted probably in the course of a few days. Mr. Eyles, who is a member of the Committee, has just informed me that the Report has just been signed.

7997. Therefore, it certainly will be before us next year?—Most certainly.

7998. The Committee will feel that it ought not to be delayed beyond next year?—I assure you we are all most anxious to get the matter settled; the Committee's Report itself will require a large amount of consideration, and action to be taken upon it undoubtedly.

7999. And that action will be taken in time to get it before the Comptroller and Auditor-General before his Report of next year?—Yes.

8000. You can assure us that that will be so?—Yes.

8001. Are

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[Continued.]

STORE ACCOUNTS OF THE NAVY.  
Chatham Dockyard—continued.

Mr. Brigg.

8001. Are you aware of the Military Stores Act?—Yes, but what paragraph are you alluding to?

8002. Which enables you to obtain a warrant, and to seize any stores you may find, and make a man prove he is innocent in respect of having them in his possession?—That is constantly done now.

8003. Are you working under that Act?—Certainly.

Mr. Leif Jones.

8004. (To Mr. Eyles.) I would like to ask you why this Committee has been so very long in reporting. The Report of the Comptroller and Auditor-General has been out since 6th February, and it is now July, and, as it was well known that this would arise, I think we have some reason to complain that the Report of the Committee has not been got out, especially as it is approaching completion, because if we had had it a week ago we could have finished with this matter this year?—I am afraid I cannot answer authoritatively, because I was not the Chairman of the Committee, and therefore did not call the meetings, but I can say that the subject has involved an enormous amount of detailed investigation, and the consideration of questions of administration as well

Mr. J. B. MARSHALL, C.B.; called in and Examined.

Sir George Kekewich.

8008. (To Mr. Marshall.) It appears that these new pumps, through modifications in design and delivery, were not delivered until May, 1902, by which time the pumps they were intended to replace had been repaired and rendered fit for several years' service. The result was that the new pumps were placed in store, where they remained three years, and then they were appropriated to Gibraltar at the breaking up value of £40. May I ask why the new pumps were ordered at all?—Because the others were so defective.

8009. But the others were repaired and made serviceable?—We had no alternative, because the new ones were not supplied in time.

8010. Why did you not ascertain that they could be repaired?—The repairs required were very extensive.

8011. But you have had them repaired and rendered fit for several years' service?—We had practically to renew them, as we could not wait for the new ones.

8012. May I ask whether the repairing was more costly than the cost of the three new pumps, that is to say, allowing for the fact that their present value is £180, a depreciation of £315? Who is responsible for ordering new pumps when old ones would do?—The old ones were so very defective that there was no intention of repairing them at all, but as the new ones did not come in within two years, there was no alternative

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Mr. Leif Jones—continued.

as of account. Therefore, it was a most important Committee, and I do not think that it could have conducted its work much more rapidly than it did.

8005. You do not think that from 6th February to 6th July has given them time to finish their work?—Not more than sufficient time. The work is now finished.

## SHEERNESS DOCKYARD.

Chairman.

8006. (To Mr. Kempe.) In reference to paragraph 8, "Deficiency of Coaling Bags on 'Tourmaline,'" you understand that such a mishap as this will be avoided in future?—Yes, receipts will be given in future.

Sir George Kekewich.

8007. With regard to paragraph 9, "Pumps purchased for Sheerness, but not used there owing to late delivery," I should like to ask why you ordered new pumps at all under these circumstances? Why could not the old pumps have been repaired in the first instance, as they have had to be repaired in consequence of the delay?—(Mr. Forsey) Would you be good enough to ask the Director of Dockyards, who is mainly concerned with it, to answer that question?

Sir George Kekewich—continued.

but to repair them extensively; we had practically to renew the greater part of each.

8013. I quite understand that, but I want to know why they were not repaired in the first instance?—Because they were considered so defective.

8014. Do you mean to say it was not ascertained that they could be repaired?—It was, but the repairs were so very great that it was thought at the time they were not worth repairing.

8015. They turned out to be worth repairing?—Yes, but we had practically to renew the whole of them. The history of the case is that there was the intention of introducing a new feed pump at that time, and the Yards were asked how many they would require. Sheerness replied three, two to replace two working ones which were very defective, and one for spare. As the new pumps did not come in for nearly two years, the others had to be kept going, and consequently were repaired extensively.

8016. As matter of fact they were not wanted at all?—Yes, they were.

8017. Certainly not, because the old pumps have been repaired, and they have been rendered fit, as it is said here, for several years' service. Now, the consequence is that all the money spent on ordering these new pumps, with the exception of £40 or £180 or whatever it may be, has been utterly wasted?—No, several pumps

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were

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were ordered for stock, of which three were to go for this purpose, but when we found they were not wanted there, and we had repaired the others, we asked the other home Yards if they could use those pumps. No home Yard could take them, so we asked Gibraltar, Haulbowline, and Malta. Gibraltar said they could take the three. We sent them there, and they are now at work. The only thing is that it would have been better to have charged them at a higher value; the mistake was made in unduly depreciating them.

8018. Apparently the requirements of the present service are only £180 at the outside?—That is for the pumps they replaced at Gibraltar.

8019. What I am putting to you is that it was a case of exceedingly inefficient administration that these pumps should have been ordered for Sheerness Dockyard, when the old ones could have been repaired. They were not wanted, and therefore the whole of the money is absolutely wasted. They were not wanted at Sheerness and they were sent to Gibraltar, where they have been put to some use or another. I put it to you, therefore, that it was a case of exceedingly inefficient administration on the part of somebody?—The old pumps were repaired because we could not wait for the new ones.

Mr. Brigg

8020. You said that additional pumps were ordered at the same time into stock?—Yes.

8021. Would you feel yourself justified in disposing of these additional pumps at the same price you put down for these ones at Gibraltar?—No, we used nearly all of them at the original price.

8022. For those at Gibraltar you level them up at £40?—Yes, that was an error in reducing the value too much.

Mr. Bowles.

8023. These pumps, as I understand it, were ordered in February, 1901?—Yes.

8024. And they were not delivered until May, 1902, 15 months later; what was the reason for that delay?—During manufacture there was an alteration in the design.

8025. Why did that alteration become necessary? As I read this paragraph, you ordered the wrong pumps, you ordered a form of pump which was not the form you really wanted, to start with?—The original one had to be altered and modified.

8026. Could not that have been foreseen in February, 1901?—That I could not say; it was not done in my branch.

8027. But it is the fact that this delivery was delayed, and that really caused all the trouble?—That is the fact.

8028. And the delay was due to the necessity in which you found yourselves—of entirely

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Sheerness Dockyard—continued.

Mr. Bowles—continued.

altering the design of the pumps you had ordered?—That is so.

Sir Daniel Goddard.

8029. What are these feed pumps for—feeding boilers?—Yes, one was for the new Well boiler, and the other for the mast sheer boiler at Sheerness.

8030. Who were these boiler constructors who were making the pumps?—Mumford.

8031. Did they supply the boilers?—No, the boilers were existing.

8032. Whose boilers were they? Why not go to the maker of the boilers for a feed pump for them?—The boilers were very old.

8033. A feed pump to a boiler is a perfectly simple instrument which is very well known, and there is no occasion to alter the design of a feed pump for a boiler?—But these were being ordered for ships in the service as well as for the dockyards.

8034. These three?—They were only part of a large number.

8035. We are only dealing with these three?—You are dealing with the design of the pump.

8036. You altered the design of all of them?—The pump was available for ships as well as the dockyard service.

8037. I do not see why you should alter the design of them. A feed pump is such a simple contrivance that you were only putting yourselves into difficulties by it. It was the Admiralty who altered the design, I suppose?—Yes.

8038. Somebody thought another design would work better?—They altered the design of the old standard feed pump, which was not considered efficient, into the new design.

8039. Why then order the old one? You cannot get over it all ways; if it was an obsolete article you should have said, "We must have a new article"?—No, it was a new design they modified during manufacture.

8040. What I want to know is this: you say it was owing to the long delay that you had these old ones repaired. The delay was 15 months, and not two years. When did you expect to get them?—We expected them in a few months, less than 15.

8041. Within two or three months, I suppose?—Within six months.

8042. A feed pump is a thing ordinary engineers would knock off in two or three months as easily as possible. You changed the design within two months of ordering them; that is practically what happened, is it not?—Yes, I suppose it was; and I had nothing to do with that, and I cannot say.

8043. This feed pump was a modern instrument remodelled to the best design?—More modern than the one it replaced.

8044. I take it you would not order anything but the best?—That is so.

8045. Did you order them?—No.

8046. These

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[Continued.]

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Sheerness Dockyard—continued.

Sir Daniel Goddard—continued.

8046. These pumps cost £495?—Yes.

8047. Why should they deteriorate at all if they were new articles?—Because at the time we saw no likelihood of using them.

8048. You have answered one question to say that you were ordering these for stock; you ordered a lot more of these for stock, and presumably you kept them in stock as a stock article?—Yes.

8049. There was no harm in keeping these in stock instead of selling them at such depreciation as this?—That is so.

8050. Why should not they have been kept the same as the others?—Because the prospect of using them became small, owing to the reduction in the number of ships which would use them, and by the introduction of a more suitable type of pump.

8051. Another change afterwards?—A new type. The pumps referred to were used generally until Weir's pumps were adopted. This is a more suitable pump for present service generally.

8052. That does not appeal to us at all; you know there is a new pump coming, apparently?—Yes.

8053. And first of all you order pumps of the old pattern?—No, a more modern pattern than had been in use up to that time.

8054. The first order was for an old pattern—the three-feed pumps were of the old pattern; that is what you have said, and then you modified it to make it an improved pump, and that caused delay. That was the first modification, then immediately afterwards you have to buy an improved pump still—three changes, you see?—I cannot tell you what took place with regard to the designing of the pump; I had nothing to do with that, but having got these pumps we had to use them, and using them at Gibraltar is not throwing them away.

8055. What department of the Admiralty made this order?—The Engineer-in-Chief; he had the designing of the pump.

8056. Was he responsible for this first order that had to be changed?—He was responsible for bringing in the new design upon the old feed pump.

Mr. Mitchell-Thomson.

8057. Do I understand that these Mumford pumps which you ordered were only some of a batch ordered by the Engineer-in-Chief?—Yes.

8058. They were some of a lot?—A part of a lot.

8059. Did you get the first of a batch that were ready, or did some other department get them?—They all came to the Dockyards in stock for the Director of Stores to issue, and we had the three sent to Sheerness that had been asked for, but in the meantime the old pumps had been repaired, and the new pumps remained in the store three years. It is no use keeping a thing in the store three years if you can use it elsewhere, and we asked the other home Yards whether

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Chairman.

they could use these pumps, and they said no; then we asked Gibraltar.

8060. What was the cost of repairing the old pumps?—About £30 each.

(Mr. Marshall withdrew.)

## PEMBROKE DOCKYARD.

8061. (To Mr. Kempe.) With reference to paragraph 10, "Delay in bringing returned stores to account," apparently the Admiralty instructions were not carried out; the instructions were sufficient so far as you could see, but they were not properly carried out?—Yes, as far as I am aware they were sufficient. A delay in connection with stores like these conduces to theft and misappropriation, and that is why I have noticed it.

Mr. Bowles.

8062. (To Mr. Forscy.) I suppose steps have been taken to see to this?—I should like to explain that this was entirely an abnormal set of circumstances in which I think there is considerable excuse for the Dockyard officers. It arose almost entirely out of the wreck of the "Montagu." Pembroke Yard is, as you probably know, a very small place and with a comparatively small staff. It has also a small working plant, and the whole of the staff were at work upon salvaging the stores from the wreck of the "Montagu." When brought round they could not be dealt with, that is surveyed for condition and valued and stowed away, as quickly as they arrived, but the whole of the stores, as they were brought to the Dockyard, were tallied and set aside, so that there was not the slightest chance, so far as I can see, of any single article getting adrift, but they were not brought to account until the staff were really free from the wreck, and the plant was free from the wreck to enable it to be dealt with. I really could not blame the Yard officers very much in the matter.

8063. I should just like to be clear about what the duty of the Yard officers in such a case is. One can quite understand in these cases, with a small staff and a great pressure, that it might have been difficult or even impossible to carry out the regulations, but what is the duty of the Yard officers in such circumstances? Ought they not to make representations to the Admiralty, saying: "We have got a great deal of stuff here, and we give you notice that we cannot really deal with it as it ought to be dealt with in the circumstances"?—That is what one would rather have expected them to have said, but as a matter of fact they did the best they could from day to day. You can quite imagine that it was day and night work almost, and I rather think myself that the officers and local staff generally were to be commended for the efforts they made to get the work done.

8064. I do not make any mention against them; the

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Pembroke Dockyard—*continued.*Mr. Bowles—*continued.*

the only thing is whether the system should not be altered?—It would undoubtedly have been better for them to have begun on the line you have suggested.

8065. Special pressure will arise under all systems, but the thing is that a system ought to be adaptable to pressure in some way. It appears to me that if one simply allows the Yard staff to say, "Well, this is exceptional," and leave it at that, and do nothing, it opens rather a large field?—But to have a staff capable of dealing with any given set of circumstances that might arise, such as, for instance, the wreck of the "Montagu," would necessitate retaining a very unnecessarily inflated staff to cope with the ordinary requirements. Undoubtedly it would have been better for them at the stage when they found they were not keeping pace with the work, to report the matter and ask whether anything else should not be done.

Sir Robert Hobart.

8066. May I ask with reference to the articles obtained by the salvage operations on the "Montagu," whether these were brought into the account which Mr. Eyles furnished me with the other day?—(Mr. Eyles.) Yes, they are all included.

## NAVAL YARDS ABROAD.

Chairman.

8067. (To Mr. Kempe.) With regard to paragraph 11, "Closing of Naval yards abroad, Stores reported deficient," there have been good results from this examination referred to in this paragraph in the naval yards abroad. You were quite satisfied with them?—Yes.

Sir Daniel Goddard.

8068. I understand you complain of the method in which they were accounted for?—Yes.

8069. You do not think these stores ought to have been written off as deficiencies on stock-taking?—No, it looked as if there was a certain amount of carelessness in bringing to account.

8070. You say in your report that you have succeeded "in the tracing and bringing on charge of nearly one half of the value of the stores previously reported as deficient and written off charge"?—The Admiralty have done that in consequence of the pressure we put on.

8071. Is that as much as you expected?—We hoped to have got more, but the result is good, I think. I do not think we expected anything in particular; we had no special expectation.

8072. (To Mr. Forsey.) What is the explanation of the Admiralty as to what became of these stores?—I should like to remind the honourable Member that this question was under discussion before the Committee last year. It arises out of the closing down of certain of the foreign yards,

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Naval Yards Abroad—*continued.*Sir Daniel Goddard—*continued.*

and the reduction of others. It involved the bringing home of 5,500 tons of stores from all over the world. Those stores were packed and shipped under circumstances of the utmost difficulty, at all events under very abnormal circumstances and conditions, that is to say, by a staff who were under notice to leave, and the whole thing was done under great pressure. The yards had to be closed in a period of three months, and undoubtedly clerical errors did occur. In one place, I think it was Halifax, the Naval Store Officer had to press his wife into the service to assist in closing up his ledgers and other clerical work. His stores were lost under mountains of snow, as may be seen from the photographs I have here (*handing in the same.*) Under these conditions, and seeing that the loss amounts only to 9 per cent. of the whole value of the consignment, I cannot help thinking that it is exceedingly creditable to all concerned.

8073. 9 per cent of this 5,000 tons?—Of 5,500 tons; the total loss is under 1 per cent., and I do think it is really creditable under the conditions I have mentioned.

Sir George Kekewich.

8074. I should like to know more clearly what the meaning of "tracing" is. How do you "trace" these stores?—By inquiry of every yard in any way connected with them, and by endeavouring to trace the transaction through documents and accounts, and through storehouses if it is possible.

8075. It is not that those stores were lost, but they were mislaid?—It is tracing the quantities. Last year, for instance, the Comptroller and Auditor-General pointed out that the total amount of apparent differences on this huge series of shipments amounted to something like £2,000.

8076. "Tracing" does give, to a certain extent, an assurance of account, does it not?—Yes, or finding the stores.

8077. Finding the stores, because they have not been accounted for in the account?—That is so, they have got adrift, they were invoiced probably to one yard and sent to another.

8078. There is no question of robbery connected with it?—Not the remotest.

Sir Robert Hobart.

8079. May I ask one word about the great pressure; how did it occur? The yards, I understand, had all to be closed down in a hurry, in three months?—Yes.

8080. Was the period of the year taken into account?—I do not think it was.

8081. Hardly in the case of Halifax, I should think?—No, it was not. I think honourable Members know as much about the matter as I do, but it was a question of Admiralty policy, under which the Board had arranged to reduce those foreign

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, C.B.,  
and Mr. FORSEY:

[Continued.]

STORE ACCOUNTS OF THE NAVY:  
Naval Yards Abroad—continued:

Sir Robert Hobart—continued.

foreign establishments. Three of the yards were closed down altogether, and others were reduced, and the stores which were at those yards had consequently to be sent home.

8082. There was only this very short notice?—Yes, a short time in which to do it.

8083. It must have been contemplated that there would be some loss?—Well, one would almost contemplate a difference, at all events. I would say a difference instead of a loss.

8084. You have no reason to think that the stores had been kept in a bad condition?—Not at all; on the contrary we have used the bulk of them since. This amount which is shown here is simply representing the quantity of stores—less than 1 per cent.—which it has not been possible to trace from that huge shipment or series of shipments amounting to 5,500 tons in the aggregate.

Mr. Leif Jones.

8085. (To Mr. Kempe.) I think this was discovered owing to remarks you made on the return of these stores as deficiencies on stock-taking?—Yes, it was in consequence of my having called in question their being entered as losses.

8086. What made you draw attention to them? Was it their magnitude?—I think it was noticed in the Report last year and appeared to have arisen first of all by doubts which we had as to the reasons given. That led to further going into the question, and it was found then that stores sent home were entered in the wrong names and that some entered as lost were afterwards discovered in packages.

8087. Was that due at all to the stocktaking having been dispensed with at certain stations?—That I do not know.

8088. There were certain Naval yards last year in which the Admiralty dispensed with certain stocktakings; were these the yards in question?—(Mr. Forsey.) Certainly not; I do not remember that incident at all.

8089. It was a question addressed by the Chairman to you, I think, last year, No. 2194: "In the case of certain Naval yards abroad which are referred to in paragraph 17" of Mr. Kempe's report, "I gather that the Admiralty have dispensed with certain stocktakings? (A.) That is so?"—(Mr. Kempe.) Those are not the same yards.

8090. (To Mr. Forsey.) I think it is very creditable to Mr. Kempe's staff to have discovered this, but I think you said it was creditable to the Admiralty, and I think that would be a little more difficult to follow?—When did I say that?

8091. I think in answer to Sir Daniel Goddard you said it was creditable to the Admiralty there was only 1 per cent?—My remark was that I thought it was creditable to the foreign yards, whence these huge quantities of stores had been sent home, that the differences and

STORE ACCOUNTS OF THE NAVY:  
Naval Yards Abroad—continued.

Mr. Leif Jones—continued.

losses of every kind, however arising, only amounted in the aggregate to less than 1 per cent. of the total value of stores so shipped and dealt with. I was speaking of the staff in the foreign yards who had been working under circumstances of great pressure.

8092. Was it not by taking a little more trouble that half of this was discovered?—That was discovered at the yards here at home, acting under pressure from my office.

8093. I suppose it might have been discovered there if the stock had been properly taken, because, as I understand, it was owing to the deficiency in stocktaking there that the loss arose?—It was not a question of stocktaking at all; I was not occupying my present position when these orders were sent out, but, as I understand it, orders were suddenly sent out to Halifax, for instance, "Close down and send home the whole of your stock at once." That meant dispersing the staff on the spot, and you can quite understand that men under notice of dismissal and so on would not work quite so readily and willingly and loyally as they otherwise might have done, and I do think that in shutting down a yard and packing the entire stock it is quite reasonable to expect small differences.

8094. The point I had rather in mind when I said the Admiralty was that it was left to Mr. Kempe's examination to discover this. Have you no departmental method by which you would have discovered this for yourselves?—Pardon me, we had; it is the discovery of the officers of the Admiralty, who have been worrying this through for a year, with the result that we have reduced this figure of £2,000 to that at which it now stands.

8095. Would you have worried but for the fact that Mr. Kempe was worrying you with questions?—I am afraid we should not have but for what occurred here last year, because I still think from my knowledge of the enormous number of these transactions that even the £2,000 represented a very small percentage, taking into account all the circumstances of the case.

8096. That is rather what I was coming to, that your standard appears to be somewhat lower than Mr. Kempe's?—I am sorry that the honourable Member takes that view.

8097. I take it from the answers given. Mr. Kempe says, taking these returns this is not satisfactory, and you, with the same returns before you, I gather, were prepared to pass them and would not have made the search to find these out unless the Comptroller and Auditor-General had drawn your attention to them?—I sit here of course to take the blame, and I trust the credit, for my Department, but as a matter of fact I personally was not concerned with this. It was before my time as Director of Stores, but the fact remains, as I say.

8098. The Director of Stores was responsible.

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[Continued.]

STORE ACCOUNTS OF THE NAVY:  
Naval Yards Abroad—*continued.*Mr. Leif Jones—*continued:*

I am not attacking you personally, but it does seem to me that the higher the standard maintained by you, the better will be the work performed by your officers?—Yes.

8099. You do not deny that in this case the Comptroller and Auditor-General's standard was higher?—Evidently.

8100. And it would have been better if your officers had acted up to that standard to which they ultimately had to conform?—I am afraid still that the honourable Member does not take into consideration the extreme difficulties of the case here. We work, I hope—and I think the Comptroller and Auditor-General will give us credit that we work—on the same plane as himself, and I cannot admit in that sense that we accept a lower standard than even the Comptroller and Auditor-General, nor do I think that the Comptroller himself would wish to say that that was the case.

8101. No, but I think an effort which results in tracing half of a given deficiency is an effort worth making, and that it should be made as a matter of course?—At this particular time when the whole of these stores—and I repeat the quantity, 5,500 tons—were being handled, a very large proportion by comparison to that quantity was also being received at yards at home from the ineffective ships, and I do think that the transactions in themselves were so enormous that some differences must be expected, and that a margin of less than 1 per cent. is very small.

8102. I think you do not quite take my point. In the first instance, no doubt an error of that magnitude might have been expected. My point is rather whether you were justified in dropping inquiry with an error of that magnitude unexplained. That is really the point I am driving at, and I should have thought that, as on the pressure of the Comptroller and Auditor-General you took the trouble to find these stores, it might have been admitted that it would have been better to do so in the first instance?—I have explained what was done by us.

Chairman.

8103. (To Mr. Kempe.) In reference to paragraph 12, "Local Test Audit at Malta Dockyard," the accounting generally in Malta, and I gather at Gibraltar also, was found to be satisfactory on the whole?—Yes.

STORE ACCOUNTS OF THE NAVY:  
Naval Yards Abroad—*continued.*

Mr. Ashton.

8104. Have you heard from the Admiralty yet?—Yes, we had an answer. Steps, I believe, are being taken to put the matter right.

8105. (To Mr. Forsey.) May I ask how it occurred that this machinery would be taken at cost price? We have had evidence under paragraph 5 that things were taken at a very low value, indeed at break-up value. Why were these taken at cost price when it was old machinery?—I do not think the machinery was old in that sense; undoubtedly it had been retained in store at Malta for some considerable time, apparently without a use having presented itself for it, and evidently the Malta officers had retained it at its original value.

8106. Have they a different system of valuation there to what you have in England, then?—No, they have not, but apparently the officers in this case rather failed to carry it out, that is to keep the valuation of that particular article step by step, according to its present condition.

8107. Are the instructions issued to the dockyard there that they shall write down the value of articles lying in store?—Yes.

8108. Just in the same way as in other places?—Yes.

Chairman.

8109. (To Mr. Kempe.) Referring to paragraph 13, "Local Test Audit at Gibraltar Yard," was this the first test audit to be carried out there for many years?—Yes, the first by an officer of my Home Staff.

## PARAGRAPH 14.

"IRREGULARITY AT SYDNEY YARD."

[No Questions.]

## PARAGRAPH 15.

"STORE ACCOUNTS OF OTHER YARDS, ETC.,  
ABROAD."

[No Questions.]

(Mr. Forsey withdrew.)

## VICTUALLING YARD STORES.

Mr. O. A. R. MURRAY called in; and Examined.

Mr. Ashton.

8110. (To Mr. Murray.) In reference to paragraph 16, I should like to have some explanation of those very large reductions in stocks, especially the provisions and the seamen's clothing?—These are due to the Board deciding on a new basis of

Mr. Ashton—*continued.*

reserves of stocks on a considerably lower basis than the old one. It was considered that it was not necessary to keep so many months' requirements of these particular articles in store,

8111. When



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[Continued.]

STORE ACCOUNTS OF THE NAVY.  
Victualling Yard Stores—*continued*.Mr. *Hobhouse*.

8111. When was this new basis fixed?—At the end of 1905, just as the last Government went out and the present Government came in.

Mr. *Bowles*.

8112. As to your answer, I understand that this reduction of stock has been due to an alteration in the basis of the reserve?—Yes.

8113. The basis of the reserve of stock is a matter, no doubt, of administrative responsibility for the Board to decide in each case?—Yes.

8114. I imagine that expression might be used really in order to cover any depletion of stock which the Department or the Treasury, or both together, might desire to make?—Yes, but it would not be true.

8115. In this case it is true?—Yes.

## LOSSES AND CONDEMNATIONS.

Sir *George Kekewich*.

8116. With regard to paragraph 17, "Losses and Condemnations of Victualling Stores, &c., in 1906-7," What is the meaning of stores over age limit?—For each of the various articles and provisions that we store there is an age limit fixed by the Board, which is the age after which stores are not to be re-issued to a ship; for instance, take preserved meat, we consider that preserved meat of a certain age ought not to be issued from the victualling yards to a ship and perhaps then be taken to the other side of the world before being used. It does not necessarily mean that the stores at the time they reach the age limit are bad; it only means they are so old that their condition is questionable, and therefore they ought not to be issued.

8117. And you sell them, or do you destroy them?—We destroy them in the case of articles in which there would be any question, for instance, articles in tins. Of course, unless you open the tin, you cannot tell whether the contents are good or not. For instance, we should destroy preserved meat.

8118. It would be dangerous to the consumer?—It would be dangerous to sell it in the tins.

8119. What is the trade flour?—It is ordinary flour, such as is used by bakers.

8120. Apparently it was unsatisfactory?—Yes, the circumstances were these; when we first introduced bakeries on board the ships, we were rather led to believe that we should be able to use the same grade of flour that is used by bakers on shore. We found that it was not so, and that we required flour with a lower percentage of moisture in order to keep on board ship, and it was only by experience, and I am afraid by certain condemnations, that we were able to fix on a satisfactory quality of flour.

8121. That is to say, your losses were due to inexperience?—Yes.

8122. And now that you have greater experience

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Losses and Condemnations—*continue*?Sir *George Kekewich*—*continued*.

you have been able to lay in a stock of flour with a smaller percentage of moisture?—Yes.

8123. And that will keep better on board ship?—Yes.

8124. The deterioration is, of course, due to the dampness of the air?—To the moisture, and to the keeping; of course, a baker on shore will use his flour perhaps within a few weeks of its being milled, before the moisture in it has time to work, but we very often have our flour six months on board a ship before it is used.

8125. That will cost you a little more?—It costs us a little more; we tried really to do the thing too cheaply at first.

8126. What was the defect which was found in the bakeries with regard to the ordinary bread flour? What happened? Would it not bake properly or what?—The flour caked in the sacks, and made sour bread.

8127. And you could not eat it?—No.

Sir *Robert Hobart*.

8128. (To Mr. *Eyles*.) The stores that were lost in the "Montagu" included in your Return?—Yes.

8129. There is nothing outside?—No.

Mr. *Ashton*.

8130. (To Mr. *Murray*.) You told us you discovered by experience that the flour had too little dampness in it?—Too much moisture in it.

8131. Surely that is a thing that those responsible ought to have known beforehand, ought they not?—We took advice from the trade, but we came to the conclusion afterwards that the trade knew very little about the conditions of keeping flour on board ship for long periods. You see, even the steamship companies do not work under quite the same conditions that we do as regards the time they keep their flour on board ship, and certainly not under the same conditions as regards stowage. Our stowage is of course ridiculously bad as compared with that in a liner.

8132. That is what I was coming to; you went on the same lines as the merchantmen do?—Yes.

8133. And they do not require any different flour?—No.

Sir *George McCrae*.

8134. With regard to the bread flour, how long has this previous system been going on? It says here, "Although the condemnations took place within a short time of receipt it was decided." How long had these losses been going on?—All these losses took place within the first year of bakeries being introduced.

8135. So that you discovered it within 12 months of the adoption of the new system?—Yes.

8136. Then you said the trade experts did not know very much about it, but I notice here that you are associating a trade expert with examining officers?—We did on one occasion, and we got a certain amount of help from him.

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8137. He

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8137. He would not, of course, be one of the contractors; he would be outside the contracting firms?—That is so.

8138. You say that the price of the flour that is now being supplied is only slightly higher than the ordinary bread flour?—Yes, we found we had to pay a little more than we did for our first purchases.

8139. Did you issue new terms for competition among the various firms after you had adopted this new system, or did you get your contractor to adapt himself to the new material?—We improved our specification, made it more exacting, and definitely fixed upon a percentage of moisture.

8140. With reference to paragraph 18, "American Preserved Meat," I would like to ask you what is being used in the Fleet instead of the American. What do they substitute?—We are still using preserved meat, but none from the United States.

8141. Where does it come from?—Chiefly from Australia, partly from New Zealand, and a little Argentine.

Mr. Bowles.

8142. Was there a very great loss on this preserved meat?—We did not sell it for anything like the price we paid for it; we could not expect that, because it was all three years old, but we got a very good price for it. It was bought back chiefly by the firms who supplied it.

Sir Robert Hobart.

8143. Was that in consequence of the strong feeling which you allude to here in the Fleet against the meat? Was that because of the Chicago revelations?—Entirely.

8144. And then the men got a prejudice against it and would not have it?—The men got a strong prejudice, and threw it overboard.

Mr. Brigg.

8145. Was there any reason for that prejudice?—I have every reason to think that the meat was perfectly good. I have eaten it myself, and should be quite ready to do so now. I think some of it was put up under defective sanitary conditions.

8146. I suppose the cases are all marked?—With the maker's name?

8147. Yes?—Yes, certainly.

8148. But you did not find any of them bad yourself, nor do you know that any of them were bad?—No.

8149. It was simply a prejudice on the part of the sailors that they would not have American meat?—Yes. I should say from the fact that the manufacturers themselves bought it back the probability was that it was very good, and I should say that probably the tins are having new labels put on, and are coming over here again.

Mr. Hobhouse.

8150. Would it be sold to you under these

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circumstances?—We are not buying United States meat now.

Sir George Kekewich.

8151. They bought it back at a great reduction?—They paid us a very good price for it.

8152. But of course considerably less than you paid them in the first instance?—Yes. They gave us more than half price, which, considering the age of the meat, was good.

8153. It had been such a short time in store that it had not deteriorated?—It was all of it three years old, but I believe they consider that nothing in the trade.

Sir Daniel Goddard.

8154. With regard to paragraph 19, "Over-issues of seamen's rations," that seems rather an awkward question. Take the "Vivid" case; as I understand, the rations over-issued were 8,610?—Yes.

8155. Can you tell me how many rations should have been issued to her during that mid-summer quarter?—About 350,000 rations.

8156. Are these figures ever checked at all the naval depots?—Yes. Perhaps I might explain how these over-issues occur. They really occur from the daily variations in the numbers of men included in the different messes. Men are constantly being drafted away to ships or being sent out in working parties or leaving the depot for leave, or going to hospital, and there are men constantly joining every day from all these sources. The Victualling Paymaster's staff have to endeavour to keep in touch with all these variations up to the very moment when they issue the provisions, which is very difficult to do, because the last thing which the executive officer who deals with the organisation thinks about is the question of accounting and victualling. He has to get the men away on leave or to get the men drafted, that is his business, and he does not think about the Paymaster's part of the work at all. Small variations are inevitable, but in these quarters to which the Comptroller and Auditor-General calls attention the numbers were out of all reason. The question was very closely gone into, and it was very clear that really in these cases it was due to carelessness, and partly culpable carelessness, on the part of the ships' police in not checking men out of the barracks. The result of that was to give the men who were left in a particular mess more provisions for the day than they were entitled to. To stop that various safeguards were introduced in the way of better supervision; for instance, surprise musters of messes to see if all the men who were supposed to be there were there, but the great safeguard was the fact that the House of Commons about that time allowed the institution of an allowance of 8½d. to men when they went away on long leave. Before that a man who went away on leave got nothing, and it was not to his interest to see that he was checked away on leave, rather

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rather he liked to elude the check and leave his provisions to his mates; but now unless he sees that he is checked he does not get his money when he is away. That has had an enormous effect on these variations, with the result that in the last year for which I have got figures, the 1st April, 1907, to 31st March, 1908, the "Vivid" only had about 300 rations over-issued, as against 8,600 in one quarter in 1906; so that I think the difficulty has been got over, and considering the difficulties under which they labour I think the results we now get reflect great credit on the Paymasters at the barracks.

8157. Are these only in the ships at the Naval Depots, or do these apply to all ships going into commission?—These over-issues occur at the Naval Depots, as is stated in paragraph 19. All those ships mentioned there are the ships' names of the different depots. The "Victory," for instance, mentioned there is the Portsmouth Depot; the "Vivid" is Devonport, and the "Pembroke" is Chatham.

8158. This has nothing to do with the over-issue of supplies to ships on commission?—Oh, no; it is the over-issue of provisions to the men of a particular mess in a barracks owing to the fact that some men have gone on leave, or have left the barracks, and have not been checked out of the barracks.

8159. Is there any check on the rations that are issued to ships on commission?—Do you mean is there a check on the stores that a ship can demand from the Victualling Yard?

8160. Yes?—No. A ship can fill up to full stowage; but she cannot issue stores to the men except according to a given scale.

Mr. Mitchell-Thomson.

8161. (To Mr. Kempe.) I see you say that you addressed certain inquiries to the Admiralty with regard to apparent irregularities in connection with leave tickets at these depots. Have you had any reply yet from the Admiralty with regard to that?—Yes, I have. The Admiralty do not admit altogether that the leave tickets are the main cause. Mr. Murray has explained it to a certain extent. They told us that the leave tickets could not be accepted as conclusive for the purpose of comparison with the mess-book, and therefore I suppose they do not entirely agree that the over-issues were caused by that.

8162. (To Mr. Murray.) I thought you said the leave tickets were the great safeguard now?—Yes, but I think this is different: I think these leave tickets referred to short leave, week-end leave, and they are really a matter for the Accountant-General.

8163. You do not know about that?—No. Mr. Eyles would know about that.

8164. (To Mr. Eyles.) Do you know what these irregularities were?—As I understand it, they had reference to what is known as leave tickets, but we do not rely upon the leave tickets as a check,

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Mr. Mitchell-Thomson—continued.

but upon the gangway check-books, because a man might be given a leave ticket, and afterwards decide not to go on leave. The Director of Victualling has explained that under the new system the man himself will see that he is checked, otherwise he will not get his victualling allowance.

Mr. Brigg.

8165. (To Mr. Murray.) With regard to these over-issues of rations, are there no cases of under-issues of rations?—Yes, there are some cases arising from the same conditions; for instance, at Portsmouth Depot during the Lady Day quarter this year there were a few under-issued, 76, due to exactly the same causes.

8166. The same conditions would arise, that men might come on to certain places, or into certain depots, who were not expected?—Yes.

8167. So that there have been under-issues?—Yes, there have been under-issues in several cases recently.

Sir Robert Hobart.

8168. In the second paragraph of paragraph 19, the second reason for these over-issues is given as "carelessness on the part of the ships' police in omitting to enter on the check sheets the names of men on leave." Is that the gangway check we have just heard of?—Yes, that would be it.

Mr. Bowles.

8169. (To Mr. Eyles.) I suppose representations were made to the ships' police that they had very grossly failed in their duty?—Full inquiries were made into the circumstances. (Mr. Murray.) I think, if I recollect, some of them were severely punished in cases where culpable negligence was proved.

8170. One must rely, and you still do rely, really upon the ships' police; there is nobody else to rely upon?—Yes, and we have surprise musters of messes.

8171. As I understand it, it would be quite possible for you to imagine the ships' police in a depot, or any one watch of them, combining together so that there might be a very serious result?—Yes.

Sir George McCrae.

8172. There is one question I would like to ask, apart altogether from the check which the ships' police have in those check-sheets, entering the names of the men on leave: is there anyone responsible on each mess for drawing a certain amount of ration?—There is a man told off to go and draw the provisions. The Paymaster's staff issue the provisions, and they have the lists of the numbers of men in the different messes corrected up to the last moment. The man who is sent to draw the provisions comes in and gives the number of his mess; the Paymaster's staff look in their corresponding list, and say: "So many men to be victualled," and they hand him out the provisions accordingly. The man

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who comes does not give the number of men in the mess, but the Paymaster arrives at that from his own calculations.

8173. So that the man who asks for the rations is not responsible?—Not in any way.

8174. But he surely knows what number of rations he gets?—He knows what number of rations he gets, and when he goes back to his mess he may find he has more men or less men in the mess than he anticipated.

8175. Surely, that is a very haphazard method. In the Army they are very particular, and I know that in camp each man in a tent is responsible, and there would be something to say if he was drawing rations for the wrong number of men, and I should fancy much the same system should be in operation here?—I don't think you have quite the same system of drafting out of the depots that we have in a Naval depot. There are changes going on in every mess, whereas I think you rather move in large bodies in the Army, do you not? You do not take individuals, some from one mess and some from another.

8176. That is quite true, but what kind of officer would this be, or would he be an officer or just a ship's seaman, who went up to draw the rations?—That would be simply a seaman who comes up to draw the rations; the Paymaster, who is, of course, a commissioned officer, decides what amount of provisions are due to a mess, and they are issued under his supervision.

8177. Do you think that any seaman would draw 8,610 more rations than he had men for in a single quarter, without knowing it?—Certainly. There are about 3,000 men being victualled every day in the barracks, so that the over-issue only means a very little.

Chairman.

8178. With regard to this matter, on the whole is the saving of over-issues equivalent to the 8d. a day messing allowance?—No, the messing allowance costs £70,000 a year, and 8,000 rations over-issued only amounts to £300.

## VICTUALLING YARD MANUFACTURING ACCOUNTS.

8179. (To Mr. Kempe.) You have no remarks to make on this little Blue Book, as to victualling?—No.

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Mr. Brigg.

8180. (To Mr. Murray.) You have only one flour mill under your charge, and that is one in Malta?—Yes.

8181. Part of the flour that is used there comes as flour, and part in wheat, I suppose?—We keep a reserve of wheat there, grind our own flour, and then make it into bread.

8182. That is so that you may have the soft bread for the supply of the Fleet, I suppose?—Yes.

8183. I would like to know how you estimate in any way the cost of the flour you produce yourself from the wheat, as compared with the flour you buy, which you use along with it, in providing the soft bread?—We do not, as a rule, buy any flour in Malta; we use our own wheat entirely, as a rule.

8184. At page 4 there is this entry: "Malta: Provisions (*Flour and soft bread*), £6,043," and there is a footnote: "This amount includes (a) flour (for bread-making), valued at £2,649, and (b) the value of the raw materials from which such flour was produced," represents the remainder. So that you do use flour. I only want to know whether you are producing your flour in this mill as cheap or as good as the flour you are buying or using at the same time?—I think it would be very difficult to say; it has cost us more, I should think, because we have only an old stone grinding mill there at present, we have not got a roller mill, and there is a considerable amount of waste with the flour. We do our own grinding there, because, for reasons of policy, we are obliged to keep a reserve of bread-stuffs. Flour will not keep in Malta, and therefore we are obliged to keep it in the form of wheat, and there are no local mills in which we can get it ground.

8185. You are aware that it costs you double the price that ordinary milling would cost?—I daresay it would.

8186. If the flour is inferior, I suppose that does not matter?—It is not liked so much; it is the old dark-coloured flour that used to be used in this country, which is more nutritive, but the men do not like it so much.

(Mr. Murray withdrew.)

## NAVAL ORDNANCE STORES.

Admiral S. EARDLEY WILMOT called in, and Examined.

## PARAGRAPH 20.

"STOCK VALUATION SHOWN UNDER VARIOUS HEADS."

[No questions]

Mr. Ashton.

Mr. Ashton—*continued.*

8187. Referring to paragraph 21, "Depreciation in the value of guns," what system is employed

in depreciating a gun under this new system?—We value the latest marks of gun at full value, but for

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and Admiral S. E. WILMOT.

[Continued.]

STORE ACCOUNTS OF THE NAVY.  
Naval Ordnance Stores—*continued.*Mr. Ashton—*continued.*

for older marks and older calibres of guns we prepare a table according to the life, like the life of a ship, from the date of the first ship that commissions with that gun, and allow it 20 years' life. At the end of 20 years it comes down to produce value, 10 per cent.; we depreciate it according to the number of years of its life that have passed.

8188. Do you make any allowance for the amount of use of the gun, because that is a very important factor, I suppose?—No, we base it only on the age.

8189. You take the average use of the gun?—Yes.

Mr. Bowles.

8190. These values, of course, bear no relation to what you might call the market value of the gun?—Absolutely none.

8191. They are purely arbitrary values, fixed on an arbitrary scale?—Purely.

8192. That being so, one would imagine that the only real value of such a statement would be to enable one to compare the Naval Ordnance with the Military Ordnance, and it seems to me that this new system rather prevents the statement of the value being of the only use it appears to me to be capable of?—I have never attached any value to it; for some years in succession I have told the Committee that, as far as giving any absolute knowledge was concerned, it had no value. I was against going to the trouble of going into this elaborate depreciation, when the new total is no more a judgment of what the gun is worth than the other was.

8193. Your view is really that, as a statement of value, this statement is worthless; it does not state anything that can be called of value?—No. It is not a marketable article.

8194. And so far from being worth that amount to you, they are worth a very great deal more?—Yes.

8195. Your view is that really, as a valuation statement, it is worthless?—Yes. Of course, I should like to qualify that to this extent, that if Parliament requires a statement in some form or other to be published, it does less harm in the money form than any other. That is to say, I think it would be very undesirable if the statement as to stock was to be based on quantities, whether ammunition or guns.

8196. What was the reason for making what I may call the new change with regard to the method of assessing the value of these guns?—It was in force in other Departments of the Admiralty; there was a depreciation account for certain other articles, and the Board decided that guns should fall into line with carriages and other stores.

8197. At any rate, under the old system, while the statement was not of any real value as a statement of the value of guns, it did enable one to compare the value of the Admiralty Ordnance

STORE ACCOUNTS OF THE NAVY.  
Naval Ordnance Stores—*continued.*Mr. Bowles—*continued.*

with the value of the War Office Ordnance, because both statements were prepared on the same system, but now even that is gone?—I am not aware on what system the War Office value. My system was to value every gun, so long as it was part of the armament of an effective ship, at its original value, even if it was 50 years old, and it was as good a valuation as you could get.

8198. Referring to paragraph 22, "Stock of Naval Ordnance Stores in 1906-7," have you come to any result as to the value of these vocabulary rates to you?—Yes, we have taken it up with the War Office. The War Office, as they made the contracts for warlike stores, and the Arsenal at Woolwich is under their control, were in a position to fix the vocabulary rates, and they formed the Vocabulary Rate Book, which we took. Therefore, they were responsible for any apparent discrepancies, but we have gone to them about this, with the result that certain alterations have been made, and in other cases they said it was due to fluctuations in trade prices and Ordnance Factory prices.

8199. I understand there is a decrease during the year in the apparent value of the warlike stores, and nevertheless there have been considerable additions to stock?—Yes. Part of it is owing to the new system of valuing the stock. There is a decreased value of the guns of £600,000, and that is a depreciation which, of course, will not occur next year, because this valuation is triennial. The additions to stock have no bearing on the value of the old stock.

Mr. Hobhouse.

8200. Referring to paragraph 23, "Difference in terms of Contract for similar sales by Navy and Army," was the price paid for the gunpowder purchased from the Navy the same as that paid for that purchased from the Army?—Their contracts came after ours, but I think they got about the same.

8201. What number of bags was involved?—Thousands of bags. The fact was that we found ourselves with an enormous number of gunpowder cartridges on our hands, owing to the introduction of cordite. The question of space was a very valuable one, and I had to try to dispose of that powder without throwing it overboard. I managed to dispose of it, and I did not want to trouble about the bags, because there would have been expense in getting them back and they were absolutely useless; they had been holding gunpowder for years, they could not be called old silk, and probably they would not have fetched as much if sold as they would have cost to return to me to handle and to store. I made my contract to get rid of the powder and bags, and have done with it. The War Office apparently, coming after me, thought that perhaps they might get something out of the bags. What they got

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[Continued.]

STORE ACCOUNTS OF THE NAVY.  
Naval Ordnance Stores—*continued.*Mr. *Hobhouse*—*continued.*

got out of them I do not know, but I should very much doubt whether they got £200, or anything like it, because it would be merely the value of old silk, discoloured with powder, and probably rotten with age.

Mr. *Ashton.*

8202. I suppose this kind of difference is not likely to occur again, because you now consult the engineer as to contracts?—That is so.

Mr. *Hobhouse.*

8203. Do these Departments consult each other?—Yes, we are in very close communication.

## COMPARISON BETWEEN NAVAL ORDNANCE DEPARTMENT RECORDS AND ORDNANCE FACTORIES RECORDS.

ON PARAGRAPH 24.

"REPORT OF COMMITTEE THEREON."

[No questions.]

## TRANSFERS BETWEEN NAVY AND ARMY.

*Chairman.*

8204. With regard to paragraph 25, "Transfers of Submarine Mining Defences and Naval Guns, &c., between Navy and Army," can you tell me what was done when all these stores were transferred from the War Department to the Admiralty. Were they all kept for use, or were they destroyed?—Most of them were used. The mines were used, and the steamers. The War Office things were mostly submarine mining services, and we used the mines.

8205. Were they all used?—All that were of any use, that is to say that were serviceable. That refers to a large proportion.

8206. A large proportion, I gather, were not serviceable?—Yes.

8207. Was 90 per cent. not serviceable?—No, as regards the mines, I suppose 10 or 20 per cent. would be unserviceable, and would be put aside as no good, but we used about 80 per cent. of the mines for our own purposes. I could not tell you how many of the steamers that were transferred were utilised, but I know we were very glad to have most of them.

8208. What was the value of the stores you destroyed after they were transferred to you?—We should not absolutely destroy them; we should sell them if they were no good.

8209. There was nothing actually destroyed?—No, we do not destroy anything; we bring it to produce.

8210. What was the loss on the Army Stores between the value to the Army and your produce price?—They are valued at £182,000, and we used

STORE ACCOUNTS OF THE NAVY.  
Transfers between Navy and Army—*continued.**Chairman*—*continued.*

80 per cent., we will say, of those, as far as mines are concerned.

8211. Eighty per cent. of the value?—Yes.

(Admiral *Eardley Wilmot withdrew.*)

PARAGRAPHS 26 AND 27 WERE PASSED, HAVING BEEN ALREADY DEALT WITH.

GENERAL.

"STORE ITEMS INCLUDED IN 'BALANCES IRRECOVERABLE,' 1906-7."

ON PARAGRAPH 28.

STORE LOSSES WRITTEN OFF.

[No questions.]

Sir *Daniel Goddard.*

8212. (To Mr. *Eyles.*) Referring to paragraph 29, "Deficiencies in H.M.S. 'Cormorant,'" what has been done about this police arrangement with regard to the dockyard at Gibraltar?—I am afraid Mr. Murray, the Director of Victualling, has gone, and that is a question for him. (Mr. *Headlam.*) I will produce the letter, giving the explanation of the Admiralty, if you like. (Mr. *Kempe.*) The arrangements are satisfactory:

## INDEPENDENT STOCKTAKINGS.

ON PARAGRAPH 30.

"HOME YARDS."

No questions.]

*Chairman.*

8213. (To Mr. *Gibson.*) In reference to paragraph 31, "Yards abroad," I understand you carried out those stocktakings?—I was at Gibraltar and Malta, and I raised this question, and we communicated with the Admiralty, making the suggestion that where it is impossible to have an independent stocktaking carried out by the officers of the Accountant-General's Department, the Expense Accounts Staff, who are available on the spot, and are, in my opinion, sufficiently independent of the Store Department, should be associated with the stocktaking. To that we have received no reply from the Admiralty, and that is how the question stands.

8214. (To Mr. *Eyles.*) Is that your Department?—That question is under the consideration of the Admiralty now, and they will give a reply with regard to it to the Comptroller and Auditor-General shortly.

8215.)To

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[Continued.]

## STORE ACCOUNTS OF THE NAVY.

Independent Stocktakings—On Paragraph 30—  
“Home Yards”—*continued.**Sir Robert Hobart.*

8215. (To Mr. Gibson.) Are your very valuable visits to be continued?—Visits from the Department will be continued; I do not know that I shall personally go out every year.

8216. But this arose through your recent visit?—Yes, it was part of the joint Imperial and Colonial visit to which I have previously referred.

8217. It is the policy of the Comptroller and Auditor-General to send you out?—To send representatives of the Department, certainly.

8218. I ask if that is going to continue?—Certainly.

8219. It has met with very good results?—Yes, I explained the other day that an officer from our

## STORE ACCOUNTS OF THE NAVY.

Independent Stocktakings—On Paragraph 30—  
“Home Yards”—*continued.**Sir Robert Hobart—continued*

Department has gone out quite recently, and is visiting Hong Kong, Bermuda, and various Consular Posts, and we shall continue to send members of the Home Staff from time to time.

*Mr. Bowles.*

8220. Could you tell us when this suggestion was made to the Admiralty?—It was a month or so after I came back, in January of this year.

8221. Therefore it has been under consideration for some six months?—I think about that time.

8222. (To Mr. Eyles.) I suppose this matter is being considered and will be decided within a reasonable time?—That is so.

## DOCKYARD EXPENSE AND MANUFACTURING ACCOUNTS.

“ORIGINAL AND REVISED PROGRAMME FOR 1906-7.”

Mr. J. B. MARSHALL, C.B., and Mr. WILLIAM G. ROFF recalled; and further Examined.

*Chairman.*

8223. (To Mr. Kempe.) Referring to paragraph 1 of this Report, you note that the alterations were not communicated to Parliament until rather later than need have been the case?—That is so.

8224. (To Mr. Roff.) Do you know the reason of that?—It is true that the financial statement was not placed on the table of the House until February, as noted by the Comptroller and Auditor-General, but I would draw attention to the fact that on the 27th July, 1906, which was very early in that year, the Financial Secretary drew the attention of the House to the fact that the new Board of Admiralty had made or were about to make certain alterations in the Programme for that year. He said: “It is the unanimous opinion of the Board of Admiralty that the new Programme should be reduced in the following particulars:—Instead of four Dreadnoughts, we propose to lay down only three. Instead of five ocean-going destroyers we propose to lay down only two. We leave the coastal destroyers at 12, but we propose to reduce the number of submarines from 12 to 8.” He further said: “The financial result on this year’s estimates will be that about a quarter of the total provision for the new Programme will not be spent on the new Programme. But there are contingent necessities, such as the salvage of the ‘Montagu,’ which must be provided for, so that the total of this year’s estimates will not benefit very much by the reduction.” The House was fully alive to the principal alterations.

8225. In the view of the Admiralty that does comply with the paragraph in the Report of the Committee of Public Accounts that Parliament should be informed at the earliest possible opportunity?—I am not prepared to say that that was really what the Public Accounts Committee intended that we should do.

*Chairman—continued.*

8226. I did not say that, but it was the intention of the Admiralty that that should satisfy the requirements of the Public Accounts Committee?—We were unable to do anything else at that time.

8227. It was given to Parliament in satisfaction of that desire of the Public Accounts Committee?—I think so.

*Sir Robert Hobart.*

8228. May I ask what is the date of that statement which was made to Parliament?—27th July, 1906.

COMPARISON OF ESTIMATE AND EXPENDITURE,  
1906-7.

ON PARAGRAPH 2.

[No Questions.]

STATUTORY PROGRAMME, 1906-7.

ON PARAGRAPH 3.

“EXPLANATION OF VARIATIONS FROM ESTIMATES.”

[No Questions.]

NEW CONSTRUCTION PROGRESS IN 1906-7.

*Chairman.*

8229. In reference to paragraph 4, the delay in connection with torpedo boat destroyers is largely due to engineering and constructive difficulties: are they being got over?—I think they are, but the Superintendent of Contracts will probably speak to that.

Mr.

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[Continued.]

Mr. W. E. SMITH; Called.

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.New Construction Progress in 1906-7—*continued*.*Chairman—continued.*

Mr. W. E. Smith: The difficulties referred to are being rapidly got over.

8230. Turning to the last sentence on page 174, "Although the number completed falls short of the Programme, the expenditure (direct charges) was £58,041 in excess of the provision; this excess is stated to be due to greater progress than was anticipated when the estimates were prepared"—that was so that the ships building might be completed more rapidly?—(Mr. Roff). That was so.

*Sir Daniel Goddard.*

8231. Was that due to the Programme having been reduced?—(Mr. W. E. Smith). No, the facts were these. On the basis of the information supplied to the Comptroller and Auditor-General, his criticism is absolutely just, but unfortunately in the printed Navy Estimates there was a clerical error; that top figure of his which he properly quotes as 14 in the Navy Estimates should have been 10, and that left the arrears at the end of the year 3, as at the beginning. The expenditure in the year on the Submarine Programme was, as regards the old part of the Submarine Programme, almost identical with the provision made. When contractors commenced the new vessels of the Programme, they had so much sketched out and prepared in the shape of drawings, improved patterns and things of that sort, that they were able to push on more rapidly with the new vessels than with the old, the whole of the increased expenditure taking place on the new part of the Programme. We are now getting the benefit of that.

8232. The last paragraph of Number 4 says that the first provision of £54,500 for a first-class battleship was included in the Programme; was that in the Estimates?—Yes, that was in the Navy Estimates.

*Mr. Ashton.*

8233. I see that they have begun to build submarines at Chatham; do they find they can build them more cheaply than by contract?—(Mr. Marshall). We can hardly tell that; we shall not finish the first two until the end of this year, but it looks as if it would be about the same.

8234. Why are you building them there?—The Board decided upon that as a check upon prices paid to contractors.

*Sir Daniel Goddard.*

8235. Did that involve any new machinery?—Not very much.

"VARIATIONS BETWEEN ESTIMATES AND ACTUAL  
TOTAL COST OF THE NEW CONSTRUCTION."*Chairman.*

8236. Referring to paragraph 51, I see that three of the dockyard-built ships have been completed at less than the estimated cost, but the three

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS."Variations between Estimates and Actual Total  
Cost of the New Construction"—*continued*.*Chairman—continued.*

contract-built ships cost a great deal more than the Estimate: is there any explanation of that?—(Mr. W. E. Smith). That matter was very fully discussed before the Committee last year. It appears, commencing on page 153, where it was explained that part of the excess on the contract-built ships was an excess of a book-keeping nature, The matter has been before the Committee two or three times. The cost of completing the ship was not brought to account. Some of the excess cost was an excess or real addition to the work intended to be embodied in the ship arising from information coming home from the seat of war. The excess is not due to imperfections of specification giving rise to doubt, owing to which we find we have to pay the contractor more money for a given piece of work than we intended to pay.

*Mr. Bowles.*

8237. How is it that neither of these considerations applies to the dockyard-built ships?—Some of the considerations do not apply to the dockyard-built ships for the reason that they were intended to be completed in the dockyards in the first place, and the cost was properly brought to account in the first place. As regards the contract-built ships, it happened that at that time we were changing our practice as regards the armament to be put on the ships, but as regards extras to be carried out on the dockyard-built ships as compared with the others, I beg to call the attention of the honourable Member to the fact that the ships were of an entirely different class, and the alterations made in the one case would not be made in the other. For instance, in the case of the "Natal," the armament was entirely changed compared with what was originally intended, and that did not refer to the "Dreadnought," the "Africa," the "Britannia," or the "Hibernia."

8238. That was merely an accident, so to speak; it might have been the other way?—It might have been the other way. I am speaking of the facts as they happened.

*Sir Robert Hobart.*

8239. With regard to the "Hibernia," that cost more than the estimate?—(Mr. Roff.) Yes.

8240. Beyond what is stated here, is there anything special to say about it?—(Mr. Marshall.) The reasons given by the Auditor-General are concurred in; they cover the whole thing, I think. We had very poor facilities there.

*Sir Daniel Goddard.*

8241. (To Mr. W. E. Smith.) There is no difficulty, I suppose, in making the contracts work out at a less price in the home Yards than in a contractor's yard?—We get the best prices we can for contract-built ships, but I am perfectly sure



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ACCOUNTS."Variations between Estimates and Actual Total  
Cost of the New Constitution"—*continued.*Sir Daniel Goddard—*continued.*

sure in some cases the circumstances of the ship-building yards are such that they quote lower prices than afford them a reasonable direct remuneration, and that in some cases we do get lower prices than the dockyard people can afford to build their ships at.

8242. I take it from the original estimate in all these cases that there are no ships amongst the contract-built ones that are in any sense comparable to the others at all?—Not in this table.

8243. They are all similar vessels?—Absolutely different. The figures themselves will indicate that. Take the case of the "Dreadnought," that is £1,700,000, and these others are only a little over a million.

## RECONSTRUCTION, REPAIRS, ALTERATIONS, &amp;c.

8244. (To Mr. Kempe.) Referring to paragraph 6, I do not quite understand the entry with regard to reconstruction, because you have no item under the Programme, although there is an expenditure of £2,026; was that outside the Programme?—(Mr. Marshall.) It was the completion of the "Syren."

8245. This "Fantome" has been rather a serious case, has it not?—We hardly think so. First of all, in the refits of these ships we have to go through them very thoroughly and to submit a detailed estimate to the Board over and above that which you see as a provision in the Navy Estimates. We did that and submitted an estimate of £13,080 to cover the refit, and the extensive alterations required by the Hydrographer, and that was approved by the Board. The work was carried out at the cost of £13,334. When the work was finished, the Inspector of Yard Accounts submitted a whole statement of facts as to the actual costs and estimates, and the provision in the Navy Estimates, and we had to explain then to the Board why there was not sufficient money in the Navy Estimates. Our explanation was that the "Fantome" did not arrive at Sheerness from Bermuda until 19th January, 1906, after the Programme for 1906-7 had been forwarded from the Yard. She was therefore not available for survey by the Sheerness officials. As she was not there at the time she could not be opened up, but when we opened up the ship we found that £13,080 was required for her, which was approved by the Board.

8246. But that £13,000 included the cost of repairs and alterations?—Yes, repairs and alterations.

8247. That was exceeded?—You have got the incidental charges there as well.

8248. I am taking the paragraph here on page 176 in which the Comptroller and Auditor-General points out that the "original estimates for dockyard work, labour and materials at

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—*continued.*Sir Daniel Goddard—*continued.*

Sheerness on these sloops were exceeded by over 44 per cent. in the case of the 'Fantome,' although it would appear from the Admiralty papers that the provision in the estimate was intended to cover the cost of carrying out both repairs and alterations?—Yes, the alterations at that time were not fully worked out, and a great many more were carried out after that, as required by the Hydrographer for surveying services.

8249. Was that not in the Estimates?—Not the whole of them; a lot of these alterations were settled as we went along with the refit.

8250. (To Mr. Kempe.) This is beyond the 44 per cent. which you speak of in this paragraph?—No, I think it is included. (Mr. Marshall.) The original provision was insufficient.

8251. What we are now reporting upon is what arises in the House under consideration?—In the Navy Estimates.

8252. But the 44 per cent. which the Comptroller and Auditor-General calls to our mind occurred before then; I gather that he is reminding us that that was a previous excess of 44 per cent. over the original estimate?—(Mr. Kempe.) The figures I am alluding to are on pages 76 and 77, and the whole is included there; the 44 per cent. covers the whole.

8253. Then, of course, there is a certain part of it which was due for the surveying alterations?—(Mr. Marshall.) The Hydrographer's requirements.

8254. How much of that was there?—We spent for repairs only £3,811, and £9,523 for alterations: total, £13,334.

8255. What does this mean: "The excess in the case of the 'Assistance' arises entirely under the head of 'Contract Work,' and is explained as due to no provision having been made for the cost of salvage"?—The £10,000 paid to the salvage people were not included in our estimate.

8256. What did they have to pay that £10,000 for?—Salvaging the ship, getting her from where she was wrecked to Gibraltar.

8257. Then we come to the next series of ships where there are some extensive heavy excesses over the estimate; for instance, the "Mars"?—On the "Mars" we had only an excess of £4,867 for dockyard work. There is about £7,000 off for incidentals, but we have no control over that. We deal with direct charges in our estimates for the Board.

8258. Why do you say that you have no control over the incidentals?—The Inspector of Yard Accounts puts them on afterwards upon the actual expenditure.

8259. (To Mr. Roff.) Are they never included in the estimate?—Yes.

8260. Why are not these included?—There was a sum included in the estimate, but that sum was less than the actual incidentals.

8261. (To Mr. Marshall.) Did you not say it was £4,000 less?—What I meant to say was that.

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—continued.

Sir Daniel Goddard—continued.

that in our total detailed estimates to the Board we do not put anything in for incidental charges.

8262. I understood you to say that £3,000 was for dockyard work?—For the "Mars" £1,867.

8263. And for incidentals, £7,000?—Yes.

8264. (To Mr. Roff.) That is a very large amount not to be estimated?—It was estimated.

8265. This was in excess of the estimate?—There is a little misunderstanding on the point, I think. If you turn to page 72, you will see that £11,071 was taken there as the estimate. The actual incidentals apportioned were £18,851. All I can say about that is that the incidental expenditure proved to be considerably higher than we anticipated when the estimate was framed. We work it out on the estimated expenditure for incidental services, and if later on we find that that expenditure increases, of course the sum apportioned to the ships would also increase.

8266. All you have taken on the estimate is £18,851 for incidentals?—That is so.

8267. And there is £7,000 in excess of that?—Yes.

8268. That is getting on for 50 per cent.?—You will notice, if you look at those figures again, an increase of £2,582 on the direct charges for labour. There is also an increase of £2,000, in round figures, on the materials. Those figures would carry an increased charge for incidental expenditure.

8269. What materials are there—it has nothing to do with ship-building?—I am speaking of the direct charges for materials used in the repairs of the ship.

8270. This is a very bad estimate?—I do not admit that.

8271. If you make an estimate of £18,000, and then exceed it by £7,000, do you not call that a bad estimate?—You are looking at the expenditure, the estimate is £11,000.

8272. That is still worse, if the estimate is £11,000, and the excess is £7,000?—The £11,000 is the actual proportion of the estimated expenditure for the incidental services. We work out the incidental charges for the particular yard at which the ship is going to be repaired. There is a certain sum distributable on the labour and another sum distributable on materials, to cover the cost of storekeeping, and these are apportioned *pro rata* to the direct charges.

8273. In the estimate you have only got £11,000 for incidentals?—That is all.

8274. But you have an excess of expenditure of £7,000 over it?—I said that is partly explained by the increase in the direct charges, which causes the account of the ship to take more incidental expenditure *pro rata*.

8275. But that does not alter my contention, that it is a very bad estimate when you have an excess like that, that is all I am saying?—In total?

8276. Yes, your incidentals depend upon the

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—continued.

Sir Daniel Goddard—continued.

other amount, but what I mean is that you have exceeded the estimate by £7,000, which is by 70 per cent. Take the case of the "Ariadne," there the original estimate was £31,541 and the excess expenditure has been £15,702; that is 50 per cent. more than was estimated. What is the explanation of that?—(Mr. Marshall.) In addition to that she went over into the next year, the refit was much more expensive than expected.

8277. This does not state the whole cost yet?—No, it finishes in the next year.

8278. That will make it worse?—As regards the provision in the Navy Estimates?

8279. As regards the difference between the estimate and expenditure?—When you come to the detailed estimate which has to be got out for the Board, it is quite another thing and does not appear in this book. The Board really approved an estimate to the extent of £59,000 for that ship, the boiler repairs were so extensive.

8280. That may be so, but what I am dealing with is, what figures have the House? Only those in the estimate?—Yes, but you see a star against that; it was conjectural, and the original estimate or the original provision is on page 74.

8281. Was this a case where the ship was not opened up?—Yes, and as we went on with the boilers we found very extensive repairs were wanted.

8282. Now you come to a serious case of refit for which provision was not at all made in the programme?—The "Dominion," "Donegal," and so on.

8283. Yes; how did that arise? Why was it not seen they would have to be refitted?—The "Dominion" went ashore, and we spent a good deal in repairing her bottom. She was repaired at Bermuda, and £9,000 spent upon her in temporary repairs to get her home to Chatham. Then we had to complete the bottom, and make her fit for sea again. We could not look forward to the ship going aground when we prepared the Estimates.

8284. That was an accident?—Yes. The "Donegal" was the same. She went ashore in the Red Sea. As to the "Leviathan," she was, for special reasons, kept at sea longer than usual, and then brought home to the Channel. When she got to Chatham, we examined the boilers and found they were very defective, and they, with the engines, had to be extensively repaired, costing a large part of the £21,700, which was not provided for in that year. The "Leviathan" is one of our largest cruisers.

8285. And it was necessary to do it at once?—Absolutely necessary; she could not steam well, and was inefficient.

8286. Does that mean that if she had come home at the proper time you would have been able to get it into the Estimates?—I do not think so.

8287. But by some change of policy she was kept

in

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, C.B.,  
Mr. MARSHALL, C.B., Mr. ROFF, and Mr. SMITH.

[Continued.]

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Reconstruction, Repairs, Alterations, &c.  
—continued.

Sir Daniel Goddard—continued.

in the Mediterranean longer than she should have been?—If she had not gone on this special service she might have been repaired at Malta; but instead of that she was kept going for this special service. After that she was brought home to the Channel, and is now in the Home Fleet.

8288. That had to be done at once?—Yes.

8289. Did you get Treasury sanction for that?—I should think not.

8290. (To Mr. Headlam.) Why not?—The programme is not submitted to the Treasury. This is part of the Programme.

8291. This is outside the Programme, and that is the whole point. I understand it was not in the programme?—(Mr. Marshall.) No, it was not included in the Programme. (Mr. Roff.) We understand it is only necessary to consult the Treasury when an alteration of the Programme affects the Cash Votes. If we had sufficient money to carry out this, we should not approach the Treasury on the subject.

Chairman.

8292. It is all under the same Vote?—Yes; and, as a matter of fact, I think that vessel is mentioned in a letter to the Treasury. We had to go to the Treasury three times during the year, in consequence of these changes in the programme, and I fancy that ship is mentioned.

Sir Daniel Goddard.

8293. (To Mr. Headlam.) Is that your understanding of the matter?—The Treasury was not specifically consulted on this point, I think. As Mr. Roff said, the whole Programme was altered several times during the year, because excesses were involved; but I do not think these specific items did come to us, or would come to us.

8294. You understand the Admiralty can do anything they like provided they have a surplus Vote, either putting it before Parliament in the form of a programme, or asking for the sanction of the Treasury?—The specific allocation of the programme is a matter of Admiralty policy on which the Treasury is not consulted.

8295. You understand that if they want to spend more on one part of the programme than they can conveniently do on another, they are at liberty to do it?—Provided the total is not altered.

8296. How does that apply to a thing not in the programme at all?—That is the use of the programme money, I take it; they made savings in other parts of the programme in order to do that. (Mr. Marshall.) She appeared in the next year's Navy Estimates.

8297. That is one of those cases I always draw attention to, because you cannot avoid it once it has been started?—If an important battleship broke down which was not provided for in the programme, she would, if approved by the Board,

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DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Reconstruction, Repairs, Alterations, &c.  
—continued.

Sir Daniel Goddard—continued.

take precedence of any other ship of less importance that was in the programme.

8298. I can conceive that in these first two cases, which were due to breakdowns or accidents, you might have some reason for what you did; but this case of the "Leviathan" was a deliberate action on the part of the Admiralty in keeping the ship out?—But we did not expect she would want so much done to her. (Mr. Headlam.) The Admiralty give the detail of course when they alter the Programme. For instance, in November, 1906, an additional sum under Sub-head F was required for special repairs to, amongst others, the "Dominion" and the "Powerful."

Sir Robert Hobart.

8299. I see in the case of the "Assistance" the charge for salvages is put among "Minor repairs"?—(Mr. Roff.) That heading "Minor repairs" is admittedly not sufficiently comprehensive to cover all the items that are now included there. The Admiralty have had this matter under consideration, and it has been decided to alter the two headings we have for repairs at the present time. They will read in future "Large Repairs and Alterations" and "Other Repairs, &amp;c." I might point out that the heading "Minor Repairs" is an abbreviation of the heading "Repairs, &amp;c., to Ships in Commission and Reserve." The smaller form of heading was simply put at the top of the page, as a sort of catch-word.

8300. When you get cases of salvage, particularly in the case of the "Montagu," where the salvage was so very large, it seems to me rather outside "Minor Repairs"?—I might point out that, had it been possible to salvage the "Montagu," and to have refitted her for further service, the amount paid for salvage would have gone in as a part of the cost of her refit.

8301. It would go under "Repairs and Refits."—Yes. As it was not possible to salvage and refit that ship, the only heading remaining was the heading of "Minor Repairs."

8302. But you are to reconstruct the heading?—Yes, and make it more comprehensive in future.

Mr. Bowles.

8303. I should like to ask a question about the "Leviathan." As I understand, this ship was found to need very extensive repairs, amounting to £21,000, which had not been at all anticipated; how was it that that could not have been foreseen in any way?—(Mr. Marshall.) It was the boilers; in the water-tube boilers you have very great difficulty in finding out the defects; in fact, until you cut a tube in two you can hardly see what is necessary.

8304. You have your engineers on board the ship, and they could take out a tube at any time. The case of the "Leviathan" suggests that you have sometimes not very good information at the

Admiralty

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Mr. MARSHALL, C.B., Mr. ROFF, and Mr. SMITH.

[Continued.]

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Reconstruction, Repairs, Alterations, &c.  
—continued.

Mr. Bowles—continued.

Admiralty about the state of the ships?—That was the first complete examination we had had of the boilers; they had not examined them at Malta thoroughly, and until we got the tubes out and cut some of them up and saw the extent of the pitting and distortion we did not know. The casings and columns were buckled to a very great extent, and had to be repaired extensively.

8305. You, of course, had no information about that?—No; when she came home we never expected that she would need so much done to her. I went over the boilers myself with my Engineer-Assistant, and that was the least that could be done to her.

8306. What security is there that other ships with water-tube boilers are not in the same condition?—The ships' engineer staffs are constantly making examinations, and their reports are forwarded to the Admiralty. Some parts are not, however, accessible without undertaking work often beyond their resources. Dockyard assistance is given whenever it is absolutely necessary, and it is in the examination of these parts—ordinarily difficult of access—that unexpected defects, such as "Leviathan's," are sometimes revealed.

8307. Was that done in the case of the "Leviathan"?—During the period she was in the Mediterranean?

8308. Yes?—She was away a good part of her time from Malta.

8309. In fact, it was not done; she had not been examined?—Not so thoroughly as to show the full extent of her defects.

Sir Daniel Goddard.

8310. Have you anybody in connection with those ships in the same sort of position as an inspector for boiler insurance?—There is an Engineer-Captain attached to every Fleet, and there is the Engineer-Commander of the ship, with his staff.

8311. Is it part of his duty to inspect boilers?—It is the duty of the Engineer-Captain attached to the staff of the Admiral to look after the whole of the machinery of the Fleet.

8312. Are there times when all the boilers are not in use—when they are cooled, and can be examined?—Yes.

8313. Is there any systematic method of examining these boilers by this officer you have mentioned to me?—Yes, and the ships send him reports of tests at intervals, which are carefully examined; when the ship gets to the dockyard there is a thorough examination, when repairs are wanted, by the dockyard officers as well.

8314. Is there any difficulty in getting inside the Belleville boilers?—You cannot.

8315. They are all small tubes?—Yes, 4-inch tubes.

8316. You can take the tubes out and put them in again?—Yes, in batches or elements.

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Reconstruction, Repairs, Alterations, &c.  
—continued.

Sir Daniel Goddard—continued.

8317. Is not that sufficient to examine them?—They do that, but the pitting was very extensive. I might have brought one down so that you might have seen the pitting partly through the tube.

8318. They can see that, can they not?—When the tubes have been cleaned, they are examined by means of an electric lamp secured to the end of a long rod, and fitted with a mirror reflector set at an angle of 45 degrees.

8319. The Inspector-Engineer ought to see that?—Yes, and also the engineer officer of the ship.

8320. You ought not to be in so much ignorance as to the condition of these boilers as these Estimates imply?—The circumstances in the case of the "Leviathan" were somewhat exceptional.

## MINOR REPAIRS.

Chairman.

8321. (To Mr. Kempe.) Have you got any answer to your question which is referred to in the middle of paragraph 7?—Yes, we have got the answer that the Admiralty have now laid down certain limits for each class of ship under "Minor Repairs."

Mr. Ashton.

8322. In the case of the "Ocean," what is the meaning of that? A great deal of money was spent on it apparently, up to January, 1906, and now there are very large further extensive defects?—(Mr. Marshall.) After the conclusion of the war between Japan and Russia the China Fleet was reduced and the "Ocean" came home, and when she reached the home dockyard it was found that she wanted a good deal done to her boilers. That was hurried on as it was arranged to put her in the Channel Fleet. We had to do it then at that cost, and she came in hand again later on in that year to complete.

8323. It was done twice?—You might really call it the annual refit.

## ESTABLISHMENT AND INCIDENTAL CHARGES.

Sir Daniel Goddard.

8324. (To Mr. Kempe.) Referring to paragraph 8, "Increase in Percentage on Direct Expenditure," have you got any further information on this question of the increase of establishment charges?—I do not know that we expect any more; an explanation has been given.

8325. Do you consider the explanation is satisfactory?—Yes.

8326. The explanation appears to be that at Portsmouth the yard machinery has been very much increased?—I cannot go beyond that.

8327. (To Mr. Roff.) Can you hold out any prospect of this item going back again to the former proportion?

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, C.B.,  
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[Continued.]

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Establishments and Incidental Charges  
—continued.Sir *Daniel Goddard*—continued.

proportion?—I think it will; I think there has been exceptional expenditure during the last two or three years in the replacement of obsolete machinery, and that in the course of time we shall see these percentages diminishing again. It comes about, as I dare say you know, from the absence of a capital account. We have no capital account, and it is the way in which we deal with the expenditure for new machinery that causes these big fluctuations. There does not seem to be any way out of it other than having a capital account.

8328. Periodically you come to a time when you find your machine tools, and so forth, a little out of date, and you have to spend a lot of money upon them, and up go the charges?—Yes.

*Chairman.*

8329. In reference to paragraph 9, "Travelling expenses, &c.," I think I should like to ask you whether that Report of the Committee on organisation is coming soon, which has been four years hatching?—The Admiralty Committee to which reference is made in this paragraph, to which you are referring, appointed a Sub-committee to inquire into questions of accounts and staff at the outports. This Sub-committee's report is now in the hands of the main Committee, and is being dealt with as rapidly as circumstances will permit. It is expected that a decision will be reached shortly, and the Treasury will then be informed of any alterations in the present forms, headings, &c., of the Expense Accounts that the Board of Admiralty may consider it desirable to recommend for adoption in connection with the estimates and accounts for the next year.

TEST EXAMINATION OF EXPENSE ACCOUNTS—  
HOME YARDS.PARAGRAPH 10.—"LOCAL TESTS AT HOME  
YARDS."

[No questions.]

COMPARISON OF PIECE-WORK EARNINGS WITH  
DAY PAY.

PARAGRAPH 11.—"EARNINGS ON PIECE WORK."

[No questions.]

## PIECE-WORK CHARGES FOR COALING.

PARAGRAPH 12.—"COMPARISON OF LABOUR  
CHARGES FOR COALING, WITH STORE RECORDS OF  
COAL ISSUED."

[No questions.]

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.

THE PREMIUM SYSTEM OF PAYMENT OF WAGES.

*Chairman*—continued.

8330. The Premium System of Wages is going satisfactorily as far as you can tell, but you want a little longer time to watch it?—That is so.

METHOD OF ACCOUNTING FOR SPARE GEAR FOR  
SHIPS.

PARAGRAPH 14.—"SUSPENSE HEADS CLEARED."

[No questions.]

## ACCUMULATION IN READY USE STORE.

8331. (To Mr. *Kempe*.) With regard to paragraph 15: "Stores brought to account which could not be credited to a specific ship or service," have you got any further answer with regard to the special inquiry?—No, I have had no further answer.

8332. (To Mr. *Roff*.) What steps have been taken to prevent the recurrence of such a case as this?—I may point out that this was a lock-up store in the charge of the professional officers, and used by them for various purposes, including the custody of stores drawn in bulk to facilitate work in hand. The accumulation in question probably arose from demands having been made from time to time which were slightly in excess of actual requirements. The surplus stores should have been returned to store officer's custody, and the particular service for which they had been originally drawn credited on completion of the work. This store has been closed.

## MANUFACTURING AND CONVERSION ACCOUNTS.

*Mr. Ashton.*

8333. Referring to paragraphs 16 and 17: "Excessive cost of repair of certain boats," I think we ought to know something about these boats, which cost more in repairs than the values at which they were taken back into store?—(Mr. *Marshall*.) There are two boats numbered 3313 and 2721 fitted with masts, mast gear, sails, &c., for issue to the London Division of the Royal Naval Volunteer Reserve, at the same time that the repairs were carried out, and deducting the cost of these additions, namely, £10 15s. in the one case and £13 in the other, from the totals, leaves £3 12s. 11d. for number 3313, and £8 13s. 9d. for number 2721, which are within the amounts allowed for repair. The money went in alteration to the boats, and to fit them with masts, mast gear, and sails, for the Royal Naval Volunteer Reserve. As pointed out by the Comptroller and Auditor-General, the men were not accustomed to the work. There were these old boats to be repaired, and the men sent to repair them did not do so as cheaply as men accustomed to the work would have done.

8334. Why

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[Continued.]

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Manufacturing and Conversion Accounts  
—continued.

Mr. Ashton—continued.

8334. Why were they sent to these inefficient men?—Because we had a very large number of boats to repair. In the dockyard you have not very many men who do the boat work, and if you increase the number, they have to be gradually worked into that class of work.

8335. Were they outside men?—No, they were men who had been at work on shipbuilding or ship-repairing in the yard.

8336. And not accustomed to boat work?—That is so.

8337. And you were obliged to use them, on account of the press of work?—Yes.

8338. It is not likely to occur again?—No, instructions have been given to that effect.

Sir Robert Hobart.

8339. The boats are generally built by contract?—Yes.

8340. By such people as White?—Yes.

8341. Do they repair too?—We mostly repair in the dockyard.

8342. You say you have not many hands?—No, we have enough for the ordinary run, but when there is a big pressure, such as when a lot of boats are brought in for repair at one time, they have to put other men on.

8343. Was there a special reason for bringing all these boats in?—Yes, they were returned from ships of small fighting efficiency.

Sir Daniel Goddard.

8344. Referring to paragraph 18, "Excess loss of material used in manufacture," this seems to be a loss occurring from the bad use of tar in tarring the yarn?—That is so.

8345. Does it not strike you as being rather curious that a technical question of this sort should be pointed out by the Comptroller and Auditor-General and not by the Naval experts of the yard?—He pointed out the question of cost.

8346. He discovered the error, and I understand you have rectified it now?—Yes, he discovered a difference in the value or cost of the rope prepared at Chatham compared with that of Devonport, and then inquiries were set on foot with that result.

8347. You have to do with Devonport as well as Chatham?—Yes.

8348. Therefore both of them come under your observations?—Quite.

8349. It never struck you before?—No, I had not noticed it before.

8350. Is it a considerable saving which is effected now?—It is a considerable saving which is effected now, and as a result the loss due to the operation of tarring during 1907-8 was only 12·7 per cent. as compared with 23·2 per cent. during 1906-7; while it is anticipated that a further reduction to about 7 per cent. will be effected during the current year.

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Manufacturing and Conversion Accounts  
—continued.

Mr. Ashton.

8351. Would it not be the duty of some official to compare these kind of charges in the various dockyards?—(Mr. Roff.) Yes, it is my duty to do so.

8352. How did this escape you?—It did not escape me; this matter was forming the subject of investigation, strange to say, when the Comptroller and Auditor-General's query reached us.

8353. You were already looking into it?—Yes.

8354. How long had it been going on?—It certainly did not come to our notice until about the end of this particular year.

8355. As soon as you discovered it, I suppose you began to look back to see how long it had been going on?—I did not think it was at all necessary to do that, as we felt certain it had been going on for a long time.

8356. It ought to have been discovered before, I suppose?—We cannot take up the whole of the manufacturing accounts in any one year; we take up some of them each year and make careful comparisons, and we report the result of these comparisons to the Director of Dockyards, and if there is anything that he thinks requires investigation he then takes steps to carry out that investigation.

8357. You do not compare them all every year?—No.

8358. Would that be a very large undertaking? It would be rather a large undertaking. The time at our disposal is rather short; we do not get these balance sheets in until well on in the year, and then they have to be scrutinised and worked up into Blue Book shape and placed in the hands of the Comptroller and Auditor-General at a reasonable date.

8359. When you looked back how many years did you find this had been going on?—I do not know that we looked back at all; I am not prepared to say.

8360. How many years would the same items come up before you?—I should say they would come up for review every second year, quite as often as that.

8361. And from what you say I gather that it has probably been going on longer than that?—I have not held my present position for longer than three years.

8362. It would take you a little time to get into such things?—Yes.

8363. And your predecessor never discovered it?—No.

EXCESSIVE LOSS OF ELECTRIC CURRENT AT  
CHATHAM DOCKYARD.

Chairman.

8364. Referring to paragraph 19, "Loss of electric current through defects in cables, &c." This 12 per cent. is a great loss of electric current?—(Mr. Marshall.) We have that under consideration

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Mr. KEMPE, C.B., Mr. HEADLAM, Mr. EYLES, C.B.,  
Mr. MARSHALL, C.B., Mr. ROFF, and Mr. SMITH.

[Continued.]

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Excessive Loss of Electric Current at Chatham  
Dockyard.—*continued.**Chairman*—*continued.*

sideration with the Comptroller and Auditor-General now, and I am pointing out that the loss is about 3·7 per cent. It is still under consideration, but we do not think that 12 per cent. is correct.

8365. (To Mr. Kempe.) Is that correct as taken from the figures?—We worked out 12 per cent. from the figure we had, and put it to the engineer, and he accepted it at first and explained it, but on investigating it further it appears that the 12 per cent. was incorrect, and that it ought to be 3·7 per cent.

*Sir Daniel Goddard.*

8366. What are these various consumers—the different departments of the dockyard?—(Mr. Marshall.) Ships that may come alongside the dockyard.

8367. Do they take your electricity from this station?—Yes, from our connections.

8368. Do you meter it to each ship?—Yes.

8369. And the results of the readings of the meters are what show the loss?—Yes.

8370. Can you say that all the electricity that comes from this power station is metered?—Yes.

8371. There is nothing used in the power station itself, for instance?—(Mr. Roff.) That is all metered.

8372. Everything is metered?—(Mr. Marshall.) Yes.

8373. You have a very absolutely correct way of finding out the loss from leakage?—(Mr. Roff.) Yes. The secret of this is that in the breaking down of the current from the high voltage to the lower voltage there is a loss in the transformer which was not taken into consideration when the engineer at Chatham Dockyard agreed to this 12 per cent. as representing the wastage in the mains.

8374. Still that was lost?—Yes.

*Mr. Ashton.*

8375. That would not made the difference between under 4 and 12 per cent.?—That quite fully explains it.

8376. Only last week I was talking to an engineer about a transformer, and he said it would not make a loss of 5 per cent.?—It depends upon the voltage.

*Chairman.*

8377. It would vary with the voltage?—It depends upon the voltage to which it has to be taken down.

*Mr. Ashton.*

8378. In this case I speak of it was from 200 to 100?—I cannot say.

*Mr. Bowles.*

8379. As I understand the Comptroller and Auditor-General, he says that these accounts having been submitted to him, and he having come to the conclusion that the loss was 12 per

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Excessive Loss of Electric Current at Chatham  
Dockyard.—*continued.**Mr. Bowles*—*continued.*

cent., they were referred back to the engineer in charge, who, in fact, examined them and admitted that the amount lost in the mains was 12 per cent; that seems a remarkable mistake for the engineer in question to have made?—(Mr. Marshall.) It was a local correspondence, and it did not come to us until afterwards.

*Sir Daniel Goddard.*

8380. Was not the mistake in taking the number of units before it was transformed?—(Mr. Roff.) He did not allow for this loss in the transformers.

8381. Because he took the number of units before it was transformed?—(Mr. Marshall.) Yes, and compared that with the meter readings.

*Chairman.*

8382. He quite acknowledged that 12 per cent. was lost between the station and the ship, and the question was how much was lost in the mains?—Yes.

## NAVAL YARDS ABROAD.

## PARAGRAPH 20.

"SYDNEY AND BERMUDA ACCOUNTS, 1905-6."

[No Questions.]

8383. (To Mr. Kempe.) Have you any answer to your query upon paragraph 21, with regard to Malta?—We have had a reply, but they do not seem to have taken our point. They say "The check of the Naval Stores Office has worked satisfactorily."

8384. And there is no independent check there at all?—No.

8385. You are still pursuing the subject with the Admiralty?—Yes. The Admiralty have decided for themselves.

*Mr. Bowles.*

8386. What have they decided?—That there should not be an independent check.

8387. That is a great exception to the ordinary rule?—It is different from other places—yes.

8388. Do you mean that the rule is different now?—In other places they have an independent check.

8389. Is this the only place where there is no independent check?—(Mr. Roff.) This is the only place where there is a separate recording staff that there is no independent check.

8390. What are the reasons for that? Is it an exceptional thing?—I think the only reason that has been given to the Comptroller and Auditor-General is that the present system has been found to be very satisfactory for many years, and there is no reason seen for making any alteration. I am only giving you now the reply to the Comptroller and Auditor-General, not my opinion.

8391. Has

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Mr. MARSHALL, C.B., Mr. ROFF, and Mr. SMITH.

[Continued.]

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Naval Yards Abroad—*continued.**Mr. Bowles—continued.*

8391. Has any proof been offered that this system does work satisfactorily?—(Mr. Kempe.) Our view is that an independent check is extremely important, and has turned out in other places quite satisfactory.

8392. You do not know of any particular reason for the absence of this check?—(Mr. Roff.) I know of no reason.

*Mr. Ashton.*

8393. Can you get a reason for us? I think it very important that we should have a reason?—I can only say that this matter has been discussed by several departments affected in the Admiralty, and that there have been considerable differences of opinion expressed on the papers, but the decision is that which has been furnished to the Comptroller and Auditor-General.

*Chairman.*

8394. Referring to paragraph 22, "Gibraltar," has your suggestion about the independent recording staff been acted upon?—We have had no official reply.

8395. This is with a view to make Gibraltar the same as Malta, apparently?—Yes. I believe it is to be carried out, but we have not had an official reply. (Mr. Roff.) I have just had an explanation of the reasons placed in my hands by the representative of the Director of Stores Department. He says: "The conditions at home yards where mechanical appliances are largely used are very different. The scheme of prices is based on the different operations, such as hooking, unhooking, etc., and not on all-round rates per ton, such as is practicable at Malta. The Malta system is more in

DOCKYARD EXPENSE AND MANUFACTURING  
ACCOUNTS.Naval Yards Abroad—*continued.**Chairman—continued.*

the nature of a standing contract with the men for performing specific operations rather than one of employment under a scheme of prices." That explanation was not given to the Comptroller and Auditor-General.

*Sir Daniel Goddard.*

8396. What was the nature of the suggestions you made to the Admiralty as to accounts in that short paragraph on page 180?—(Mr. Gibson.) With regard to that, I was out at Malta myself, and looked into the matter, and I am afraid we are still unconvinced by this reply. We are still of opinion that this independent record should be carried out despite the difference in system which has been pointed out. I think the Admiralty will be able to tell you how the question in paragraph 22 stands, but I was referring to paragraph 21. (Mr. Roff.) I was referring to No. 21.

*Chairman.*

8397. It is upon that that you have not satisfied yourself?—(Mr. Gibson.) That is a point I looked into personally, and I am not satisfied with the decision arrived at by the Admiralty.

*Sir Daniel Goddard.*

8398. You asked a question about an independent check?—Yes.

8399. And Mr. Kempe said it was contemplated doing it?—(Mr. Kempe.) Yes. (Mr. Roff.) A permanent Expense Accounts officer has been appointed and an independent recording system introduced as from the 6th April last. The Comptroller and Auditor-General's suggestion has been adopted.

*(The Witnesses withdrew.)*



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## APPENDICES.

## APPENDIX No. 1.

PAPER handed in by Mr. W. Blain, c.B.

1905—1906.

## 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,  
14 February, 1908

## COMPARISON of AUDITED EXPENDITURE in 1905-1906 with EXCHEQUER ISSUES for that Year.

	Exchequer Issues.		Audited Expenditure (Net).		Audited Expenditure (Not).			
					Less than Exchequer Issues.		More than Exchequer Issues.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.
CONSOLIDATED FUND SERVICES - -	30,805,955	4 0	30,805,955	4 0	—		—	
ARMY - - - - -	28,849,900	0 0	28,478,863	2 2	371,036	17 10	—	
ARMY ORDNANCE FACTORIES - -	100	0 0	*37,381	6 4	37,481	6 4	—	
NAVY - - - - -	33,300,000	0 0	33,151,841	0 10	148,158	19 2	—	
	62,150,000	0 0	61,593,322	16 8	556,677	3 4	—	
CIVIL SERVICES - - - - -	28,430,000	0 0	28,177,305	14 9	252,694	5 3	—	
REVENUE DEPARTMENTS - - -	19,126,000	0 0	19,148,009	14 1	—		22,009	14 1
TOTAL - £	140,511,955	4 0	139,724,593	9 6	809,371	8 7	22,009	14 1
					787,361	14 6		

\* Surplus of Appropriations in Aid over Gross Expenditure.

1905—1906.

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.)

B

SERVICE.	Grants and Estimated Receipts, 1905—1906.			Expenditure, 1905—1906.			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.)
Army - - - - -	£ 33,370,725 - -	£ 3,557,725 - -	£ 29,813,000 - -	£ 32,043,809 11 6	£ 3,564,946 9 4	£ 28,478,863 2 2	£ 1,334,136 17 10	—
Army (Ordnance Factories) - - - - -	3,350,100 - -	3,350,000 - -	100 - -	3,040,304 19 4	3,086,686 5 8	*37,381 6 4	37,481 6 4	—
Navy - - - - -	35,078,287 - -	1,688,687 - -	33,389,600 - -	34,861,442 17 7	1,709,601 16 9	33,151,841 - 10	237,758 19 2	—
TOTAL, NAVAL AND MILITARY SERVICES - £	71,799,112 - -	8,596,412 - -	63,202,700 - -	69,954,557 8 5	8,361,234 11 9	61,593,322 16 8	1,609,377 3 4	—
Civil Services :								
Class I. - - - - -	2,803,065 - -	102,204 - -	2,700,861 - -	2,659,861 9 9	106,672 3 1	2,553,189 6 8	147,671 13 4	—
„ II. - - - - -	3,184,845 - -	446,552 - -	2,738,293 - -	3,078,471 18 11	474,145 17 9	2,604,326 1 2	133,966 18 10	—
„ III. - - - - -	4,653,774 - -	791,968 - -	3,861,806 - -	4,567,269 9 8	822,001 10 4	3,745,267 19 4	116,538 - 8	—
„ IV. - - - - -	16,358,705 - -	28,368 - -	16,330,337 - -	16,211,451 5 9	28,976 15 1	16,182,474 10 8	147,862 9 4	—
„ V. - - - - -	2,157,235 - -	166,040 - -	1,991,195 - -	2,135,671 16 2	168,904 18 6	1,966,766 17 8	24,428 2 4	—
„ VI. - - - - -	816,649 - -	147 - -	816,502 - -	802,415 14 1	127 2 -	802,288 12 1	14,213 7 11	—
„ VII. - - - - -	343,759 - -	5,400 - -	338,359 - -	333,700 9 8	10,708 2 6	322,992 7 2	15,366 12 10	—
TOTAL, CIVIL SERVICES - £	30,318,032 - -	1,540,679 - -	28,777,353 - -	29,788,842 4 -	1,611,536 9 3	28,177,305 14 9	600,047 5 3	—
Carried forward - £	102,117,144 - -	10,137,091 - -	91,980,053 - -	99,743,399 12 5	9,972,771 1 -	89,770,628 11 5	2,209,424 8 7	—

For details, see pages 474 to 478

\* Surplus of Appropriations in Aid over Gross Expenditure.

COMMITTEE ON PUBLIC ACCOUNTS.

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1905-1906—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, 1905—1906.						Expenditure, 1905—1906.			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	102,117,144	- -	10,137,091	- -	91,980,053	- -	99,743,399	12 5	9,072,771	1 -	89,770,628	11 5	2,209,424	8 7	-	-
Revenue Departments:																
Custody	985,450	- -	51,850	- -	933,600	- -	981,472	- 10	53,327	10 4	928,144	10 6	5,455	9 6	-	-
Inland Revenue	2,253,000	- -	17,000	- -	2,236,000	- -	2,243,842	4 11	24,396	10 4	2,219,445	14 7	16,554	5 5	-	-
Post Office	10,920,813	- -	209,275	- -	10,720,538	- -	10,834,409	15 4	217,824	17 10	10,616,534	17 6	103,953	2 8	-	-
Post Office Packet Service	954,665	- -	172,875	- -	781,790	- -	849,442	14 3	162,333	10 -	687,109	4 3	94,680	15 9	-	-
Post Office Telegraph Service	4,835,602	- -	63,055	- -	4,772,547	- -	4,771,245	8 9	74,520	1 6	4,698,725	7 3	75,821	12 9	-	-
TOTAL REVENUE DEPARTMENTS	£ 19,949,530	- -	505,055	- -	19,444,475	- -	19,680,412	4 1	532,402	10 -	19,148,009	14 1	296,465	5 11	-	-
TOTAL FOR VOTED SERVICES	£ 122,066,674	- -	10,642,146	- -	111,424,528	- -	119,423,811	16 6	10,505,173	11 -	108,918,638	5 6	2,505,889	14 6	-	-
Consolidated Fund:																
National Debt Services:																
Inside the Permanent Annual Charge	-	-	-	-	-	-	-	-	£ 28,000,000	s. d. - -	28,000,000	- -	£ -	s. d. - -	£ -	s. d. - -
Outside the Permanent Annual Charge	-	-	-	-	-	-	-	-	-	-	25,027	9 3	-	-	25,027	9 3
Other Consolidated Fund Services	-	-	-	-	-	-	-	-	-	-	1,624,159	16 10	-	-	4,159	16 10
Payments to Local Taxation Accounts	-	-	-	-	-	-	-	-	-	-	1,160,000	- -	3,232	2 1	-	-
TOTAL OF CONSOLIDATED FUND SERVICES	-	-	-	-	-	-	-	-	£ 30,780,000	- -	30,805,955	4 -	3,232	2 1	29,187	6 1
GRAND TOTAL OF EXPENDITURE																
	-	-	-	-	-	-	-	-	£ 139,724,593	0 6						

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APPENDIX TO REPORT FROM THE

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 1905—1906, amounted to £2,468,408 8s. 2d.

		In the Financial Year 1906-7.	
		£	s. d.
Written off from Exchequer Grant Accounts out of Ways and Means of 1905-6	- - - - -	1,016,236	3 5
Ditto - - ditto - - ditto - - 1906-7	- - - - -	1,429,153	2 11
Paid to the Exchequer by the Paymaster General	- - - - -	23,019	1 10
		£	2,468,408 8 2
Transferred to the Army (Ordnance Factories) Supplies Suspense Account	- - - - -	37,481	6 4
Total Surpluses as above (Column 7)		£	2,505,880 14 6

COMMITTEE ON PUBLIC ACCOUNTS.

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CIVIL SERVICES  
1905—1906.

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, 1906; and the Amounts of the UNEXPENDED BALANCES or DEFICIENCIES arising upon the same.

Number of Vote.	SERVICE.	Reference to detailed Account in Parliamentary Paper, No. 9 of 1907.	Grants and Estimated Receipts 1905—1906.			Expenditure, 1905—1906.			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.)
CLASS I.										
PUBLIC WORKS AND BUILDINGS.										
		Page.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1	Royal Palaces - - - - -	3	63,275 - -	775 - -	62,500 - -	62,933 9 7	637 13 6	62,295 16 1	204 3 11	—
2	Osborne - - - - -	14	16,700 - -	1,800 - -	14,900 - -	15,140 14 3	2,256 0 2	12,884 5 1	2,015 14 11	—
3	Royal Parks and Pleasure Gardens - -	20	112,118 - -	6,718 - -	105,400 - -	111,564 6 4	7,473 10 5	104,300 15 11	1,009 4 1	—
4	Houses of Parliament Buildings - -	27	60,191 - -	341 - -	59,850 - -	59,816 5 1	343 17 -	59,472 8 1	377 11 11	—
5	Miscellaneous Legal Buildings, Great Britain	34	67,660 - -	700 - -	66,960 - -	66,469 11 10	800 3 7	65,579 8 3	1,389 11 0	—
6	Art and Science Buildings, Great Britain -	41	44,095 - -	95 - -	44,000 - -	40,228 15 6	108 5 9	40,120 9 9	3,879 10 3	—
7	Diplomatic and Consular Buildings - -	47	95,830 - -	930 - -	94,900 - -	90,805 2 1	1,110 16 8	89,694 5 5	5,205 14 7	—
8	Revenue Buildings - - - - -	55	637,270 - -	3,570 - -	633,700 - -	552,030 4 4	5,586 4 -	546,444 - 4	87,255 10 8	—
9	Public Buildings, Great Britain - - -	104	490,605 - -	26,605 - -	464,000 - -	475,691 9 11	24,780 16 -	450,910 13 11	13,089 6 1	—
10	Surveys of the United Kingdom - - -	123	232,250 - -	24,600 - -	207,650 - -	229,754 4 11	27,081 15 4	202,672 9 7	4,077 10 5	—
11	Harbours under the Board of Trade - -	126	27,165 - -	2,600 - -	24,565 - -	17,246 13 1	2,507 12 8	14,739 - 5	9,825 10 7	—
12	Peterhead Harbour - - - - -	128	32,000 - -	—	32,000 - -	31,393 6 5	—	31,393 6 5	606 13 7	—
13	Rates on Government Property - - -	130	643,465 - -	27,170 - -	616,295 - -	626,671 11 11	27,691 15 2	599,009 16 9	17,285 3 3	—
14	Public Works and Buildings, Ireland -	134	220,809 - -	6,300 - -	214,509 - -	220,301 6 7	6,233 3 10	214,068 2 9	440 17 3	—
15	Railways, Ireland - - - - -	154	59,632 - -	—	59,632 - -	59,514 7 11	—	59,514 7 11	117 12 1	—
TOTAL			£ 2,803,065 - -	102,204 - -	2,700,861 - -	2,659,861 9 9	106,672 3 1	2,553,189 6 8	147,671 13 4	—

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APPENDIX TO REPORT FROM THE

CLASS II.											
SALARIES AND EXPENSES OF CIVIL DEPARTMENTS.											
<i>United Kingdom and England.</i>											
1	House of Lords Offices - - - -	163	42,051 - -	25,000 - -	17,051 - -	41,312 4 9	30,239 19 9	11,072 5 -	5,978 15 -	-	-
2	House of Commons Offices - - - -	166	59,500 - -	24,000 - -	35,500 - -	37,378 4 9	27,948 11 6	29,429 13 3	6,070 6 9	-	-
3	Treasury and Subordinate Departments - - - -	168	102,209 - -	3,614 - -	98,595 - -	99,054 2 10	4,532 10 9	94,521 3 1	4,073 16 11	-	-
4	Home Office - - - - -	172	183,629 - -	9,000 - -	174,629 - -	179,665 11 5	9,688 2 6	169,977 8 11	4,651 11 1	-	-
5	Foreign Office - - - - -	177	65,703 - -	600 - -	65,103 - -	61,897 16 10	578 2 -	61,319 14 10	3,783 5 2	-	-
6	Colonial Office - - - - -	179	53,920 - -	- -	53,920 - -	52,379 5 -	- -	52,379 5 -	1,540 15 -	-	-
7	Privy Council Office - - - - -	181	11,172 - -	1,802 - -	9,370 - -	10,792 5 9	2,216 - 6	8,576 5 3	793 14 9	-	-
8	Board of Trade - - - - -	184	249,130 - -	9,205 - -	239,925 - -	240,590 13 7	10,155 15 4	230,434 18 3	9,490 1 0	-	-
9	Mercantile Marine Services - - - - -	190	164,809 - -	54,950 - -	99,919 - -	153,407 - 11	59,892 9 7	93,514 11 4	6,404 8 8	-	-
10	Bankruptcy Department of the Board of Trade - - - - -	194	8 - -	- -	8 - -	- -	- -	- -	8 - -	-	-
11	Board of Agriculture and Fisheries - - - - -	200	154,655 - -	34,050 - -	120,605 - -	151,836 6 6	34,228 10 9	117,607 15 9	2,997 4 3	-	-
12	Charity Commission - - - - -	204	30,689 - -	- -	30,689 - -	30,434 10 9	- -	30,434 10 9	254 9 3	-	-
13	Civil Service Commission - - - - -	207	41,005 - -	- -	41,005 - -	37,612 15 10	- -	37,612 15 10	4,292 4 2	-	-
14	Exchequer and Audit Department - - - - -	209	67,672 - -	2,517 - -	65,155 - -	66,060 7 -	2,607 - -	63,453 7 -	1,701 13 -	-	-
15	Friendly Societies Registry - - - - -	211	7,810 - -	- -	7,810 - -	7,677 13 3	- -	7,677 13 3	132 6 9	-	-
16	Local Government Board - - - - -	213	238,254 - -	5,300 - -	232,954 - -	227,159 16 2	5,864 19 11	221,294 16 3	11,659 3 9	-	-
17	Lunacy Commission - - - - -	218	16,480 - -	1,028 - -	15,458 - -	16,228 9 6	967 10 -	15,260 19 6	197 - 6	-	-
18	Mint, including Coinage - - - - -	220	108,253 - -	108,200 - -	53 - -	102,488 14 8	108,200 - -	*5,711 5 4	5,764 5 4	-	-
19	National Debt Office - - - - -	225	15,836 - -	2,773 - -	13,063 - -	15,429 18 6	2,832 - 1	12,597 18 5	465 1 7	-	-
20	Public Record Office - - - - -	227	24,560 - -	- -	24,560 - -	24,554 2 9	- -	24,554 2 9	5 17 3	-	-
21	Public Works Loan Commission - - - - -	229	10,924 - -	10,900 - -	24 - -	10,392 3 2	10,900 - -	*507 16 10	531 16 10	-	-
22	Registrar-General's Office - - - - -	231	48,455 - -	8,560 - -	39,895 - -	46,582 4 3	9,692 14 6	36,889 9 9	3,005 10 3	-	-
23	Stationery and Printing - - - - -	234	856,783 - -	113,500 - -	743,283 - -	833,430 3 11	122,085 13 -	731,344 10 11	11,938 9 1	-	-
24	Office of Woods, Forests, and Land Revenues, &c - - - - -	239	20,633 - -	- -	20,633 - -	19,331 15 8	- -	19,331 15 8	1,301 4 4	-	-
25	Office of Works and Public Buildings - - - - -	241	73,395 - -	- -	73,395 - -	72,534 7 11	- -	72,534 7 11	860 12 1	-	-
26	Secret Service - - - - -	246	65,000 - -	- -	65,000 - -	35,427 8 9	- -	35,427 8 9	29,572 11 3	-	-
<i>Scotland.</i>											
27	Office of the Secretary for Scotland - - - - -	248	38,413 - -	2,780 - -	35,633 - -	36,322 - 8	2,890 16 8	33,431 4 -	2,201 16 -	-	-
28	Fishery Board - - - - -	252	19,786 - -	- -	19,786 - -	19,525 5 2	- -	19,525 5 2	260 14 10	-	-
29	Lunacy Commission - - - - -	255	6,909 - -	525 - -	6,384 - -	6,636 18 11	559 7 4	6,077 11 7	306 8 5	-	-
30	Registrar-General's Office - - - - -	257	5,531 - -	750 - -	4,781 - -	5,293 9 10	820 18 -	4,442 11 10	338 8 2	-	-
31	Local Government Board - - - - -	259	14,905 - -	- -	14,905 - -	14,483 6 -	- -	14,483 6 -	421 14 -	-	-
Carried forward - - - - -		£	2,789,045 - -	410,054 - -	2,369,991 - -	2,695,880 5 -	446,901 11 2	2,248,987 13 10	121,003 6 2	-	-

\* Surplus of Appropriations-in-Aid over Gross Expenditure.

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March, 1906—continued.

Number of Vote.	SERVICE.	Reference to detailed Account in Parliamentary Paper, No. 9 of 1907.	Grants and Estimated Receipts, 1905—1906.						Expenditure, 1905—1906.			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.)
CLASS II.—continued.																	
SALARIES AND EXPENSES OF CIVIL DEPARTMENTS—continued.																	
<i>Ireland.</i>																	
	Brought forward	—	£ 2,789,045	s. d. —	£ 410,054	s. d. —	£ 2,369,991	s. d. —	£ 2,695,889	s. d. 5 —	£ 446,901	s. d. 11 2	£ 2,248,987	s. d. 13 10	£ 121,003	s. d. 6 2	—
32	Household of the Lord Lieutenant	261	4,822	—	—	—	4,822	—	4,648	7 3	—	—	4,648	7 3	173	12 0	—
33	Chief Secretary for Ireland	263	26,224	—	274	—	23,950	—	26,140	0 1	353	10 9	23,786	18 4	163	1 8	—
34	Department of Agriculture and Technical Instruction	266	103,162	—	1,470	—	101,692	—	101,447	15 6	1,440	16 0	100,006	10 —	1,685	1 —	—
35	Charitable Donations and Bequests Office	282	2,076	—	34	—	2,042	—	2,035	11 —	34	18 10	2,000	12 2	41	7 10	—
36	Local Government Board	284	78,097	—	12,000	—	66,097	—	69,194	12 0	11,338	16 7	57,855	16 2	8,241	3 10	—
37	Public Record Office	287	5,359	—	—	—	5,359	—	5,206	18 4	—	—	5,206	18 4	152	1 8	—
38	Public Works Office	289	43,111	—	3,000	—	40,111	—	41,735	0 5	2,870	15 8	38,865	13 0	1,255	6 3	—
39	Registrar General's Office	295	13,230	—	720	—	12,510	—	12,803	6 8	708	5 6	12,005	1 2	504	18 10	—
40	Valuation and Boundary Survey	297	29,719	—	10,000	—	19,719	—	20,370	3 11	10,398	2 0	18,972	1 2	746	18 10	—
TOTAL			£ 3,184,845	s. d. —	£ 440,652	s. d. —	£ 2,738,293	s. d. —	£ 3,078,471	s. d. 18 11	£ 474,145	s. d. 17 0	£ 2,604,326	s. d. 1 2	£ 153,066	s. d. 18 10	—
CLASS III.																	
LAW AND JUSTICE.																	
<i>United Kingdom and England.</i>																	
1	Law Charges	305	87,952	—	15,750	—	72,202	—	80,800	7 3	17,353	16 7	63,446	10 8	8,755	0 4	—
2	Miscellaneous Legal Expenses	300	62,247	—	12,731	—	49,516	—	60,447	0 2	12,731	5 0	47,716	3 5	1,709	16 7	—
3	Supreme Court of Judicature	311	373,974	—	52,400	—	321,574	—	371,247	1 11	58,574	12 6	312,672	0 5	8,901	10 7	—
4	Land Registry	315	44,102	—	—	—	44,102	—	42,377	11 8	—	—	42,377	11 8	1,724	8 4	—
5	County Courts	317	515,452	—	507,452	—	8,000	—	508,464	3 8	517,269	19 7	*8,805	15 11	16,805	15 11	—
6	Police, England and Wales	320	40,010	—	65	—	39,945	—	36,652	2 0	65	—	36,587	2 0	3,357	17 3	—
7	Prisons, England and the Colonies	329	775,443	—	10,000	—	765,443	—	746,191	5 10	25,060	18 7	721,130	7 3	35,312	12 0	—
8	Reformatory and Industrial Schools, Great Britain	330	278,299	—	28,600	—	249,799	—	260,333	0 1	20,376	0 2	240,006	10 11	0,792	— 1	—
9	Broadmoor Criminal Lunatic Asylum	339	37,001	—	1,195	—	35,806	—	35,083	14 5	1,200	12 4	33,883	2 1	1,022	17 11	—
<i>Scotland.</i>																	
10	Law Charges and Courts of Law	342	128,841	—	47,000	—	81,841	—	124,541	6 10	47,622	1 2	76,919	5 8	4,021	14 4	—
11	Register House, Edinburgh	346	42,481	—	—	—	42,481	—	41,637	6 11	—	—	41,637	6 11	793	13 1	—
12	Crofters' Commission	348	4,545	—	—	—	4,545	—	4,282	10 5	—	—	4,282	10 5	262	— 7	—
13	Prisons	350	92,817	—	5,067	—	87,750	—	91,677	7 8	6,552	2 10	85,125	4 10	2,624	15 2	—

\* Surplus of Appropriations-in-Aid over Gross Expenditure.



B

	<i>Ireland.</i>									
14	Law Charges and Criminal Prosecutions	355	04,008 - -	490 - -	04,416 - -	03,926 19 0	702 8 5	03,224 11 4	1,101 8 8	--
15	Supreme Court of Judicature and other Legal Departments -	359	103,525 - -	2,500 - -	101,025 - -	101,544 4 11	2,163 12 4	09,380 12 7	1,644 7 5	--
16	Irish Land Commission -	362	167,605 - -	12,750 - -	154,815 - -	166,690 9 5	12,021 17 1	153,774 12 4	1,140 7 8	--
17	County Court Officers, &c. -	365	114,953 - -	4,630 - -	110,423 - -	114,318 7 -	5,257 18 11	109,060 8 1	1,362 11 11	--
18	Dublin Metropolitan Police -	368	160,994 - -	53,088 - -	07,906 - -	147,871 12 1	53,204 11 8	94,667 - 5	3,238 10 7	--
19	Royal Irish Constabulary -	371	1,324,003 - -	24,590 - -	1,299,413 - -	1,322,332 2 11	26,656 15 6	1,295,675 7 5	3,737 12 7	--
20	Prisons -	374	125,680 - -	3,250 - -	122,430 - -	120,131 5 7	3,600 8 11	116,530 16 8	5,899 3 4	--
21	Réformatory and Industrial Schools -	381	111,891 - -	1,010 - -	110,281 - -	110,680 3 8	1,686 17 2	108,993 6 6	1,287 13 6	--
22	Dundrum Criminal Lunatic Asylum -	384	0,993 - -	- -	0,993 - -	0,931 17 0	- 1 10	6,031 15 11	61 4 1	--
	<b>TOTAL</b>		<b>£ 4,653,774 - -</b>	<b>791,068 - -</b>	<b>3,861,806 - -</b>	<b>4,667,269 0 8</b>	<b>822,001 10 4</b>	<b>3,745,267 19 4</b>	<b>110,538 - 8</b>	<b>--</b>
	<b>CLASS IV.</b>									
	<b>EDUCATION, SCIENCE AND ART.</b>									
	<i>United Kingdom and England.</i>									
1	Board of Education -	400	12,660,816 - -	8,268 - -	12,652,548 - -	12,613,817 4 1	9,768 18 2	12,604,048 5 11	48,499 14 1	--
2	British Museum -	408	179,501 - -	9,000 - -	170,501 - -	179,455 - 10	9,541 5 10	169,913 15 -	587 5 -	--
3	National Gallery -	412	20,664 - -	1,650 - -	19,014 - -	19,620 1 3	2,291 19 -	17,328 2 3	1,685 17 9	--
4	National Portrait Gallery -	415	5,619 - -	- -	5,619 - -	5,619 - -	- - -	5,619 - -	- - -	--
5	Wallace Collection -	417	7,343 - -	750 - -	6,593 - -	7,128 19 5	786 - 0	6,342 18 11	250 1 1	--
6	Scientific Investigation, &c., United Kingdom -	420	53,900 - -	- -	53,900 - -	53,342 14 4	- - -	53,342 14 4	557 5 8	--
7	Universities and Colleges, Great Britain, and Intermediate Education, Wales -	423	197,300 - -	- -	197,300 - -	197,300 - -	- - -	197,300 - -	- - -	--
	<i>Scotland.</i>									
8	Public Education -	425	1,817,290 - -	- -	1,817,290 - -	1,723,175 11 2	- - -	1,723,175 11 2	94,114 8 10	--
9	National Gallery, &c. -	429	5,405 - -	- -	5,405 - -	5,405 - -	- - -	5,405 - -	- - -	--
	<i>Ireland.</i>									
10	Public Education -	431	1,393,671 - -	1,950 - -	1,301,721 - -	1,390,851 12 9	318 4 11	1,390,533 7 10	1,187 12 2	--
11	Endowed Schools Commissioners -	437	910 - -	- -	910 - -	896 4 4	- - -	896 4 4	13 15 8	--
12	National Gallery -	439	4,486 - -	- -	4,486 - -	3,519 10 11	- - -	3,519 10 11	966 0 1	--
13	Queen's Colleges -	441	11,800 - -	0,750 - -	5,050 - -	11,320 0 8	6,270 0 8	5,050 - -	- - -	--
	<b>TOTAL</b>		<b>£ 16,358,705 - -</b>	<b>28,368 - -</b>	<b>16,330,337 - -</b>	<b>16,211,451 5 9</b>	<b>28,976 15 1</b>	<b>16,182,474 10 8</b>	<b>147,802 0 4</b>	<b>--</b>

COMMITTEE ON PUBLIC ACCOUNTS.

477

579

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March, 1906—continued.

Number of Vote.	SERVICE.	Reference to detailed Account in Parliamentary Paper, No. 9 of 1907.	Grants and Estimated Receipts 1905—1906.			Expenditure, 1905—1906.			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.)							
			£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.											
<b>CLASS V.</b>																									
<b>FOREIGN AND COLONIAL SERVICES.</b>																									
		Page.																							
1	Diplomatic and Consular Services - - -	452	648,387	-	-	94,040	-	-	554,347	-	-	639,215	10	1	101,124	8	6	538,091	1	7	16,255	18	5	-	-
2	Colonial Services - - - - -	464	1,266,703	-	-	-	-	-	1,266,703	-	-	1,259,191	19	6	-	-	-	1,259,191	19	6	7,511	-	6	-	-
3	Telegraph Subsidies and Pacific Cable - - -	509	148,645	-	-	72,000	-	-	76,645	-	-	144,425	10	-	67,780	10	-	76,645	-	-	-	-	-	-	-
4	Cyprus, Grant in Aid - - - - -	511	16,000	-	-	-	-	-	16,000	-	-	16,000	-	-	-	-	-	16,000	-	-	-	-	-	-	-
5	Treasury Chest Fund - - - - -	521	14,250	-	-	-	-	-	14,250	-	-	13,697	9	8	-	-	-	13,697	9	8	552	10	4	-	-
6	Newfoundland Fisheries Indemnity - - -	522	54,683	-	-	-	-	-	54,683	-	-	54,682	16	9	-	-	-	54,682	16	9	-	3	3	-	-
7	Samoa Arbitration Claims - - - - -	525	8,567	-	-	-	-	-	8,567	-	-	8,458	10	2	-	-	-	8,458	10	2	108	0	10	-	-
	<b>TOTAL</b>	<b>- - £</b>	<b>2,157,235</b>	<b>- -</b>	<b>166,040</b>	<b>- -</b>	<b>1,991,195</b>	<b>- -</b>	<b>2,135,671</b>	<b>16 2</b>	<b>168,904</b>	<b>18 6</b>	<b>1,966,766</b>	<b>17 8</b>	<b>24,428</b>	<b>2 4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CLASS VI.</b>																									
<b>NON-EFFECTIVE AND CHARITABLE SERVICES.</b>																									
		Page.																							
1	Superannuation and Retired Allowances - -	527	648,378	-	-	-	-	-	648,378	-	-	636,224	16	7	-	-	-	636,224	16	7	12,153	3	5	-	-
2	Merchant Seamen's Fund Pensions - - -	533	2,300	-	-	-	-	-	2,300	-	-	2,018	12	1	-	-	-	2,018	12	1	281	7	11	-	-
3	Miscellaneous Charitable and other Allowances - - - - -	535	1,572	-	-	-	-	-	1,572	-	-	1,544	1	8	-	-	-	1,544	1	8	27	18	4	-	-
4	Hospitals and Charities, Ireland - - - -	537	17,410	-	-	147	-	-	17,263	-	-	17,335	5	9	127	2	-	17,268	3	0	54	16	3	-	-
5	Savings Banks and Friendly Societies Deficiencies - - - - -	540	146,989	-	-	-	-	-	146,989	-	-	145,292	18	-	-	-	-	145,292	18	-	1,696	2	-	-	-
	<b>TOTAL</b>	<b>- - £</b>	<b>816,649</b>	<b>- -</b>	<b>147</b>	<b>- -</b>	<b>816,502</b>	<b>- -</b>	<b>802,416</b>	<b>14 1</b>	<b>127</b>	<b>2 -</b>	<b>802,238</b>	<b>12 1</b>	<b>14,213</b>	<b>7 11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CLASS VII.</b>																									
<b>MISCELLANEOUS.</b>																									
		Page.																							
1	Temporary Commissions - - - - -	545	68,804	-	-	-	-	-	68,804	-	-	64,748	9	8	-	-	-	64,748	9	8	4,055	10	4	-	-
2	Miscellaneous Expenses - - - - -	555	26,295	-	-	5,400	-	-	20,895	-	-	23,710	11	2	10,708	2	6	13,002	8	8	7,892	11	4	-	-
3	Repayments to the Local Loans Fund - - -	559	698	-	-	-	-	-	698	-	-	697	16	1	-	-	-	697	16	1	-	3	11	-	-
4	Ireland Development Grant - - - - -	581	185,000	-	-	-	-	-	185,000	-	-	185,000	-	-	-	-	-	185,000	-	-	-	-	-	-	-
5	Their Royal Highnesses the Prince and Princesses of Wales (Visit to India) - -	566	20,000	-	-	-	-	-	20,000	-	-	20,000	-	-	-	-	-	20,000	-	-	-	-	-	-	-
6	Repayments to the Civil Contingencies Fund -	567	12,962	-	-	-	-	-	12,962	-	-	12,961	3	6	-	-	-	12,961	3	6	-	16	6	-	-
7	Relief of Distress (Ireland) - - - - -	568	20,000	-	-	-	-	-	20,000	-	-	16,582	9	3	-	-	-	16,582	9	3	3,417	10	9	-	-
8	Milan Exhibition - - - - -	569	10,000	-	-	-	-	-	10,000	-	-	10,000	-	-	-	-	-	10,000	-	-	-	-	-	-	-
	<b>TOTAL</b>	<b>- - £</b>	<b>343,759</b>	<b>- -</b>	<b>5,400</b>	<b>- -</b>	<b>338,359</b>	<b>- -</b>	<b>333,700</b>	<b>9 8</b>	<b>10,708</b>	<b>2 6</b>	<b>322,992</b>	<b>7 2</b>	<b>15,366</b>	<b>12 10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## APPENDIX No. 2.

Paper handed in by Mr. W. Blain, C.B.

TREASURY MINUTE on the REPORTS from the PUBLIC ACCOUNTS COMMITTEE, 1907,  
dealing with NAVY AND ARMY ACCOUNTS for 1905-6.

(23,051/07.)

31st December, 1907.

My Lords have before Them the First and Second Reports from the Public Accounts Committee, 1907, and are pleased to give the following directions thereon:—

First Report, Paragraph 2.—Appropriations in Aid.

The amended Clauses recommended by the Committee were adopted for sections 4 and 5 of the Appropriation Act, 1907. And the Resolutions relating to Navy and Army Expenditure, 1905-6, were also submitted to, and adopted by, the House of Commons in the revised form which the Committee recommended.

The effect of the alterations thus introduced into the form of the Appropriation Act is that statutory sanction is now expressly given to the practice which has long been in force, namely, that in the case of the Votes for Naval and Military services respectively, a surplus of appropriations in aid of one Vote may be applied temporarily, with Treasury sanction, towards making good a deficiency of appropriations in aid of another Vote in the same department, just as, under previous Appropriation Acts, power has been given to meet temporarily, where necessary, an excess of expenditure on one Vote out of a saving of expenditure on another Vote in the same department. In both cases the same conditions are applied, (1) that the aggregate expenditure on Naval and Military Services must not exceed the amounts authorised by Parliament for these services respectively, and (2) that every exercise by the Treasury of its temporary power shall be submitted for the sanction of Parliament.

My Lords desire to record Their opinion that the exhaustive examination into this question by the Committee has been useful in dispelling apprehensions as to the possible weakening of Parliamentary control by the system of appropriations in aid, as well as in securing a desirable amendment of the law.

I. 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, 1907, dealing with Navy Accounts, 1905-6; and I am to make the following observations thereon:—

*Paragraph 5.*—The Lords Commissioners of the Admiralty will note the Committee's observations with regard to the warning of employees against the acceptance of commissions, and will, no doubt, take such action in the matter as may be necessary.

*Paragraph 10.*—The Committee, while attaching due weight to the explanation given by the Board of Admiralty for the placing of certain contracts without competitive tenders, point out that when any such departure from the usual practice is proposed, the sanction of this Board should be sought before action is taken. My Lords share the view of the Committee, and refer to Their remarks on this subject under paragraph 14 below.

*Paragraph 12.*—In connection with expenditure incurred on certain works begun in anticipation of Parliamentary authority under Treasury sanction, the Committee discuss the question how far the necessity for application to the Treasury in such circumstances operates as a check upon the spending Department, and express themselves satisfied that the check is operative. In taking note of this expression of opinion, My Lords desire to add that They rely on full and careful inquiry being made by the Department in every case before Their sanction for expenditure of this nature is sought, with a view to determining whether the work cannot be deferred without detriment to the public service until provision for it can be made by Parliament in the usual course.

*Paragraph 13.*—The Lords Commissioners of the Admiralty will note the observation of the Committee as to the need for closer co-operation between the branches of the Admiralty in such cases as that referred to.

B

67\*

*Paragraph 14.*—The subject-matter of this paragraph has already been dealt with in correspondence between the Board of Admiralty and this Department, and Their Lordships need only here record that it has been made clear that They will be consulted beforehand in the exceptional cases where for special reasons it is proposed to depart from the normal and regular course of putting a contract out to open tender.

*Paragraph 15.*—As stated to the Committee, the regulations as to subsistence allowances in the case of prolonged absence from headquarters have been revised, and the point to which attention was directed by the Comptroller and Auditor-General has been met.

*Paragraph 17.*—It will be observed that the Committee express themselves as not satisfied with the decision of the Board of Admiralty with regard to the issue of Wounds Pensions to officers who are able to resume duty and to earn full pay; and in paragraph 25 of their Second Report (on Army Accounts) the Committee, after further considering the regulations governing the grant of such pensions, and the correspondence which has passed between the War Office, the Admiralty and this Board, express “regret that the Departments have hitherto been unable to concur in their recommendations, but after examination of the reasons advanced your Committee have no option but to repeat the opinion which they expressed last year.”

My Lords must now leave the responsibility in this matter in the hands of the Board of Admiralty.

*Paragraph 21.*—My Lords note the suggestion of the Committee that the arrangements which have been made in the Admiralty and War Office for the exchange of information in regard to the purchase of goods should be extended to other Departments which have to buy large quantities of stores, and They will consider in what way effect can be given to it.

*Paragraph 22.*—The question of the position of the Director of Works in his capacity as arbitrator, in cases where the conditions of a contract, for which he is responsible, are in dispute, is still under consideration. In the meantime My Lords take note of the opinion of the Committee that unless the Board of Admiralty can show good reason for continuing this arrangement, some other method of arbitration would be preferable.

*Paragraphs 23 & 24.*—My Lords will be glad to be favoured with the observations of the Board of Admiralty on the recommendation of the Committee as to the examination of stores and the earlier disposal of such as are found to be obsolete; also on their suggestion as to the testing of ammunition, and the recovery, in the event of deterioration, from the Contractors.

*Paragraphs 25 & 26.*—The Board of Admiralty will, no doubt, give careful consideration to the matters dealt with in these two paragraphs. My Lords understand that the defects in accounting which were disclosed in connection with the stock-taking at the Torpedo Depôts were due to a delay in the issue of the new Book of Instructions, and have now been remedied.

The remaining paragraphs of the Committee's First Report do not appear to call for comment from their Lordships, but I am to transmit a copy of paragraph 26 of their Second Report, and to request that My Lords may be favoured with the observations of the Board of Admiralty on the recommendation of the Committee as regards the revival of Officers' Widows Pensions after re-marriage.

I have the honour to be, Sir,

Your obedient Servant,

## II. Write to the Secretary, War Office.

Sir,

The Lords Commissioners of His Majesty's Treasury direct me to transmit, to be laid before the Army Council, a copy of the Second Report from the Public Accounts Committee, 1907, dealing with Army Accounts, 1905-6; and I am to communicate to you the following observations thereon:—

*Paragraph 2.*—The matters dealt with in this paragraph are of the first importance. Speaking generally, it may be laid down that inaccurate estimates imply looseness of control; and while introducing disorder into the public finances, they tend to extravagant administration. The Committee, however, recognise that the forecasting of requirements and liabilities in the year under review was attended with exceptional difficulty in consequence of the changes introduced into Army administration as a result of the recommendations of the Esher Committee. My Lords trust that with more experience of the working of the new system it will be found possible to bring the Estimates into much closer conformity with the expenditure; but it appears to Them that this result can only be attained by more effective communication between the Financial Department of the War Office and the officers responsible for expenditure. In the meantime My Lords note with satisfaction the great improvement effected in the forecast for the March quarter of the present year, which was within £101,000 of the actual result, as against £643,000 in the previous year. The improved arrangements for watching and forecasting expenditure which are described in the Memorandum accompanying the War Office letter to the Treasury of the 9th April, 1907 (printed as Appendix 14 to the Reports of the Committee) appear to My Lords to be well considered, and They trust that the working of them may continue to receive the earnest attention of the Army Council.

*Paragraph 3.*—The Army Council will note that the Committee, in approving the amending of the Pay Warrant so as to enable regimental extra duty pay to be granted to officers of the Royal Engineers in certain exceptional circumstances, urge that careful watch may be kept against any laxity in the interpretation of the new paragraph.

*Paragraph 5.*—Counterclaim of the South African Garrison Institutes. It has now been shown that the Institutes have expended a sum of £6,238 in providing accommodation which it would otherwise have been necessary to provide out of Army Funds, and that amount has accordingly been allowed against the sum of £9,295 charged against the Institutes for rent.

*Paragraph 9.*—Standerton Water Supply. My Lords will be glad to learn in due course the result of the negotiations which, it was stated to the Committee, are proceeding for a revision of the terms of this contract. They trust that the arrangements which have been made locally are now such as to ensure the necessary supervision being exercised by the Army Council with regard to contracts in the future.

*Paragraph 13.*—Correspondence on the subject of these claims is still proceeding, but will, it is hoped shortly be brought to a close.

*Paragraphs 19 & 39.*—Contracts given without competition. My Lords are already in possession of the views of the Army Council on this subject in connection with the observations of the Committee contained in Paragraph 19 of their Third Report, 1906, and Their Lordships need only now commend the further remarks of the Committee to the attention of the Army Council.

*Paragraph 20.*—Cost of staff in relation to works. My Lords would be glad to learn whether it has now been ascertained if, without undue expense, any reliable calculation can be made showing the proportionate cost from year to year.

*Paragraph 21.*—Triennial Contracts. Adverting to Treasury letter (6096/07) of the 8th April last, in which an opinion was expressed by this Board against the extension beyond £400 of the limit within which new works may be given to Triennial Contractors, I am to inquire whether the system has now been reconsidered as the result of the deliberations referred to by the Committee.

*Paragraph 23.*—Attention was directed to this matter in Treasury letter (15068/07) of the 15th August last, and My Lords understand that the Army Council are taking steps with a view to ascertaining whether some reduction can be effected in the cost of the Headquarters Staff in the near future. Their Lordships will be glad to learn the result in due course.

*Paragraphs 25 & 26.*—It will be observed that the Committee, after further considering the regulations governing the grant of Wounds Pensions, and the correspondence which has passed on the subject, repeat the opinion which they expressed last year; and as regards the revival of Officers' Widows Pensions, which have ceased on re-marriage, the Committee express the opinion that the conditions applicable to the rank and file should apply also to the commissioned ranks.

My Lords must now leave the responsibility with regard to these recommendations in the hands of the Army Council.

*Paragraph 28.*—My Lords will be glad to have the views of the Army Council on the criticism by the Committee of the form of Store Return at present in use, and generally on the subject-matter of this paragraph.

*Paragraph 31.*—A system under which store and animal accounts of field units on active service will be dispensed with, on the lines stated by the Committee, has now been arranged.

*Paragraph 35.*—The Army Council will note the expression of opinion by the Committee on the error which occurred in the estimate for some trunk mains for electric power at Waltham.

*Paragraph 36.*—The recommendation of the Committee that, in order to obviate the necessity of incurring expenditure in anticipation of the Vote, the Army Ordnance Vote should be taken earlier, should not be lost sight of, and every effort should be made to comply with it so far as Parliamentary exigencies will permit.

*Paragraph 42.*—The case of improper adjustments of certain accounts which came before the Committee has already been dealt with in the manner stated. My Lords commend the observations of the Committee with reference thereto to the earnest attention of the Army Council.

No observations on the part of this Board appear to be called for with reference to the remaining paragraphs of the Committee's Second Report.

I have the honour to be, Sir,

Your obedient Servant,

III.—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 of to-day's date, on the First and Second Reports from the Public Accounts Committee, 1907, dealing with Navy and Army Accounts for 1905-06.

I have the honour to be, Sir,

Your obedient Servant,

THIS VOLUME IS TIGHTLY BOUND

## APPENDIX No. 3.

Paper handed in by Mr. *W. Blain*, C.B.

TREASURY MINUTE, dated the 18th December, 1907, on the Third Report, relating to CIVIL SERVICE and REVENUE DEPARTMENTS ACCOUNTS, 1905-6.

20622/07

1. My Lords read the Third Report of the Public Accounts Committee, 1907, which relates to the Civil Service and Revenue Departments Accounts for 1905-6.

## 2.—CLASS I., VOTES 7 and 8.

Write to the First Commissioner of Works :—

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit for your information the enclosed copy of paragraphs 1, 2, and 3 of the Third Report of the Public Accounts Committee, 1907, relative to the change which was made in 1906-7 in the form of the Estimates for New Buildings, &c., in Votes 7 and 8 of Class I., and to certain disparities of estimate and expenditure in 1905-6.

I am at the same time to call your attention to paragraph 19 of the same Report, a copy of which is also enclosed, containing observations of general application with reference to adjustments which have been improperly made in certain Post Office Store Accounts.

## 3.—CLASS I., VOTE 14.

Write to the Commissioners of Public Works, Dublin :—

Gentlemen,

849/07

With reference to your report of the 11th January last (34-07), I am directed by the Lords Commissioners of His Majesty's Treasury to transmit for your information the enclosed copy of paragraphs 3 and 4 of the Third Report of the Public Accounts Committee, 1907, relative to the change which has been made in the form of the Estimates for New Post Office Buildings, &c., in the current year.

I am at the same time to call your attention to paragraph 19 of the same Report, a copy of which is also enclosed, containing observations of general application with reference to adjustments which have been improperly made in certain Post Office Store Accounts.

## 4.—CLASS II., VOTE 6.

Write to the Under-Secretary of State, Colonial Office :—

Sir,

1140/07

With reference to Sir C. P. Lucas's letter of 16th January last (No. 151/1906-7), I am directed by the Lords Commissioners of His Majesty's Treasury to transmit for the information of the Secretary of State for the Colonies the enclosed copy of paragraph 5 of the Third Report of the Public Accounts Committee, 1907, upon the subject of the grant in aid of the Emigrants' Information Office.

## 5.—CLASS II., VOTE 8.

Write to the Secretary, Board of Trade :—

Sir,

See  
19262/04  
12565/07

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to be laid before the Board of Trade, the enclosed copy of paragraph 6 of the Third Report of the Public Accounts Committee, 1907, relative to expenses incurred in connection with the promotion of the Port of London Bill in 1902-5.

It will be observed that the Committee suggest, for consideration, the possibility of recovering these expenses from the new Port of London Authority, when constituted.

I am also to transmit a copy of paragraph 7 of the same Report, in which the Committee signify approval of the proposal that the expenses of the Companies Department should be taken out of the Estimate for the Bankruptcy Department and placed under the Estimate for the Board of Trade; and I am to request that this change may be carried into effect in the Estimates submitted in respect of the Departments concerned for the ensuing financial year.

6645/07

## 6.—CLASS II., VOTE 33.

Write to the Chief Secretary, Dublin Castle :—

Sir,

With reference to the letter from this Department of the 26th January last, and previous correspondence, I am directed by the Lords Commissioners of His Majesty's Treasury to transmit, to be laid before His Excellency the Lord Lieutenant, the enclosed copy of paragraph 8 of the Third Report of the Public Accounts Committee, 1907, relative to the subsistence allowance of the Draftsman of Bills for the Irish Government.

1480/07

I am also to transmit, for communication to the General Prisons Board for Ireland, a copy of paragraph 19 of the same Report, containing observations of general application with reference to adjustments which have been improperly made in certain Post Office Store Accounts.

## 7.—CLASS IV., VOTE 1.

Write to the Secretary, Board of Education :—

Sir,

With reference to Mr. Bromley's letter of the 28th February last (Y. 6/07), I am directed by the Lords Commissioners of His Majesty's Treasury to transmit for the information of the Board of Education the enclosed copy of paragraphs 10, 11, 12 and 13 of the Third Report of the Public Accounts Committee, 1907.

3091/07

## 8.—CLASS V., VOTE 1.

Write to the Under-Secretary of State, Foreign Office :—

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit for the information of the Secretary of State for Foreign Affairs the enclosed copy of paragraph 14 of the Third Report of the Public Accounts Committee, 1907, upon the subject of the new arrangement with regard to Commercial Attachés.

I am also to transmit a copy of paragraph 15 of the same Report, relative to the rendering of certain accounts by Consular Officers; and I am to request that my Lords may be favoured with the observations of the Secretary of State upon the recommendation of the Committee with respect to the form of accounts prescribed in the case of Consular Officers in China and Japan.

## 9.—CLASS V., VOTE 2.

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 be laid before the Secretary of State for the Colonies, the enclosed copy of paragraphs 16, 17 and 18 of the Third Report of the Public Accounts Committee, 1907.

My Lords concur in the principle laid down by the Committee with reference to the omission to make specific provision in the Estimates for the charge in respect of the maintenance of two political prisoners from Tonga. But, so far as the facts of this particular case are within the knowledge of This Board, they are under the impression that, although the charge extended into the Accounts of three financial years, your Department would not have been justified, on the information available at the time, in making provision for it in the Estimates for any of those years.

## 10.—REVENUE DEPARTMENTS, VOTE 5.

In paragraph 19 of their Report, the Committee draw attention to adjustments which have been improperly made in certain Post Office Store Accounts by the transfer of stores and wages from one work to another; and they recommend that a warning should be addressed to all spending Departments on the subject of such irregularities.

So far as the Admiralty and War Office are concerned, this matter will be dealt with in a separate Treasury Minute in reference to paragraph 42 of the Committee's Second Report, and directions have already been given in the present Minute for the communication of paragraph 19 of the Third Report to the First Commissioner of Works, the Commissioners of Public Works for Ireland, and the General Prisons Board for Ireland.

Write also as follows to the Post Office, and to the remaining Public Departments whose business appears to be of such a character as to bring them within the intention of the Committee's recommendation.

The Postmaster-General.

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to you the accompanying copy of paragraph 19 of the Third Report of the Public Accounts Committee, 1907, respecting adjustments which have been improperly made in certain Post Office Store Accounts by the transfer of stores and wages

from one work to another, and I am to call your attention to the observations of the Committee contained in that paragraph and in paragraph 42 of their Second Report, relating to similar irregularities of accounting in the War Department.

I am also to enclose a copy of paragraph 20 of the Third Report, and to say that My Lords share the satisfaction expressed by the Committee on learning that there is no tendency to increase the production in the Post Office Factories of articles which could be obtained from contractors at a lower price.

The Under-Secretary of State, Home Office.

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to you herewith, for the information of the Secretary of State, and for communication to the Prison Commissioners, a copy of paragraph 19 of the Third Report of the Public Accounts Committee, 1907, containing observations of general application with reference to adjustments which have been improperly made in certain Post Office Store Accounts by the transfer of stores and wages from one work to another.

The Under-Secretary for Scotland.

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to you herewith, for the information of the Secretary for Scotland, and for communication to the Prison Commissioners for Scotland, a copy of paragraph 19 of the Third Report of the Public Accounts Committee, 1907, containing observations of general application with reference to adjustments which have been improperly made in certain Post Office Store Accounts by the transfer of stores and wages from one work to another.

11.—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 18th December, 1907, on the Third Report of the Public Accounts Committee, 1907.



## APPENDIX PAPER No. 4.

Paper handed in by Mr. *W. P. Byrne*, C.B.

## NUMBERS OF INMATES OF CERTIFIED INEBRIATE REFORMATORIES IN 1906.

[The payments made in the financial year 1906-7 were in respect of the calendar year 1906.]

Under detention on	Under Section 1 of the Act.	Under Section 2 of the Act.			Grand Total.
	Government Contribution 16s. a week.	Government Contribution 10s. 6d. a week.	Government Contribution 7s. a week.	Total.	
31st March, 1906 -	153	744	—	744	897
30th June, 1906 -	141	592	191	783	924
30th September, 1906	136	501	281	782	918
31st December, 1906	118	509	299	808	926

## APPENDIX No. 5.

Paper handed in by *Mr. E. G. Harman.*

(Copy) 20263/07.

8th January, 1908.

Sir,

The Lords Commissioners of His Majesty's Treasury have had before them Mr. Antrobus's letter of the 3rd September last (30437/1907), transmitting by direction of the Earl of Elgin further correspondence with the Cape Colony respecting the settlement of certain claims between the Home and Cape Governments arising out of the War.

1. War Office claim for refund of Customs Duties—£182,078 12s. 4d.

It is gathered from the correspondence forwarded with the letter under reply, that the Cape Government do not dispute their admission of liability in respect of this claim, but now seek to identify the counter-claim referred to in the last paragraph of Sir Gordon Sprigg's Minute of 28th May, 1902, with the "claims to a far greater amount" (£6,420,634) on account of general war expenses and war losses, which were first alluded to in September, 1903. But the counter-claim mentioned in Sir Gordon Sprigg's Minute is clearly defined as in respect of certain customs dues; and whatever intention to prefer a large claim for war losses may have existed in the minds of the Cape Ministers at the date of the Minute, it is certain that no intimation of any such intention had then been made to any representative of the War Department. Moreover, the claim of £6,420,634 contains no item relating to the Customs Duties on imported stores, animals, &c., to which the Minute refers. Considerable sums have been paid to the Cape Government from time to time as Customs dues in respect of stores, animals, &c., imported free of duty by the Imperial Governments, and subsequently sold, and no outstanding claim by the Cape Government on this account is known to the War Department, with the exception of a claim to a share of certain duties payable by the War Office to Natal—a claim which will be settled in due course through the Natal Government.

It may further be pointed out, that the statement of outstanding claims between the Imperial and Cape Governments, drawn up at the time of the final settlement of January, 1906, between the Cape Treasurer and the Chief Paymaster, South Africa, contains no mention of any outstanding claims for customs duties.

Had this claim stood alone, My Lords would not have thought it necessary to enter into these details with regard to it, but would have preferred, in the circumstances, to have signified their assent to its abandonment without further discussion; but, in setting the claim aside, the Ministers of the Cape Colony appear to regard the ground as having been cleared for placing against the balance of £14,027 2s. 3d. (since reduced by a payment of £293 10s. 5d. to £13,733 11s. 10d.) due from the Colony to the War Department on account of supplies, and admitted by them, a claim against His Majesty's Government of £26,340 for compensation stated to have been paid in respect of private stocks of arms and ammunition, &c., removed or destroyed during the War; and they ask if they are to understand that the undertaking given by the High Commissioner in South Africa is to be repudiated.

On this point, I am to state that there is no intention on the part of His Majesty's Government to repudiate the undertaking referred to, but that the attitude taken up by the Ministers of the Colony in regard to the undertaking given in 1902 with respect to the refund of Customs duties renders it impossible for any payment to be allowed in respect of this claim.

With regard to the outstanding balance of £13,733 11s. 10d. due from the Cape Government in respect of supplies, My Lords do not propose to press further for the payment of this sum, or for the recognition of the claim for the refund of Customs duties, and they now leave the matter in the hands of the Colony.

Their Lordships would be glad if a copy of this letter could be forwarded to the Governor of the Cape Colony, and they are causing a copy of the correspondence to be sent to the Comptroller and Auditor-General.

I am,

Sir,

Your obedient Servant,

(Sd.) G. H. MURRAY.

Copy 11062.

Downing Street,  
10th April, 1908.

The Under Secretary of State for the Colonies presents his compliments to the Secretary to the Treasury, and is directed by the Secretary of State to transmit, for the information of the Lords Commissioners with reference to the letter from the Colonial Department of the 15th January, a copy of the despatch noted in the subjoined schedule on the subject of the settlement of the outstanding claims between the Cape and the Imperial Governments.

Date.	Description.
1908. 10 March No. 41	From the Governor of the Cape of Good Hope.

Copy.  
Cape of Good Hope. No. 41.

Government House,  
Cape Town,  
10th March, 1908.

My Lord,

I have the honour to transmit to your Lordship, with reference to your Despatch No. 5, of 15th January last, the document specified in the annexed Schedule, on the subject of the settlement of certain outstanding claims between His Majesty's Government and the Government of this Colony arising out of the South African War.

I have, etc.,  
(Sgd.) WALTER HELY-HUTCHINSON.

The Right Honourable  
The Secretary of State, &c., &c., &c.

Date.	Description of Document.
9th March, 1908.	Minute from Ministers No. 1/104.

Copy.  
Cape of Good Hope.  
Enclosure in Despatch No. 41, of 10th March, 1908.

Prime Minister's Office,  
Cape Town,  
9th March, 1908.

Minute No. 1/104.

Ministers have the honour to acknowledge the receipt of His Excellency the Governor's Minute No. 84 dated the 5th ultimo, transmitting copy of a Despatch from the Right Honourable the Secretary of State for the Colonies giving cover to a copy of a letter from the Lords Commissioners of the Treasury, dated 8th January last in regard to the settlement of certain claims arising out of the late war.

Ministers being of opinion that no good purpose will be achieved by continuing the correspondence in regard to those long outstanding claims, are prepared to dispose of the matter on the basis indicated in the letter from the Treasury.

In noting therefore that the Lords Commissioners of the Treasury do not purpose to press further for the payment of the balance of £13,733 11s. 10d. for supplies, or for the recognition of the claim for refund of Customs duties, Ministers, in order to finally close the matter abandon the claim for the sum of £26,340 for arms and ammunition surrendered under Martial Law and not returned to their owners, also any claim that might have been established in respect of the amount of £6,420,634 representing additional expenditure, damages and loss, occasioned by the War

(Sgd.) JOHN X. MERRIMAN.

## APPENDIX No. 6.

Paper handed in by Sir *Guy Fleetwood-Wilson, K.C.B.*

## Section 28. Comptroller and Auditor-General's Report, 1906-7, 2nd section. Rentals abroad.

(1) At stations abroad for the year ending 31st August, 1907, the total cost of Army hirings to supplement accommodation for the troops was £4,500. The lodging money of the troops who occupied these hirings would have been £2,472, and the excess cost of the hirings was, therefore, £2,028.

(2) The £2,028 referred to was almost wholly on account of the families of British soldiers on the married roll. For disciplinary and sanitary purposes it is always desirable to keep such families under observation, and where married quarters do not exist the object is better effected by hiring accommodation for them than by putting them on the lodging list and letting them make their own arrangements out of their lodging allowances. This is doubly necessary at stations abroad, where families if left to find their own accommodation might drift into native quarters. It is, therefore, laid down in paragraph 268 (ii), Allowance Regulations, as the fixed policy, to hire accommodation for soldiers' families and for unmarried soldiers at stations abroad, when no Government quarters are available. The lodging money rates quoted in paragraph 267, Allowance Regulations, for non-commissioned officers at foreign stations thus tend to become obsolete, because they are scarcely ever used. (The rates for officers are revised when necessary.)

The reasons given in paragraph 28 of the Comptroller and Auditor-General's Report for the difference of £2,028 between cost of hiring and lodging money rates (*viz.*, rise in rents and the fact that lodging rates are out of date) are the main reasons, but the rentals were during the year ending 31st August, 1907, specially enhanced (1) in Jamaica by the earthquake, which has temporarily reduced the amount of accommodation available for families, and (2) in Egypt by the fact that, in view of the rapid increase in the cost of hired accommodation for the past few years, it has been necessary to hire quarters in excess of lodging money rates for a few *officers* of the quarter-master class, to whom it is a matter of great hardship when their allowances (even temporarily) cease to be sufficient for the purposes for which they are given.

(3) Hong Kong may be taken as a sample station. This station accounts for £1,123 out of the total £2,028 referred to above. The hirings cost £2,028 (a coincidence), and the lodging allowances would amount only to £905 per annum. These hirings are entirely for the families of British soldiers, and the difference of £1,123 is caused by the increased cost of rentals at Hong Kong during the past few years and the fact that the lodging money rates below Class 14 for that station have not been correspondingly increased.

Lodging allowance was not drawn at Hong Kong, during the period in question, for soldiers or their families.

## APPENDIX No. 7.

Paper handed in by Sir Guy D. A. Fleetwood Wilson, K.C.B.

Friday, 8th May, 1908.

## Vote 10.

*Proportion of Cost of Staff to Expenditure on Works.*

A general memorandum on the question of the cost of Staff has been prepared for the Public Accounts Committee and sent to the Treasury on the 23rd January, 1908, as follows:—

The expenditure on the Staff engaged in connection with Building Works for the Army has been receiving special consideration at the War Office for the last two or three years. The South African War, which necessitated the detention of a large portion of the Staff on foreign service and the creation of a considerable number of temporary appointments, left the Staff in a disorganised and inflated condition. Matters were further complicated by the existence of the Military Works Loan running side by side with the ordinary Vote 10 provision, and requiring the special earmarking of a portion of the Staff for Loan purposes. Also, in 1905, the new Department of Barrack Construction was created, the Staff of which has been obtained partly by new appointments and partly by transfers.

Great progress has been made in adjusting these difficulties. The division between the Vote and Loan Staff has been made clearer, and a large portion of the Loan Staff discharged. The Vote Staff under the Director of Fortifications and Works has been re-organised and reduced. The duties of the Barrack Construction Department have been restricted and its Staff more clearly defined.

The Director of Barrack Construction has been transferred to the Master-General of the Ordnance who will in future be responsible for all building services. The intention is, as the Loan disappears, to arrive at a fixed minimum establishment for both Departments, to be subject to temporary increase when any exceptional quantity of work should justify such a proceeding.

On the examination of the Naval Accounts for 1904-05 the Public Accounts Committee raised the question of the percentage which the cost of the Naval Works Staff bore to the expenditure on Naval Works, and in dealing with the Army Accounts for 1905-06 the Comptroller and Auditor-General endeavoured to apply a similar principle to the Army. In a letter dated the 1st July, 1906, the Treasury suggested that the proportion should not exceed the 5 per cent. charged by outside architects, but the War Office gave reasons why they considered such a comparison impracticable.

Evidence on the subject was taken by the Public Accounts Committee on the 7th May last, and the result is given in paragraph 20 of their Second Report, as follows:—

"Your Committee in their first report for last year dealt with the ratio which the cost of the staff bears to the works carried out for the Admiralty. It was then stated that this ratio amounted to about 6 per cent., and the hope was expressed that it might be reduced. A similar calculation has now been made of this charge under Vote 10 of the Army Account and the Military Works Loan, and it appears that it amounts to 11.74 per cent. The Director-General of Army Finance argued that the figures available afforded no basis for any reliable calculation, and that the cost of staff included a number of charges for maintenance of existing works and other such services, and that, whether it was required in time of peace or not, a sufficient staff had to be kept up for war. Your Committee asked that they might have as a guidance in the matter a note showing the proportionate cost from year to year for purposes of comparison; they were informed that the preparation of such a figure would be difficult and probably very costly, as records would have to be prepared in every command; but the Director-General of Army Finance will consult with the Treasury whether anything can be done in this direction."

First report,  
1906, para  
10.  
Q. 4425.

The chief reasons which militate against a correct calculation of the ratio are—

- (1.) Vote 10 and the Military Works Loan include many charges which are not of a Works character.
- (2.) Vote 10 does not always include the total cost of a building. Part of the real expenditure may be borne by Vote 6 (Transport) and Votes 8 and 9 (Stores).
- (3.) In dealing with the cost of the Staff, it is necessary to consider Votes 1 and 13 as well as Vote 10.
- (4.) Only a portion of the Staff is wholly and entirely engaged upon duties of a purely Works character.

Taking these difficulties in their order—

Objection (1) can be met roughly by the omission of certain Sub-heads and Items. The results, however, can only be regarded as approximate.

Objection (2) will, it is hoped, eventually be met to some extent by a system of records now under consideration. At present it is impossible to form even a rough estimate of the extra expenditure involved.

Objection (3) is complicated by the fact that Objection (4) applies particularly to Votes 1 and 13. The expenditure under Vote 1 is primarily for regimental purposes, that under Vote 13 is for Head-quarter administration. In only a limited degree can any portion of this expenditure be regarded as expenditure on Works Staff.

But objection (4) is the real *crux*. The duties of the Royal Engineers are so diversified that it would be impossible to arrive at the actual cost of the Works Staff, as such, without detailed Expense Accounts for each individual in every Command, noting how each Officer and man is employed every hour of the day. The Army Council consider that the end in view would not justify the loss of time and money involved in the institution of such Accounts, and they understand that the Treasury concur in this view.

The figures for 1905-06, 1906-07, and 1907-08 have, however, been carefully examined, with a view to arriving at the best comparison that is possible under the circumstances.

- (1.) All subheads and items have been excluded that were clearly not of a works character.
- (2.) No attempt has been made to add anything to the Works expenditure to cover Transport or Stores.
- (3.) The cost of all personnel under Votes 1 and 13 engaged to any extent in supervising works has been included in the expenditure on Works Staff, and the cost of any non-commissioned officers and men engaged on Works has been added to the Works expenditure.
- (4.) The cost of all personnel under Vote 10 at no time engaged on purely Works services, has been excluded from the expenditure. This includes the storekeeping staff.

The result is as follows :—

	Cost of works.	Total cost of staff wholly or partially employed on Works (including headquarters).	Percentage ratio of cost of staff to Works.
	£	£	
Expenditure in 1905-06 and 1906-07—			
Barrack Construction Department ..	544,000	55,000	10.11
Royal Engineers .. .. .	2,659,000	511,000	19.21
Estimate for 1907-08—			
Barrack Construction Department ..	284,000	28,000	9.85
Royal Engineers .. .. .	1,190,000	218,000	18.32

The two years 1905-06 and 1906-07 are taken together because the Barrack Construction Department was in course of formation throughout the period, and this affected both Departments; even when the figures for the two years are considered together they are an insufficient guide to the future, as the whole period was one of transition.

The figures generally are, at best, only rough approximations.

It will be observed that the percentages are far in excess of the 6 per cent. given as the Admiralty ratio. Analysis, however, would show that the figures do not admit of comparison, the systems of classification being quite different.

The percentages are still further in excess of the 5 per cent. charged by private architects on new work of considerable value. For small works and alterations the percentage would be higher.

From the 1st April, 1907, the Director of Barrack Construction has dealt only with new barracks and hospitals of 2,000*l.* or more in value, for erection in this country. As regards, therefore, the nature of the work now being executed by him he approaches the position of the private British architect. As, moreover, prior to the present appointment, he was engaged in business as a private architect, he is in a position to explain why his estimates include provisions for staff nearly 5 per cent. in excess of an architect's commission.

His explanation is that that commission does not cover the following services included in the staff expenditure :—

- (i.) The charges of the quantity surveyors for
  - (a.) Preparing bills of quantities.
  - (b.) Keeping records of measurements for checking contractors' bills.
  - (c.) Measuring extras and omissions at end of contract.
- (ii.) The cost of clerks of works and foremen of works.
- (iii.) The cost of preparation of schemes ultimately abandoned or modified.
- (iv.) General official duties, which occupy a considerable portion of the Director's time, and throw also a certain amount of work upon his staff. These duties include the preparation of estimates and returns and the consideration of questions of general policy.

He is satisfied that these extra duties more than account for the additional cost.

The same arguments apply equally to the Royal Engineers. There are, however, in their case additional reasons for extra expenditure as follows :—

- (i.) Regimental duties. These are necessary whether buildings are erected or not.
- (ii.) The extra cost involved in foreign service—
  - (a.) In the amount of pay.
  - (b.) In the time lost in transit.
  - (c.) In loss by sickness.

- (iii.) The necessity of maintaining a staff available for war, distributed throughout each command.
- (iv.) The heavy cost of staff (as compared with the Works expenditure) on repairs and maintenance. These include an immense number of small services, giving occasion to much correspondence and requiring close supervision.
- (v.) The variety of subjects dealt with by the staff other than those relating to the actual execution of works. Although the cost of the staff wholly engaged on other services has been eliminated, nearly every member of the remaining staff is to some extent employed on such services.

It is impossible to estimate the extra amount involved under these several subheads, but the Director of Fortifications and Works considers that, taken together, they fully account for the additional  $8\frac{1}{2}$  per cent. which on present figures his ratio of staff expenditure shows over that of the Barrack Construction Department.

After full consideration of the above the Army Council are satisfied that—

- (I.) It is impracticable to compare the cost of the Army Staff with the charges made by ordinary architects.
- (II.) It is useless to compare the ratio of cost with that of the Naval Staff, unless the basis of calculation is identical. This would be very difficult to secure.
- (III.) Without very heavy expenditure, which is deprecated, it would be impossible to work out for any one year the cost of the Army Staff actually engaged on Works services.
- (IV.) It is considered, therefore, that the case will be best met by watching closely, as in the past, the annual estimates and the actual expenditure; by reducing the permanent staff to the lowest possible minimum consistent with the economical execution of the normal requirements, and by securing the earliest possible discharge of any temporary staff taken on to meet any special demands. The Army Council and the Treasury are already working together on these lines.

## APPENDIX No. 8.

Paper handed in by Sir Guy Fleeteood-Wilson, K.C.B.

1555/08.

TREASURY CHAMBERS.  
13th May. 1908.

Sir,

The Lords Commissioners of His Majesty's Treasury have given Their careful consideration to the Memorandum dealing with the expenditure on Staff engaged in connection with Building Works for the Army, a copy of which was transmitted with your letter of the 23rd of January last (10/758 W.F.).

In reply, I am to request you to state to the Army Council that My Lords concur in the conclusions therein arrived at, viz. :—

(1) That the ratio which the cost of the staff bears to the works expenditure under the War Department must be necessarily higher than could be expected in the case of private firms :

(2) That it would cost, to prepare a statement from year to year showing the above ratio, more than the value of such a statement would justify.

In agreeing so far with the responsible opinion of the Council on the matters to which the Public Accounts Committee have drawn attention in their second Report for 1907, My Lords desire to urge once more the necessity for dispensing, as soon as possible, with the services of temporary staff when no longer required ; and in this connection, I am to express the hope that no Staff for the Military Works Loan will be required after the end of the present financial year.

I am,  
Sir,  
Your obedient Servant,  
(Sd.) G. H. MURRAY.

The Secretary,  
War Office



## APPENDIX No. 3.

Paper handed in by Sir Guy Fleetwood-Wilson, K.C.B.

May 22nd, 1908.

57/General Number/7935. (Q.M.G.F.b.)

31st March, 1908.

Sir,

In further reference to paragraph 28 of Treasury Minute dated 10th January, 1908, on the subject of the Stock Valuation Return, I am commanded by the Army Council to acquaint you, for their Lordships' information, that the inter-departmental Conference, referred to in your letter No. 12384 of 10th July, 1907, has discussed the question, but has come to the conclusion that the circumstances of the two Departments concerned differ so essentially as to render it necessary to deal with the Army Stock Valuation Return as a matter quite distinct from any corresponding returns rendered by the Admiralty.

I am accordingly to transmit the enclosed statement which represents the views of the Army Council for their Lordships' consideration.

I have the honour to be, Sir,

Your obedient Servant,

(Sgd.) R. H. BRADY.

The Secretary to the Treasury.

## MEMORANDUM UPON THE STOCK VALUATION RETURN (WAR OFFICE).

The compilation of such a return appears desirable only if it fulfils at least one of two objects, viz.: (A) if it is found to be of administrative utility to the department concerned; or (B) if it affords Parliament a means of checking the depletion or over-accumulation of reserve stores.

## (A)—ITS DEPARTMENTAL UTILITY.

(1) Any review of stocks, in order to be of use departmentally must be based upon the quantities, and not the money value, of the separate items of store, as the necessity of additional provision in order to maintain reserves at their proper level, and the desirability of disposing of surplus or obsolescent stocks must be considered with reference to the needs of the Army as regards each particular article, and not with reference to the total value of any single section of stores at a given date.

Accordingly, any such review is more properly made in connection with estimates than with appropriation.

(2) The information necessary for this complete departmental review of stocks in kind is already supplied annually (usually apart from the returns on which the stock valuation is based and at a much later date) by the various stations or depots in connection with their estimate of requirements for the coming year. This complete review is supplemented by further intermediate revisions of the stocks of particular articles which take place throughout the year. The annual valuation return is of no assistance in this respect.

(3) No use is ever made of the return by the military or financial branches dealing with the provision of stores and the public expenditure on such services.

## (B)—ITS UTILITY TO PARLIAMENT.

(1) The compact aspect of the return as printed gives no idea of the difficulties to be met, and the great amount of labour involved, in its preparation. Clerical accuracy can be obtained by the employment of a higher class of labour (an expenditure which the Department hesitates to recommend under the circumstances mentioned at (A) above), but even then the return would not show the true value of stocks on hand, and could not be made to do so. The return embraces stores of about 50,000 different natures, in varying stages of wear, in the charge of some seventy to eighty depots situated in all parts of the world,

or in possession of army units in all branches of the service as mobilization equipment. For example, the pattern of bandolier equipment was altered in 1903 as the result of experience in South Africa, but this new pattern was found to be not entirely satisfactory, and a further pattern of essentially different character, the merit of which had been proved during the Russo-Japanese war, is now being introduced. Accordingly the valuation statement will be inflated by the inclusion of the part worn, as well as the unused stocks of the old patterns, at their original value, as they are quite "serviceable," as far as their condition is concerned. When they are eventually disposed of, the valuation of this section will suffer a large decrease, although there will have been no *real* diminution of reserve stock. Any attempt to make the statement a commercial valuation showing the intrinsic worth of this vast mass of stores, is quite out of the question. It would necessitate new and elaborate systems of book-keeping and of professional review.

(2) In addition to the impossibility of accuracy in the values or prices, the return is liable to be misleading owing to the fact that it is necessarily based upon the stores held in Ordnance and clothing depots on a given date. Any particular sub-head may on this date include considerable quantities of new pattern equipments or armaments awaiting issue to units of the Army, or of equipments, etc., returned by the Regular Army, and only either awaiting disposal or retained for eventual issue to the special Reserve or Territorial Force, or to the Regular Force on an emergency.

(3) Even if a commercially accurate valuation of stock were feasible, a money return would afford no guarantee that reserves of each particular article were maintained in due proportion. A mere statement of the values respectively, of, say, guns and ammunition on charge at a given date conveys no assurance that the stocks of ammunition are in proportion to those of guns; much less does it show that guns, carriages, ammunition, etc., of *particular types and calibres* are maintained proportionately.

Again, a statement that the total value of all accoutrements in store on the date of one return approximates to the value on the date of the previous return, does not prove that stocks have been maintained in the correct proportions and patterns of the various articles required for the complete equipment of the different arms of the service.

(4) The Public Accounts Committee have expressed their opinion that the present return is of no value, and this coincides with the opinion of the Comptroller and Auditor-General in the past.

(5) As the present valuation statement cannot safely be relied upon by Parliament as showing the fluctuations in stocks of military stores from year to year, it remains to be considered whether this object can be attained in any other way. Only two methods suggest themselves to the Army Council:—

(A) That a return be presented annually showing the quantities of certain selected important items of store; or

(B) That a certificate be rendered annually with estimates, to the effect that sufficient, but not excess, provision has been made to maintain the authorized proportion of stores both for reserve and for current necessities.

The publication of a return of stocks has always been, and is still, regarded by the War Department as highly undesirable on national grounds. It appears to the Army Council, therefore, that the only satisfactory means of meeting the wishes of Parliament in this matter is that suggested in the second alternative, and that as the information necessary for the rendering of such a certificate is obtained in connection with the forthcoming year's requirements, the proper time for its publication would be when the annual estimates are presented to the House of Commons by the Secretary of State.

*Serviceable	-	-	-	100%
Repairable	-	-	-	75%
Doubtful	-	-	-	50%
Unserviceable	-	-	-	10%

It may be added that it is impossible to prepare a valuation return, even on the present system of arbitrary\* rates (and *a fortiori* on any real commercial basis) which would be produced at the date of, and act as a justification for, the specific sums taken in Army Estimates.

## APPENDIX No. 10.

Paper handed in by Sir Guy D. A. Flectwood-Wilson, K.C.B., Tuesday, 26th May, 1908.

REPORT OF CONFERENCE CONVENED TO DISCUSS A TREASURY PROPOSAL TO DISPENSE WITH STORE AND ANIMAL ACCOUNTS OF "FIELD UNITS ON ACTIVE SERVICE."

1907.

Appointed on 53/Gen. No./2820.

Reported on 53/Gen. No./3122.

## MEMBERS.

Mr. J. A. FLYNN, D.A.  
Accounts.  
Mr. J. A. CORCORAN.  
Mr. W. HOLMES.

Colonel E. J. GRANET, A.D.  
Remounts.  
Colonel H. G. SMITH, R.A., A.D.A.  
Lieut.-Colonel M. W. RUSSELL, D.A.D.G.,  
A.M.S.  
Lieut.-Colonel C. M. MATHEW, D.S.O.,  
A.D.E.O.S.  
Major W. BAKER BROWN, R.E., I.E.L.  
Major A. R. C. ATKINS, D.A.D.  
Supplies.

Mr. J. J. BEARD, *Secretary*.

## AGENDA.

To discuss and report upon the suggestions contained in the following extracts from a Treasury letter, dated 13th February, 1906, and from the Third Report of the Public Accounts Committee, 1906:—

*Extract from Treasury letter, 1205/06.*

"They will be glad to learn the result of the Council's consideration of the proposals now before them with regard to Animal and Store Accounts of field units on active service. The experience which has been gained in recent years in South Africa, China, and Somaliland will, no doubt, indicate whether, if units in the field are unable to dispose of stores and supplies except by consumption, there is any utility in requiring store accounts, &c., from them, and whether such accounts should not be restricted to base depôts."

*Extract from the Third Report of the Public Accounts Committee, 1906.*

"The Treasury . . . . suggested that as it is impracticable for a force in the field to keep store accounts of any value, the War Office should simplify their regulations accordingly. In this suggestion your Committee concur, and they understand that this question is at present occupying the attention of the War Office."

## REPORT.

1. The Conference discussed the Treasury proposal as applicable to the following classes of accounts:—

- I.—Equipment and clothing accounts of—
  - (a.) Field units.
  - (b.) Lines of communication units.
- II.—Animal accounts.
- III.—Supply accounts.
- IV.—Medical accounts.
- V.—Engineer accounts.
- VI.—Hospital diets.

The conclusions at which the Conference arrived are as follows:—

I. (a.)—EQUIPMENT AND CLOTHING OF FIELD UNITS.

2. The experience of recent campaigns shows that field units cannot, under war conditions, render accounts of equipment and clothing that are of any value.

3. As such accounts cannot be considered as affording any safeguard, the adoption of the Treasury proposal would not involve any increased danger of loss to the public, and it would remove a "drag" upon those serving in the field.

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4. Owing to the multiplicity of items an attempt, such as has been proposed, to keep records at the base, booking against each unit all issues to it, with a view to querying excessive issues, is almost impracticable. The labour would be enormous, the staff almost impossible to obtain, and the results would not be likely to be commensurate. Such an arrangement would violate one of the main objects of the proposal, viz., to avoid harassing fighting bodies with queries of account, and would result in outstanding questions going on for years after the war, when they cannot be satisfactorily answered. The Conference considers that the only satisfactory arrangements are "a good account" or "no account," and strongly deprecates any half-and-half system.

The scheme of accounting at the base was recommended by a recent committee as an alternative to direct accounting by units, but it was devised on the assumption that the Treasury and the Public Accounts Committee would not agree to any proposal to dispense with accounts altogether. It was clearly recognised by the committee that a more practical and effective check on extravagance, waste, or misappropriation of stores would be secured by the appointment of Ordnance officers moving with columns and divisions in the field, and exercising full control over the supply and disposal of the stores and clothing of all units in the command. With this view the Conference concurs.

5. In view of the foregoing considerations the Conference is unanimously of opinion that accounting for equipment and clothing should be dispensed with in the case of all "moving" units, including the troops guarding lines of communication, supply and ammunition columns, supply parks, field ambulances, &c.

#### I. (b).—EQUIPMENT AND CLOTHING OF LINES OF COMMUNICATION UNITS.

6. The Conference—with the exception of Lieut.-Colonel Mathew, whose views are stated in the Appendix—is of opinion that the same rule should be applied to what may be described as the "non-moving" units on lines of communication, and recommends adherence to the broad principle suggested by the Treasury, viz., that there should be no further accounting after stores have been issued from depôts to units for use. The following reasons are adduced in support of this recommendation :—

- (a.) The theory that "non-moving" units ought to be able to keep "good accounts" has been disproved by actual experience. The accounts rendered by such units in South Africa were in no respects better than those of field units.
- (b.) Changes of personnel are both frequent and unavoidable, and war conditions preclude a formal "hand-over," with the usual verification of stock. If, at the termination of hostilities, it was found that the book "remain" was not in agreement with the stock, it would be impossible to fix responsibility for deficiencies. Boards of officers, convened to deal with the discrepancies in accordance with the King's Regulations, would have no data to guide them, and could merely express a formal opinion that the losses were due to the exigencies of active service. This futile procedure was followed in scores of cases in South Africa, and served no useful purpose. A special staff was sent from the War Office to audit accounts which were found not to be susceptible of audit. Following on this, the local representatives of the Exchequer and Audit Department raised a large number of queries on matters which it was impossible to elucidate, and finally the Treasury and the Public Accounts Committee joined in the discussion. From the fact that both the latter have invited the Army Council to simplify regulations in the direction of non-accounting, it can be inferred that they regard such discussions as wholly unprofitable and as so much waste of time to all concerned.
- (c.) It is considered preferable to frankly recognise the inutility of indifferent accounting as a preventive of waste and irregularities, and to substitute a system of administrative control, from which better results may reasonably be expected to accrue.

#### II.—ANIMAL ACCOUNTS

#### III.—SUPPLY ACCOUNTS.

7. The Conference unanimously agrees that accounting for supplies and animals should not be carried beyond the depôts. (Under this arrangement supplies issued to parks and columns would be treated as final issues to the troops.)

#### IV.—MEDICAL.

8. The Conference agrees that an exception should be made in the case of advanced depôts for medical stores which are rather in the position of "supply parks" than of depôts in the ordinary sense, and that they should not keep accounts. Issues to units are very numerous, but the quantities are small. If it should happen at any time that circumstances necessitate bulk issues to hospitals, advance depôts should forthwith keep accounts in the same manner as base depôts.

#### V.—ENGINEER.

9. It was recommended by a recent committee that accounting for "works" stores should be restricted to depôts and sub-depôts. The proposal has received Treasury approval and the decision will be forthwith embodied in regulations.

## VI.—HOSPITAL DIET ACCOUNTS.

10. It is considered by the medical authorities that these accounts present no difficulties, and the Conference agrees that they should be retained in general and stationary hospitals when dieted.

11. The Conference considered the following points of general application to their recommendations :—

- I.—Records kept by Commanding Officers for military purposes.
- II.—Administrative control over expenditure of stores.
- III.—The difficulty of obtaining receipted vouchers from units.
- IV.—Stores and animals issued direct to non-accounting units, or commandeered, or found by them and taken for use.
- V.—Sales by units.
- VI.—Stocktaking on termination of war.
- VII.—Revision of regulations.

## I.—RECORDS KEPT BY COMMANDING OFFICERS FOR MILITARY PURPOSES.

12. The Conference considers that any records which Commanding Officers may be required to keep for their own guidance, or for the purpose of furnishing returns to Divisional or Army head-quarters, should be regarded as purely administrative, and not subject to audit, otherwise the disadvantages of accounting would occur without the advantages; or, more probably, records which serve a useful purpose as a rough-and-ready check, would not be kept, for fear they should be made a basis for detailed queries which they were not calculated to meet.

## II.—ADMINISTRATIVE CONTROL.

13. As the recommendations of the Conference to dispense with accounts are based upon the inutility of such accounts, they are not affected by the amount of the security afforded by administrative control; but the Conference considers it very desirable, in the interests of the public, that waste or misappropriation should be prevented by the supervision of officers on the spot.

This supervision, in the opinion of the Conference, will be most effectively exercised by the scrutiny of demands, when officers demanding can be required to explain the necessity for any very large or abnormal requisitions. If the articles to be replaced have been lost under circumstances requiring special authority for the write-off, this can then be obtained and annexed as a voucher to support the issue.

14. The officers to whom the duties of supervision can apparently be most conveniently assigned are shown in the following table :—

Stores, &c.	Supervising officers.
Equipment and clothing—	
(a.) Field units .. .. .	Ordnance Officer for divisional duties.*
(b.) Line of communication units .. .. .	Assistant Director of Ordnance Stores, Line of Communication.
Animals—	
(a.) Field units .. .. .	Staff Officer delegated by Director of Remounts.
(b.) Line of communication units .. .. .	Deputy Director of Remounts.
Supplies—	
(a.) Field units .. .. .	Officer Commanding Divisional Transport and Supply Column.
(b.) Line of communication units .. .. .	Deputy Director of Supplies and his Staff.
Engineer .. .. .	Staff or other officer delegated by Chief Engineer.

\* The Ordnance officer for divisional duties is shown in War Establishments as attached to Divisional Supply and Transport Column. In order to be able to properly discharge the important duty of supervision it is essential that he should be in closest possible touch with units, and the Conference, therefore, recommends that he should be on the staff of divisional head-quarters.

## III.—THE DIFFICULTY OF OBTAINING RECEIPTED VOUCHERS FROM UNITS.

15. The abolition of accounting would not necessarily accentuate the difficulty of obtaining the return of receipted vouchers from units; but the Conference, while not pronouncing upon this question, considers that it should be recognised that such vouchers cannot always be obtained under war conditions, and that accounts should not be unduly delayed by insisting upon them, when some fairly adequate evidence that the articles were requisitioned and despatched can be obtained.

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## IV.—STORES AND ANIMALS ISSUED DIRECT TO NON-ACCOUNTING UNITS.

16. If it should be decided to give effect to the recommendations to dispense with accounts, it will be necessary to lay down very distinctly that all stores and animals captured, purchased locally, or commandeered for the use of a unit, should be brought on charge in a depôt account and written off to the unit concerned, in the same way as if they had been obtained by the depôt, and supplied by it to the unit. If it is considered undesirable to pass such transactions through the main accounts of the depôt, a subsidiary record should be kept.

## V.—SALES BY UNITS.

17. The Conference is of opinion that, in order to prevent possible misappropriation, sales by units should be prohibited except under the most exceptional circumstances, when a full report should be furnished.

## VI.—STOCKTAKING ON THE TERMINATION OF THE WAR.

18. The question of stocktaking at the end of a war is of the utmost importance. The Conference considers that it should be distinctly laid down that stock should be taken and peace accounting reinstated as soon as possible after the termination of hostilities; that precise instructions should be issued in regard to the general procedure and the constitution of stocktaking boards; and that such stocktaking should include all Army property, *e.g.*, blockhouses, telegraph lines, &c., not merely stores in the narrower sense.

## VII.—REVISION OF REGULATIONS.

19. The recommendations of the Conference involve an extensive revision of regulations, the details of which would best be considered by the branches concerned, after a decision has been given upon the general principles. The Conference feels that it would be a waste of time to attempt this revision at the present stage, and that it is not a suitable tribunal for the purpose.

J. A. FLYNN.  
J. A. CORCORAN.  
W. HOLMES.

E. J. GRANET, *Colonel*.  
H. GUTHRIE SMITH, *Colonel*.  
M. W. RUSSELL, *Lieut.-Colonel*.  
C. M. MATHEW, *Lieut.-Colonel*.  
W. BAKER BROWN, *Major, R.E.*  
A. CROFTON ATKINS, *Major, A.S.C.*

J. J. BEARD, *Secretary*.  
25th March, 1907.

## APPENDIX.

## EQUIPMENT AND CLOTHING ACCOUNTS OF LINES OF COMMUNICATION UNITS.

I am of opinion that, provided a proper staff for accounting purposes is included in the war establishments of such purely line of communication units as general and stationary hospitals and transport and remount depôts, and that this staff is only changed when absolutely necessary, there is no reason why "good accounts" should not be kept by these units. My opinion is based on the following considerations:—

- (1.) Line of communication units are practically stationary.
- (2.) They are in close touch with the issuing depôts.
- (3.) They have greater opportunities for the illicit disposal of stores.
- (4.) The knowledge that a ledger account, which will eventually be audited, has to be kept, must influence the responsible officer in the care of his stores.
- (5.) The fact that proper accounts were not kept by line of communication units during the South African war is not in itself a proof that they could not have been kept.
- (6.) Owing to the exigencies of active service the units referred to frequently find themselves in the position of issuing depôts.

C. M. MATHEW, *Lieut.-Colonel*.

## APPENDIX No. 11.

Paper handed in by Sir Guy D. A. Fleetwood-Wilson, K.C.B.

Copy.  
D. 6013.

From The General Officer Commanding-in-Chief,  
South Africa.

To The Secretary,  
War Office, London, S.W.

Army Headquarters,  
Pretoria,

21st October, 1907.

Sir,

1. With reference to your 57/Cape/2612 Accts. (1) dated 20th September, 1907, I have the honour to forward a copy of a report to the Director General of Army Finance which has been handed to me by the Chief Accountant in accordance with special instructions he had to that effect.

2. I accept the Chief Accountant's conclusions as just and fair to the command and to the Officers immediately concerned. The Chief Accountant has, during the last six months, from time to time laid before me the results of his inspections of the various stores, and I have taken every possible administrative and disciplinary action to improve the condition of affairs disclosed.

3. It is a very satisfactory feature of the situation that, at this present time, we are in a far better position than we have ever been before. I feel sure that the Army Council will appreciate the difficulty under which the command has laboured ever since the conclusion of the late war. The huge accumulation of stores of every kind, the transfer in bulk from war camps broken up to cantonments in process of erection, and the fact that no due separation was made at the time between the closing down of the war accounts and the opening of accounts on ordinary peace lines, have all tended to retard the work of bringing matters to a normal condition. Changes of policy in relation to individual cantonments, and in one or two instances the necessary shifting of a store yard from one site to another, further added to the difficulties. And, lately, the attempt to deal with discrepancies when the stores were in far too chaotic a condition to justify such a course further complicated matters, and wasted much valuable time in attempting to reconcile the irreconcilable.

What I am endeavouring now to do is to bring the past history of these stores throughout the Command to a final settlement. The Chief Accountant's statement that the only sound basis on which to bring matters to the normal is: (1) to get the stores sorted and arranged; (2) to bring the books up to date; (3) to test the stock against the accounts, and (4) to accept this reconciliation as a starting-point for normal conditions, is one with which I agree. The first two stages are now rapidly approaching completion, and in almost every case the third is in hand. I hope, therefore, that, in spite of the fact that it is impossible for me to assure the Army Council that the store accounting in South Africa is now on a normal and satisfactory footing, the Army Council will accept my assurance that matters are to-day in a far better condition than they have been at any previous time, that every department is putting in excellent work with a view to the desired end, that I myself have the matter under close and constant review, and that there is every hope that in the course of a few months the assurance which I am now obliged to withhold will be forthcoming.

I have the honour to be, Sir,

Your obedient Servant,

(Sgd.) H. HILDYARD,

Lieut.-General,  
Commanding-in-Chief, South Africa.

13th February, 1908.

Copy.  
57/Cape/2612. (Accounts 1.)  
Sir,

I am commanded by the Army Council to acknowledge the receipt of your letter of 21st October, 1907, D.6013, relating to the state of storekeeping and store accounting in South Africa.

While admitting considerable force in the arguments put forward by you, the Army Council regret that various large adjustments have been sent home for their sanction without drawing their attention to the provisional nature of these adjustments, upon which you now lay stress. In your letter of 1st September, 1906, D/3592/4838 it was stated that "All the accounts are now in order, except at Roberts Heights, Pretoria." Consequently, they have led the Treasury and Parliament (through the Public Accounts Committee) to believe that Store Accounting in South Africa is in a better position than would now appear to be the case. They trust, however, that the results of the investigation which you are now having made may show that the adjustments remaining necessary are less serious than you fear. They note with satisfaction that you have the matter under close and constant review, and, before dealing finally with it, await your further report, which they will be glad to have as soon as possible.

The Council desire me to remark upon the fact that your report takes the form of a letter covering a report from the Chief Accountant, whom you appear to have entrusted with the sole investigation of the matter, unaccompanied by reports from the departments concerned—and indeed primarily concerned.

They appreciate the valuable work done by the Chief Accountant in this matter, and are glad that he has made a full enquiry, as they desired that he should. But I am to point out that the responsibility for the custody of stores and accounting for them rests not upon him but upon the various departments. They therefore desire you to call upon the head of each department concerned for a report to accompany your final report upon the subject, the Chief Accountant reporting separately as an Auditor, in accordance with the instructions conveyed in the separate War Office letters of 20th September, 1907.

While they do not wish to limit unduly the extent to which you may obtain financial assistance from the Chief Accountant, it must be borne in mind that this official is not an administrative officer, and if he is employed not merely in addition to but in substitution for the departmental officers concerned, it may become difficult to attach due responsibility for their work to these Officers, who might urge, with some justice, that this work was being controlled and administered by the Chief Accountant.

The present case appeared to the Army Council to be essentially one in which the Chief Accountant, while available for consultation by you, if required, should report separately to the Accounting Officer as an Auditor.

The General Officer  
Commanding-in-Chief,  
South Africa

I have the honour to be, Sir,

Your obedient Servant,

(Sd.) E. W. D. WARD.

## APPENDIX No. 12.

Paper handed in by Colonel Sir *Edward Raban*, K.C.B.

LAND AND PROPERTY ACQUIRED SINCE 1898 FOR VARIOUS ADMIRALTY PURPOSES,  
AND NOT AT PRESENT UTILISED FOR SUCH PURPOSES.

These cases have arisen in connection with the changes in Naval Policy which began in 1904, and which have resulted in large reductions in Naval Estimates and in the total Estimates of the Naval Works Act.

DIRECTOR OF WORKS DEPARTMENT,  
ADMIRALTY,  
30th June, 1908.

Date of Acquisition.	Area and Description of Land acquired.	Cost or Tenure.	Purpose.	Remarks.
1904	An area of land in the Parish of Abercorn and County of Linlithgow, approximately 20a. 2r. 9p.	Perpetual feu, 371l. 17s. per annum.	For the erection of a Training Establishment for Boys at Queensferry in substitution for H.M.S. "Caledonia."	In consequence of changes made in the system of entry and training of Seamen for the Fleet it was found to be possible by the extension of the Shotley R.N. Training Establishment to avoid the necessity for proceeding with the Queensferry and other proposed Boys' Training Establishments. This admitted of the total estimate of 450,000l. for accommodating Boys ashore being reduced to 145,000l. The R.N. Hospital at Queensferry, area 2a. 3r. 34p., stands on a portion of the land feued. The site was originally held on a lease which was cancelled, and the area included in the perpetual feu. The remainder of the land will be utilised by the Squadron which is now to have its base at Rosyth.
(a) 1901 and 1902.	An area of land and foreshore in the Parish of Antony in the County of Cornwall, approximately 456a. 0r. 0p.	50,965l. 18s.	For the extension of the "Cambridge" Gunnery School Drill Ground, site for Gunnery School, and site for Training Establishment for Boys at Trevol, Devonport.	It was decided in 1905 that the proposed Gunnery Schools at Chatham and Devonport should be incorporated in the Naval Barracks, where accommodation was by that time available owing to the absorption in the nucleus crews of ships in reserve of a large number of men for whom accommodation in barracks must otherwise have been provided. This change of policy involved the abandonment of the proposed Gunnery School, and as a result of this it has been possible to reduce the total estimate for the "Gunnery Schools" item under Head (c) of the Naval Works Act from 470,000l. to 154,000l. The Training Establishment for Boys was not proceeded with for the reasons set out in the Remarks column. See Queensferry Shore Establishment. A portion of the land is occupied by Naval Rifle Ranges and a Drill and Recreation Ground which existed prior to the purchase of the land, the sites of which were held on leases. The remainder of the land is let subject to its use for drill and recreation purposes by the men of the Fleet.
1903-4	A strip of land for the construction of a Railway from Sharnal Street Station (on the South-Eastern Railway Co.'s system) to Teapot Hard on the Medway, and an area for the establishment there of a Depot and Pier, &c., approximately 46 acres, and also an area of approximately 427 acres (known as Kingsnorth Farm), for the formation of a Torpedo Range.	18,078l. approximate, including compensation to tenants, &c.	The Railway was required for facilitating the transit to the Medway of ammunition from the new Chattenden Magazine Establishment and of War Stores, including torpedoes from Woolwich Arsenal, and the Depot and Pier were required for the proposed shipment of explosives and torpedoes at Teapot Hard.	Scheme was abandoned 1905.  A Torpedo Range is being established in Loch Long, and, as a result of the change of policy, the total estimate for Naval Works Act Item "Torpedo Ranges" has been reduced from 320,000l. to 115,000l.

The prices quoted are exclusive of "costs" of acquisition, except in the case marked (a).



## COAST-GUARD AND WIRELESS TELEGRAPH STATIONS.

Date of Acquisition.	Area and Description of Property.	Purchase Price or Conditions of Tenure.	Purpose.	Remarks.
1904	<i>St. Fergus</i> .—Plots of $\frac{1}{2}$ acre and 750 square yards respectively.	Feu charter. Perpetual feu duty, £. 13s. per annum.	Coast-Guard Detachment.	The general question of the future of the Coast-Guard Service has been under consideration by the Government for some time, and although no final decision has yet been arrived at, it has been decided to suspend the erection of new Stations. These sites are retained until suitable terms for disposal can be obtained. At present no such offers have been received as the Admiralty can accept.
1905	<i>Stoke Point</i> .—Area, $\frac{1}{2}$ acre -	99 years' lease at 5l. per annum.	Coast-Guard Detachment.	
1905	<i>Portobello</i> .—Area, 1 acre 2 roods.	400l. - - -	Coast-Guard Station.	
1906	<i>Herne Bay</i> .—Area, 1 rood 6 poles.	Acquired in consideration of the surrender of the Old Coast-Guard Station (no money payment by Admiralty).	Coast-Guard Station.	
1906	<i>Angle</i> .—Area, 1 acre, 0 perches	150l. - - -	Wireless Telegraphy Station.	

## ROYAL NAVAL RESERVE ESTABLISHMENTS

1901	<i>North Shields</i> (Shadwell St.).—Area, 446 sq. yds., with Boat House and other buildings thereon.	800l. - - -	In connection with R.N.R. Drill Ship.	Let to R.N. Volunteer Reserve at a rent of 10l. per annum.	It was decided in 1906 that the Royal Naval Reserve should have their annual training on board ship instead of at Drill Batteries on Shore, and as a consequence these properties were no longer required.
1903	<i>Sunderland</i> (Foatherstone St.).—Area, 1 rood 18 poles. Part of plot of about 3 roods 15 poles acquired for C.G. Buildings and Drill Battery. Battery erected in 1903-4 at a cost of about 2,500l.	Proportion of purchase money for Drill Battery site, 788l.	R.N.R. Drill Battery.	Retained pending decision of War Office as to whether this will be required for Territorial Army.	
1904	<i>Banff</i> .—Plot, 4,840 sq. yds. - " 626 " -	432l. - - - 42l.	R.N.R. Drill Battery and Instructor's House.	Retained until suitable terms for disposal can be obtained. At present no such offers have been received as the Admiralty can accept.	
1904	<i>Ullapool</i> (West Terrace).—Area, 1 acre.	Feu charter. Perpetual feu duty, 6l. per annum.	R.N.R. Battery and Gunnery Instructor's House.		
1904	<i>Portree</i> .—Plot, 1 acre -	Feu charter. Perpetual feu duty, 10l. per annum.	R.N.R. Drill Battery.		
1905	<i>Fraserburgh</i> .—Two plots. Areas, 1 acre and 165 sq. yds. respectively.	Feu disposition. Perpetual feu duty, 21l. per annum.	R.N.R. Drill Battery and Boat House.		

The prices quoted are exclusive of "costs" of acquisition.

E. RABAN,  
Director of Works



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AND

DIGESTS OF EVIDENCE, &amp;c.,

TAKEN BEFORE THE

COMMITTEE ON

## PUBLIC ACCOUNTS

(1906-7).

SESSION 1908.

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*Ordered, by the House of Commons, to be Printed 3rd June, 9th July, 23rd July, 1908.*

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[N.B.—In this Index the figures following the names of the Witnesses and those in the Digests of Evidence of each Witness, refer to the questions in the Evidence; the figures following *App.* refer to the pages in the Appendix; and the numerals following *First Rep.*, *Second Rep.*, *Third Rep.*, and *Proc.*, to the Paragraphs in the Reports and the pages of the Proceedings.]

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