

SPECIAL REPORT . 79
AND
FIRST, SECOND AND
THIRD REPORTS
FROM
THE COMMITTEE OF
PUBLIC ACCOUNTS

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

Session 1953-54

*Ordered by The House of Commons to be Printed
2nd February, 23rd February, 25th May, and
27th July 1954*

LONDON
HER MAJESTY'S STATIONERY OFFICE

PRICE £1 1s 0d NET

67—I, 101—I, 183—I, 231—I.

Tuesday, 10th November, 1953

The Committee of Public Accounts was nominated of Mr. Benson, Mr. Blenkinsop, Mr. Boyd-Carpenter, Colonel Crosthwaite-Eyre, Mr. Cusbert, Mr. Godber, Mr. Hoy, Mr. David Jones, Sir Edward Keeling, Sir John Mellor, Mr. Oliver, Mr. Powell, Mr. Steele, Captain Waterhouse and Mr. West.—
(Mr. *Kaberry*.)

Tuesday, 9th February, 1954

Ordered, That Sir Edward Keeling be discharged from the Committee of Public Accounts ; and that Mr. Niall Macpherson be added to the Committee.—
(Mr. *Kaberry*.)

Monday, 29th March, 1954

Ordered, That Mr. Speir be added to the Committee of Public Accounts.—
(Mr. *Galbraith*.)

TABLE OF CONTENTS

SPECIAL REPORT...	...	...	...	...	...	...	...	v
FIRST REPORT	...	...	...	...	...	...	...	xxix
SECOND REPORT...	...	...	...	...	...	...	...	xxxii
THIRD REPORT	...	...	...	...	...	...	...	xxxiii
PROCEEDINGS OF THE COMMITTEE	...	...	...	...	...	...	...	lxxii
LIST OF WITNESSES	...	...	...	...	...	...	...	lxxxvi
MINUTES OF EVIDENCE	...	...	...	...	...	...	...	1
APPENDICES	...	...	...	...	...	...	...	484
INDEX...	...	...	...	...	...	...	...	507

The cost of preparing for publication the shorthand Minutes of Evidence taken before the Committee was £487 9s. 7d.

The cost of printing and publishing this Report is estimated by H.M. Stationery Office at £1,462 0s. 0d.

20216

A 2

SPECIAL REPORT

THE COMMITTEE OF PUBLIC ACCOUNTS;—HAVE agreed to the following
SPECIAL REPORT:—

TREASURY MINUTE AND ABSTRACT OF APPROPRIATION ACCOUNTS

1. Your Committee have been furnished with the Treasury Minute, dated 15th December, 1953, on the First, Second and Third Reports from the Committee of Public Accounts, Session 1952–53. This is presented to the House as Appendix I to this Report.

2. Tables setting forth the Comparison of Audited Expenditure with Exchequer Issues and the General Abstract of Appropriation Accounts for the year 1951–52, which were handed in to Your Committee by the Treasury on 15th December, 1953, are attached as Appendix II.

APPENDIX I

TREASURY MINUTE DATED 15th DECEMBER, 1953, ON THE FIRST, SECOND, AND THIRD REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS, SESSION 1952-53

My Lords read the First, Second, and Third Reports from the Committee of Public Accounts, Session 1952-53, dealing with the Appropriation and other Accounts for 1951-52, on which They make the following comments:—

FIRST REPORT

My Lords note the comments of the Committee. They have no observations to make upon them.

SECOND REPORT**Excess Votes****Paragraphs 2 to 9.—General Considerations.**

My Lords have read with interest the comments of the Committee in paragraphs 2 to 9 of their Report. The subject of excess votes is one which has frequently been a cause of concern to Them, and, as the Committee recall, they have been referred to as "the height of irregularity". There are, of course, some cases of excess due to unavoidable expenditure so late in the year that it is impracticable to seek supplementary provision from Parliament. But besides these unavoidable cases, there are others where it is difficult to judge whether the provision made by Parliament will or will not suffice to cover expenditure up to the end of the year. My Lords appreciate the readiness of the Committee to take a less serious view than that hitherto taken where an excess results from the taking of a reasonable risk of overspending, as an alternative to a "safe" supplementary with consequent probability of surplus. They welcome also the Committee's suggestion that in suitable cases Accounting Officers should not be required to appear in person before them.

2. My Lords feel, however, that it is important that the effect which this change of view will have in reducing surpluses should not be overestimated. The main bulk of surpluses arises not from unnecessary or unnecessarily large supplementaries taken in the closing weeks of the financial year, but from what in the event proves to have been excessive provision in the original Estimates themselves. It will be appreciated that, once the excessive provision has been voted by Parliament, there is no procedure by which it can be reduced analogous to the procedure by which an inadequate provision can be supplemented by a further vote. These original Estimates are prepared well over a year before the end of the period they cover, and in present circumstances there will obviously be some cases of practical difficulty in making an accurate forecast of requirements. For instance neither the availability of resources in times of scarcity, nor the future course of prices and demand in a free market, is a matter lending itself to scientific prediction. Indeed, the factors which, in one year, produce an unavoidable excess on a Departmental Vote may be those which, in another year, will tend to cause a substantial underspending. In considering the severity with which surpluses should be criticised, regard must be had to the extent to which these practical difficulties have been present in any case under examination.

3. My Lords are in entire agreement with the Committee on the importance to be attached to the avoidance of surpluses. They have regularly called the attention of Accounting Officers to it. The Circular calling for the submission of Estimates for 1954-55 refers to the subject in the following terms :—

“ Although it remains essential that Supplementary Estimates for unavoidable excesses over the provision made in original Estimates should only exceptionally be required, the risk of having to take a Supplementary Estimate must not be avoided by excessive provision in the original Estimates. Estimates which err “ on the safe side ” derogate from the efficiency of Parliamentary control over expenditure, and a multiplicity of Estimates so framed will be seriously misleading in the determination of financial policy.”

4. They will continue to impress on all concerned the cardinal importance of close estimating.

Paragraphs 10 to 13.—Virement.

My Lords accept the ruling of the Committee as reported in paragraph 13.

Paragraphs 14 to 30.—Details of Excesses on Votes for Civil Departments.

My Lords have no comments to make on these paragraphs.

Paragraphs 31 to 45.—Details of Excesses on Votes for Service Departments.

Navy

My Lords are confident that the Admiralty will continue to make every effort to improve present methods of estimating pay and marriage allowances. They are also confident that the Army authorities have taken note, for the future, of the importance of giving the Admiralty the earliest possible information about works carried out on their behalf.

Army

2. My Lords entirely agree that higher provision in the original grant does not justify overspending on reduced provision in the final grant. My Lords are confident that action will be taken, as far as possible, to limit expenditure on a particular service to the provision made for that service in the original Estimate, as modified by any Supplementary Estimate.

Air Services

3. The Committee recognise the difficulty of estimating with precision the amount of building work which it will be possible to carry out before the end of a financial year. Every endeavour will nevertheless be made to ensure that any variation in the trend of expenditure on Works Services is brought to notice in sufficient time.

THIRD REPORT

Civil Appropriation Accounts

Universities and Colleges, &c., Great Britain

Paragraphs 1 to 4.—Grants to Universities :

Non-recurrent grants.

My Lords have considered with great care the renewed recommendation of the Committee that the books and accounts of the Universities that relate to their expenditure of grants for non-recurrent purposes should be open to

20216

A 4

inspection by the Comptroller and Auditor General. They are most anxious to satisfy the desire of the Committee for full information, as They showed in Their Minute of 18th November, 1952, and to satisfy any apprehensions which the Committee may have as to the adequacy of the system of financial control over the Universities' expenditure on capital works financed by non-recurrent grants.

2. The relationship between the Universities on the one hand, and Parliament and Her Majesty's Government on the other hand, is, of course, a very special one. In recent years the part played by the Universities has been of growing importance in the wellbeing of the nation as a whole, which is now increasingly dependent on the Universities for the output of young men and women with the best training and education that the Universities can provide. The need for a much larger output from the Universities, coupled with the rise in costs and prices, has made Universities far more dependent upon State help than before the war. It has been the constant aim of successive Governments to make sure that this help is available under conditions which ensure prudent administration while at the same time safeguarding the autonomy of the Universities. This broad aim has been achieved; and though the methods adopted necessarily involve some differences from the procedures prescribed (and rightly prescribed) by Parliament and the Public Accounts Committee for other bodies dependent on State aid, Their Lordships have no reason to think that the sums voted have not been wisely administered.

3. It is against this background that Their Lordships have again considered the recommendation of the Committee that the books and accounts of the Universities that relate to their expenditure of grants for non-recurrent purposes should be open to inspection by the Comptroller and Auditor General. It has been the essence of the relationship between the Universities and Her Majesty's Government that Their Lordships have sought to avoid any detailed control of the activities of Universities. Neither They nor the University Grants Committee on Their behalf have ever claimed the right to examine the Universities' books. Their Lordships cannot avoid the conclusion that, were the Comptroller and Auditor General given the right to inspect the Universities' books, the result would be that Their Lordships would before long find Themselves compelled to expand Their intervention in University matters and to enlarge Their own control in a way which would certainly change, and They believe would be prejudicial to, the present harmonious relationship between the Universities and the University Grants Committee.

4. In these circumstances My Lords have again considered whether there is any way in which They can satisfy the purposes which the Committee have in mind without throwing the books of the Universities open to the inspection of the Comptroller and Auditor General. As They understand it, the first purpose the Committee have in mind is to ensure that the grants are duly appropriated to meet the expenditure towards which they are made. My Lords foresee no difficulty in making satisfactory arrangements with Universities to this end, though the precise part to be played by the Universities' auditors and professional advisers will require consideration in consultation with them.

5. The second and more important question is to ensure economy in the expenditure of these non-recurrent grants. My Lords recognise that this could not rest on certificates of the Universities' auditors and that some further provision would be needed. My Lords are considering whether the assurances which the Public Accounts Committee require about this expenditure could

not be provided by some other means—as, for example, the appointment by the University Grants Committee of one or more suitable persons who would report to that Committee on the question whether any, and if so what, changes are necessary to secure that Universities' methods of contracting, and of recording and controlling expenditure are reasonably designed, and properly applied, to ensure effective safeguards against waste, extravagance or other abuse. My Lords envisage that such a report would be made available to the Public Accounts Committee, together with a note of any action taken or proposed to be taken upon it. They are proposing to discuss this matter with the University authorities, and They trust that in view of the substantial disadvantages which are seen in the Public Accounts Committee's recommendation, the Committee will be willing to await the upshot of these discussions.

Paragraphs 5 to 9.—Loans to London University

6. My Lords note the views of the Committee. The Bedford Estate transaction was *sui generis*, and My Lords believe that the circumstances are most unlikely to recur. In other cases of site purchase Their intention is to adhere, as in the past, to the rule, of which the Committee take note in paragraph 8 of their Report, that income from an estate bought in anticipation of building development should be taken into account in assessing or paying over recurrent grants. My Lords note also the general views expressed by the Committee in their paragraph 9. They are entirely at one with the Committee as to the desirability of attracting voluntary funds to University development, nor is there any difference of view on this point between Them and the Universities who, with the encouragement of the University Grants Committee, take every opportunity to secure benefactions from voluntary sources. On the other hand, it cannot be assumed that private benefactions would be attracted by all the improvements in buildings and equipment which Universities require in order to enable them to meet the nation's needs; still less that they would be attracted in time. The neglect of the war years, the expansion of the student body, and the advance of science have all contributed to make these requirements urgent, and the raising of money from voluntary sources takes time. For these reasons My Lords would be reluctant to make a rule which, in present circumstances, might result in the postponement of urgent improvements, and in the loss of opportunities to acquire properties needed for University development; but They will continue to watch the position, bearing in mind the observations of the Committee.

National Health Services

Paragraphs 10 to 14.—Levels of remuneration and profits

My Lords agree that no increase in the scale of remuneration for work under the National Health Service should be considered unless the fullest facilities are given for the inspection of books and records from which the facts as to past remuneration and expenses can be established. They understand that this is, indeed, the answer that has been given to claims for higher remuneration submitted by the dentists, opticians and (in England and Wales) chemists who provide services under Part IV of the National Health Service Acts. Discussions are now proceeding with the representatives of the dentists and opticians to secure their co-operation in full fact-finding investigations into the remuneration of those two professions, and also with the representatives of the chemists regarding the conclusions to be drawn from certain facts about the remuneration of chemists which they collected and submitted in 1952. Although the Department of Health for Scotland have no claim before them from Scottish chemists for higher remuneration, they also have invited the chemists to co-operate with them in a fact-finding investigation.

An outline scheme has been submitted to the Scottish chemists and the Department now await the outcome of their consideration of it. With the results of such an investigation before them, the Department would be in a better position to judge whether the present scale of remuneration was satisfactory.

2. Steps have already been taken, in accordance with the views expressed by the Committee in paragraph 13, to intensify measures to ensure that only fair and reasonable prices are paid for commodities in substantial demand for the National Health Service. The Committee will appreciate that, wherever it is effective, reliance must be placed on competition (usually in the form of competitive tendering for local or central contracts) for many of the supplies used in substantial quantities in the National Health Service. This applies particularly to goods for which the National Health Service are not the major buyers or users, such as provisions, linen, and household goods. They understand, however, that a very large number of items which are mainly used by, or supplied through, the National Health Service are now being covered by the costs and profits investigations mentioned in paragraph 11 of the Committee's Report. These investigations cover certain widely used basic drugs, dressings and selected proprietary preparations; an investigation is also proceeding into the profits earned by secondary manufacturers and by wholesale chemists. In addition, investigations on similar lines are being carried out in the case of spectacles (covering lenses, metal frames and cases as well as the profits earned by prescription houses, who make up most of the glasses ordered through opticians). My Lords have been at pains to satisfy themselves, through discussions with the Departments on this point—to which, like the Committee, Their Lordships attach the greatest importance—that they intend to press on as rapidly as possible with these investigations and with the discussions with the manufacturers' representatives which will subsequently be necessary; and that it is also the intention to extend the investigations as opportunity offers.

3. As was explained in the Treasury Minute of the 18th November, 1952, there were certain general considerations of policy and principle which had to be considered and settled before the machinery for investigating prices could be established. My Lords share the Committee's regret that few tangible results of the Departments' consideration of this matter have yet been forthcoming. Now, however, that the machinery for investigating prices is established, steady progress should be possible; and My Lords fully share the Committee's anxiety that the Departments should achieve such concrete results in the way of establishing fair and reasonable prices as the facts disclosed by the investigations, and subsequent discussions with the manufacturers, may prove to be justified and practicable.

Paragraphs 15 to 22.—Control of hospital expenditure

(i) Review of Hospital Establishments

My Lords note the views of the Committee on the review of hospital establishments. So far as the regional reviews are concerned, these have been continuing in all areas. As regards central reviews, steady progress is being made, but has been limited by the number of experienced investigators available to the Department. The services of such experts are necessary—and a reasonable time must be spent on each assignment—if full value in staffing economies is to be secured from a team's visit. The need for spending adequate time in each group is particularly apparent in the central review of teaching hospital domestic and ancillary staff. While

it is expected that the central reviews of administrative and clerical staff (including those of non-teaching as well as teaching hospitals) will be completed well before the end of 1954, it will not be possible to finish the reviews of teaching hospital domestic and ancillary staff by the same date.

2. The Department of Health for Scotland have been studying the results of reviews of hospital establishments carried out by Regional Hospital Boards and Boards of Management themselves, and of a survey of a few selected hospitals specially undertaken by a team of experts. These results establish that, generally, reviews conducted without expert assistance take longer and tend to be more conservative about the possibilities. In the light of their experience, the Department have concluded that they can probably get reliable assessments of the staffing position at each hospital only if the staff reviews are carried out with the help of experts, as has already been done in the case of domestic staffs. Proposals for staff economies so far submitted, whether by Boards themselves or by the expert team, are being followed up, but the Department are now considering how the necessary expert assistance can best be made available to the Regional Hospital Boards who have indicated that they would welcome help of this kind.

3. My Lords are satisfied that, subject to the limitations mentioned, the Boards and Departments recognise the need for speed.

(ii) *Hospital Cost Accounting*

4. My Lords agree that the costing of hospital expenditure offers considerable possibilities for the securing of economical administration, and They are satisfied that the Departments are alive to these possibilities.

5. The Ministry of Health have impressed on the authorities more than once the desirability of their co-operation in making comparisons of items of cost shown in the Hospital Costing Returns. On the question of introducing more detailed departmental hospital costing, the Ministry have completed preliminary discussions with hospital bodies and organizations, and have set up an expert working party to consider the manner in which such a costing system can best be applied in the hospital service.

6. In the case of Scotland, My Lords understand that a working party composed of officers of the Department of Health and of Regional Hospital Boards and Boards of Management is now engaged in the study of the results of experiments in departmental costing at some of the multi-purpose hospitals in Scotland. My Lords understand that the Department foresee no difficulty in devising a practical scheme of functional costing for the larger hospitals in Scotland, but They think that its introduction may have to be a gradual process, since expert staff with experience of its working may be needed to supervise the installation at some hospitals.

(iii) *Hospital Farms and Gardens*

7. My Lords note that the Committee appreciate that farms and gardens may be an essential part of treatment in certain cases and, in this connection, They wish to emphasize that some part of the expenditure under this heading represents the upkeep of ornamental and recreational gardens from which no income can be expected. It has, however, been the policy of the Department to restrict the holding of land and farming activities at hospitals to the minimum necessary to provide reasonable space for seclusion and recreation, sites for future development, occupation for patients, supply of vegetables and garden produce for patients and staff in isolated institutions, and the conduct of farming to provide produce which could not be

obtained equally conveniently and economically from other sources. This policy was impressed on Regional Hospital Boards in 1948. The present expert committee is engaged in assessing how far it has been carried out, and to what extent any further reduction in farming activities, particularly where they are uneconomical, can be achieved.

8. My Lords understand that returns from Boards have taken longer to come in than was anticipated, but full returns are now available. These have been studied by the committee and visits have been made to selected hospital farms to supplement the information available from the returns. It is understood that the committee will shortly be in a position to advise the Minister what further steps should be taken with Regional Hospital Boards to carry out either the policy already laid down, or that policy as modified in the light of the Committee's own recommendations. The expert committee will also advise whether, and if so, what information on the conduct of farming activities at hospitals should continue to be collected. At the same time, consideration is being given by the Ministry to the drawing up of a standard form of trading account by which the financial results of farm activities can be more accurately assessed; and it is hoped to have such accounts generally available in respect of the year 1954-55 onwards.

(iv) Hospital Inventories

9. My Lords share the Committee's concern at the extent of the losses, particularly of bedding and linen, in hospitals. The Ministry of Health have now agreed with the Treasury the draft of a circular which is being discussed with representatives of the hospital authorities. It is the Department's aim to complete these discussions as soon as possible.

10. In the case of Scotland, the Department of Health issued a memorandum to Regional Hospital Boards, in July, 1952, emphasising the necessity and importance of maintaining inventories of equipment. As a result the position has greatly improved, and as regards the larger items of equipment is generally satisfactory. The hospital authorities have, however, encountered practical difficulties in the case of small items of equipment, in connection, e.g., with recording transfers between wards and departments; and the Department are at present considering, in consultation with the Regional Hospital Boards, how best to overcome these difficulties.

Paragraphs 23 to 26.—Property acquired for hospital purposes

In accordance with the Committee's recommendation in paragraph 6, My Lords have reviewed with the Ministry the general arrangements for examining accommodation requirements in the hospital service and the use made of property acquired for that service. While the arrangements are in other respects generally satisfactory, this investigation has revealed that it has not hitherto been the practice of the Department, in cases where property has been acquired for the hospital service, systematically to follow up the subsequent action taken by Regional Hospital Boards. A special review which has recently been made has shown that in a number of cases, property acquired between 1950 and early 1952 has not yet been brought into use, principally because of the inability of the Boards concerned to undertake immediately, with the limited capital resources available, the necessary work of adaptation.

2. Following upon this review, arrangements have been made to follow up each case in order to avoid such delays in the future. Boards are now required to inform the Department when property purchased has been brought

into use, or to give an explanation if this takes longer than six months from the date of acquisition. If necessary, action will then be taken to press the Board to bring the property into use within the shortest possible space of time. Moreover, in any case in which Treasury sanction is given to acquisition for use on a particular basis, and a proposal is made for a substantial change before the property is first used, it is proposed, as suggested by the Committee, to bring the case to the notice of the Treasury. In the particular case to which the Committee drew attention in paragraphs 23 to 25, it has now been decided that the property will be utilised, in accordance with the original intention, as a post-operative recovery home, and also as a geriatric unit; and the preliminary training school for nurses will vacate the premises as soon as suitable alternative accommodation can be found.

Paragraphs 27 and 28.—Grants to Local Health Authorities

In accordance with the Committee's recommendations, the Departments are making and will continue to make further efforts to ascertain and examine the unit costs of services provided by Local Health Authorities which are supported by payments from the National Health Service Votes. The problem is, however, not one which lends itself to rapid progress.

2. So far as ambulance services are concerned, the Ministry of Health have instituted field enquiries, by a team of officers of the Department in a small number of areas showing wide differences in cost. Although the standard of service provided in the areas concerned varied, it was not found that variations in cost were wholly accounted for by differences of this kind. Owing to variations in local conditions, the authorities concerned were faced with widely different problems in administering the service, and it was found difficult to distinguish accurately between the effect of factors which were, or were not, within the authorities' control. No evidence of substantial misuse was, however, found. The Department is now giving consideration to the desirability of a more widespread enquiry in this field.

3. So far as unit costs for services other than ambulances are concerned, the general position at present, as reported by both Departments, is that there is a lack of uniformity in the methods of calculating the unit costs (for example in apportioning the cost of administration over the various services), which renders it extremely difficult to use the results for the purpose of making comparisons in the costs of different areas. Moreover, even to the extent that valid comparisons can be made, differences in local conditions (as with the ambulance services) are so great as to impose a strict limit to the extent to which unit costs can be used as a yardstick for measuring the relative efficiency and economy of the services provided. The first essential, however, is clearly to work towards the preparation of the costings on a more uniform basis, and both Departments are considering how this can best be achieved. Provided that more reliable statistics can be made available, Departments will be better able to judge the extent to which practical use can be made of them for measuring efficiency. The evidence so far at their disposal does not suggest that there is any general extravagance; and it would not, of course, in any case be in accordance with general Government policy to undertake any detailed supervision of the operation of services provided by local health authorities. The Committee will no doubt appreciate that the fact that half the cost falls upon the local health authority is itself a strong disincentive to extravagance. Nevertheless My Lords are in full agreement with the view that these investigations should be energetically pursued.

Paragraphs 29 to 31.—Central register for the National Health Service

The experiment in connection with the permanent establishment of a Central Register for the National Health Service, referred to in paragraph 31 of the Committee's Report, has now been concluded. Its results are being studied by the Departments, in conjunction with the Treasury, and full weight will be given to the Committee's view in arriving at a decision.

Paragraphs 32 and 33.—Arrangements to secure economy in prescribing

My Lords fully share the view which the Committee take of the importance of doing everything possible to obtain the co-operation of doctors in avoiding unnecessary expense. They are glad to inform the Committee that action on the lines envisaged in paragraph 33 of the Committee's Report has now been taken. My Lords consider that the document which has recently been sent to all general practitioners goes a long way towards providing the full information which the Committee have in mind. The pamphlet in question first sets out the cost to the National Health Service of National Formulary Preparations in order to give an indication of the cost of standard drugs. It then proceeds to give a list of some 250 proprietary preparations, together with their cost and that of equivalent standard preparations (where they exist), falling into the following categories as determined by the Joint Committee on Prescribing:—

- (i) New drugs of proved value not yet standard.
- (ii) Proprietary brands of standard drugs, singly or in combination.
- (iii) Standard preparations of new remedies of proved value, in elegant form or vehicle.
- (iv) Qualitative and/or quantitative modifications in the composition or combination of standard preparations, or new remedies of proved value, which are not accepted as therapeutically superior to preparations included either alone or in combination in the British Pharmacopoeia, the British Pharmaceutical Codex or the National Formulary.

2. The proprietary preparations dealt with include not only those for which there is an exact or approximate standard equivalent, but also more than a hundred examples which, although there is no approximate standard equivalent, are not accepted as therapeutically superior to standard preparations.

3. In addition to the information referred to in the previous paragraph, lists showing the proprietary preparations classified by the Joint Committee on Prescribing of the Central and Scottish Health Services Councils as preparations, the therapeutic value of which has not been proved, were circulated for their guidance to doctors in July of this year.

4. In general, therefore, My Lords are satisfied that the Departments are taking every opportunity open to them to impress upon all doctors in these and other ways the importance of economy in prescribing; and They feel confident that the Departments will be able, as the Committee hope, to count upon the help of the medical profession in avoiding expenditure from which their patients derive no benefit.

Paragraphs 34 to 36.—Heating costs at certain Scottish hospitals.

My Lords entirely agree with the importance which the Committee attaches to capital schemes which offer large economies in running expenses. The question of priority for such schemes has been considered by the Treasury

and the Departments in accordance with the suggestion made in paragraph 36. The Departments have, however, represented that, so long as the amount of capital which it is possible to make available for the hospital services remains severely limited, it is not possible to do more than give general guidance to Hospital Boards on the principles to be borne in mind in drawing up their capital programmes. In this context one of the points that has been stressed has been the need to have particular regard to works likely to effect some decrease in maintenance costs, such as the installation of fuel economisers and the reorganisation of boiler installations, laundries and kitchen services. The Departments feel, however—and My Lords concur—that in the last resort, in view of the known and urgent requirements for developments of many kinds, it must be left to individual Hospital Boards to decide, in the light of their knowledge of local deficiencies and needs, what schemes they feel it desirable to proceed with out of their share of the available capital allocation.

2. In the particular case to which the Committee referred, the Department did not feel justified in directing the Boards concerned to give priority to the estimated additional £60,000 worth of work needed at each hospital to bring into commission the boilers already provided at a cost of £12,000-£15,000. Limited increases in capital investment to be allowed in 1954 have, however, been intimated provisionally to the Boards concerned, on condition that completion of these central heating schemes is carried out without further delay. With regard to the question raised by the Committee concerning co-ordination between the Department, the various Regional Boards and the Boards of Management, My Lords are informed that the relative responsibilities of these Departments for building projects in the hospital service were reviewed and re-defined early in 1952, with the objective (among others) of avoiding delays through duplication of professional and technical advice.

Ministry of Labour

Paragraphs 37 to 44.—Anthrax disinfection.

My Lords understand that the Ministry of Labour and National Service have recently carried out a review as the Committee recommended.

2. They are advised that it is important in considering the work of the Station to distinguish between internal and cutaneous anthrax. Internal anthrax is difficult to diagnose until the disease has reached a stage at which no treatment is likely to prove effective; consequently cases of this nature are nearly always fatal. Cutaneous anthrax, on the other hand, can be diagnosed at an early stage and has been treated with progressive success.

3. The main cause of anthrax is infected animal wool and hair (particularly goathair), and hides and skins. The infection from hides and skins, which are not subject to disinfection because it is impracticable, is mainly of cutaneous anthrax. There have, however, been five cases of internal anthrax from hides and skins; three were reported in 1935 and two within recent years. The number of cases of all types of anthrax reported as caused by hides and skins has been fairly steady since the beginning of the century. In addition, horsehair and dried bones are the cause of a small number of cases of anthrax, but they give rise to little internal anthrax; only three cases have been reported since 1900 as being due to horsehair.

4. The main cause of internal anthrax is goathair. Fifty-six cases of internal anthrax due to wool and hair were reported to the Factory Department between 1900 and 1920, of which about fifty were attributable to goat-hair. From 1921, when the Station opened, to 1935 there were seven internal

cases from wool and hair, four of which were due to goathair. Since 1935, when all goathair was compulsorily disinfected, there have been no internal cases. There has been no substantial change in the degree of infection of the imported scheduled material and little change in the volume of imported goathair before and after 1921. My Lords regard these figures as significant in showing that the operation of the Station has contributed materially to the fall in the total number of reported cases, particularly the more dangerous internal cases. They consider that compulsory disinfection of goathair (as carried out at the Station) has virtually abolished the risk from this source, and that withdrawal of compulsion from this relatively restricted, but most dangerous field, would inevitably revive the dangers and again excite public apprehension of fatalities. They do not, however, consider that, on the existing evidence, there is any need to extend compulsory disinfection to additional types of material which would be beyond the capacity of the existing Station.

5. My Lords are advised that there is no known method of providing adequate protection against infection other than the wholly effective process of disinfection used at the Station. This process is, however, relatively costly, involving, as it does, the provision and maintenance of plant of considerable value. The extent to which the trade can bear the cost of disinfection is governed by the effect on prices which must be fixed in competition with foreign products not subject to a disinfection charge. My Lords consider that, in practice, this means that the cost to the trade cannot be raised substantially above that which otherwise arises from the commercial process of scouring (cleansing) adopted by the trade for some materials only, the necessity for which is obviated in respect of disinfected material. They also consider it impracticable to attempt to impose compulsion on the trade, leaving it to make its own arrangements for disinfection and relying upon inspection alone to enforce compliance, a method which in itself would involve a charge on public funds.

6. My Lords are aware that the maximum capacity of the Station as it exists today is greater than is needed to deal with the current level of imports of goathair. The equipment of the Station, however, consists of two sets of plant only, which provides the minimum reserve against the breakdown of either and for necessary maintenance. Furthermore, the older set of equipment is that installed in 1920 and there is virtually nothing to be gained, financially or otherwise, by dispensing with it. Indeed, its retention not only provides a reserve of capacity against fluctuations in the level of trade, but also the opportunity of earning increased revenue through the encouragement of voluntary disinfection; and My Lords are satisfied that it would not be an economic proposition to reduce the size of the Station.

7. My Lords are, therefore, of the opinion that the available evidence supports the policy of continuing to provide, at some public expense, a service for the compulsory disinfection of imported goathair, and of a limited volume of other scheduled materials, on the understanding that the position is reviewed from time to time.

Department of Health for Scotland

Paragraphs 45 to 48.—Scottish Special Housing Association, Ltd.

My Lords note the view of the Committee that the total which may be advanced from the Consolidated Fund to the Scottish Special Housing Association should be brought under a statutory limitation, in order that

Parliament may have some control over the operations of the Association and the extent of the assistance so provided to Scottish local authorities. My Lords understand that the Department of Health for Scotland will take advantage of the first appropriate legislation to give effect to this recommendation. Further, Their Lordships share the Committee's view that the Department should define in some detail in a formal agreement its relationship to the Association, and are glad to learn that the Department have under consideration the draft of such an agreement, which will be submitted for Their consideration shortly.

Paragraphs 49 to 54.—Ministry of Civil Aviation : Airways Corporations : Exchequer grants

My Lords accept the view of the Committee that, in any consideration of revision of grant, the best assessment possible on a general review of the facts should be made of the total saving due to fortuitous causes; and that such consideration should take this assessment into account, and not extend merely to windfall profits clearly attributable to a single cause, the effect of which is measurable with a reasonable degree of accuracy. But they are bound to record that in practice no assessment of the total amount of saving due to fortuitous causes is likely to be possible without some element of doubt. The final decision whether or not to revise the grant, and if so by how much, will therefore normally involve the exercise of judgment as to how far the Corporation should be accorded the benefit of the doubt. While agreeing with the Committee that accumulated losses are independent of the causes of variation between the year's estimate and out-turn, My Lords feel that it is not possible entirely to disregard such losses, with other factors relevant to the Corporation's general position, when judging how far to give the Corporation the benefit of the doubt.

Ministry of Works

Paragraphs 55 to 59.—Adaptation of buildings for a training school

My Lords accept that the division of responsibility between the Ministry of Works and the Post Office in this case, whereby the Post Office entered into correspondence with the Treasury about, and obtained Treasury authority for, expenditure falling on the Public Buildings, Great Britain, Vote, was undesirable. In future cases of this kind, the normal procedure applicable to allied services in general will be followed, i.e. the Department whose Vote carries the expenditure (the Ministry of Works) will be regarded as primarily responsible for seeking Treasury authority both for the original expenditure and for any excess, and Treasury authorities will be conveyed to that Department.

2. It would, in Their Lordships' view, be undesirable, even if it were practicable, to place a complete ban on changes in the scope of building schemes which suggest themselves after the work has begun. It is, however, clearly necessary that such changes should be carefully controlled. The Ministry of Works have recently introduced, with Their Lordships' approval, new arrangements designed to improve this control by ensuring that increases in cost due to changes in plan are clearly distinguished, in the Ministry's submissions to the Treasury and in its own departmental procedure, from the inescapable increases in cost due to rising prices, wages, or similar causes.

Paragraphs 60 to 63.—New Government offices, Whitehall Gardens

My Lords note the Committee's comments. They had already expressed to the Ministry of Works the hope that in constructing the second section

of the Whitehall Gardens building the Ministry would profit by its experience in the first section, and devote more attention to planning the work in advance. In reply the Ministry have emphasized that the circumstances in which this work was undertaken were exceptional.

2. The reason for the failure to obtain at the outset adequate drawings and bills of quantities for the first section was the urgency with which the job was tackled. The urgency of erecting a new Government building arose mainly from the need to release requisitioned accommodation. If entirely new plans, specifications and quantities had been prepared, the date of completion of the building would have been much later, and accommodation would have been held on requisition for a longer period; in the upshot, a financial saving was achieved by making an early start before building costs had reached higher levels.

3. Although, however, there were in the present case these offsetting advantages and savings resulting from the earlier completion of the building. My Lords agree that the early start impaired financial control; and They are glad, therefore, to have had the Ministry's assurance that it is their normal practice to prepare adequate drawings and bills of quantities before a contract is let.

Paragraphs 64 to 65.—Control of works expenditure

My Lords confirm what They said on this subject in Their Minute of 18th November, 1952 with reference to the House of Commons rebuilding. They agree that the failure of the Ministry's professional officers, in the earlier case of the Post Office training school, to notify promptly certain increases in its cost was most regrettable. The modifications in the system of control recently put into effect, and described in Their Lordships' observations on this episode, are designed to reduce the risk of such failures to the minimum.

Paragraphs 66 to 68.—Standards of accommodation for diplomatic missions

It has been stressed in evidence before the Committee that standards cannot be rigidly applied in a service where requirements and conditions vary greatly from post to post. My Lords understand, however, that the Foreign Office and the Ministry of Works are reviewing the standards recommended in 1943, in order to ensure that departmental proposals are not based on a higher standard than can be justified by the circumstances of each case. My Lords would prefer to await the results of this review before commenting further.

Ministry of Supply

Paragraphs 69 to 72.—Prices for Government purchases of iron and steel products

My Lords agree that in view of the passage of the Iron and Steel Act, 1953, the proposed discussions between the Minister of Supply and the Comptroller and Auditor General would serve no useful purpose. As They have previously emphasized, They fully accept the right of the Committee to seek to satisfy themselves that the prices paid by Government Departments for iron and steel products, as for any other goods, are fair and reasonable.

Paragraphs 73 to 78.—Purchase of valves

My Lords note that the Committee do not dissent from the Ministry's view that they were justified in placing these contracts with the more

expensive firm. They note also the Committee's view that, when invitations to tender have failed to produce genuine competition, the purchasing Department should take all reasonable steps, by negotiation and enquiry concerning costs, to satisfy themselves that the price is reasonable. My Lords endorse the Committee's view, and They have satisfied Themselves that the standing regulations of the Ministry of Supply on the question of investigating prices obtained through competitive tendering are in harmony with this principle. It is open to argument whether more might not have been done in the case under review, but the degree of investigation required in the circumstances of any particular case must be a matter of the Department's discretion.

Paragraphs 79 to 83.—Expenditure on development

My Lords have noted the Committee's comments on the cost of developing the Proteus aero engine and on the general question of controlling expenditure on research and development projects. They accept the Committee's recommendation that the Treasury should review the arrangements for such control in order to ensure that the greatest economy consistent with the objects of the expenditure is secured. In this review, careful consideration will be given to the Committee's suggestion that the existing arrangements might be supplemented by special reviews at regular intervals by the principal technical and financial officers of the Ministry of Supply.

Trading Accounts and Balance Sheets

Ministry of Food

Paragraphs 84 to 86.—Milk Marketing Board, England and Wales.

My Lords note the surprise expressed by the Committee that a statutory body in the circumstances of the Milk Marketing Board should be thought to require a financial incentive to the pursuit of outstanding debts. While They can appreciate the Committee's point of view, My Lords would not Themselves regard such an incentive as being necessarily inappropriate to the status of the Board, and They are satisfied that, in practice, a scheme of this kind is in the public interest.

2. The first year of operation of the arrangements will not end until 31st March, 1954. In view of the announcement by the Government of its intention to restore full marketing powers to the Milk Marketing Boards in 1954, My Lords trust that the Committee will feel that a review of the arrangements need not be made.

Paragraphs 87 to 91.—Milk in Schools Scheme.

My Lords share the Committee's concern at the delays which have taken place since the agreement, reported in the Treasury Minute of the 4th January, 1951, that the Milk in Schools service should be transferred to the Vote for the Ministry of Education. After the Departments concerned and the Treasury gave evidence before the Committee of 1952-53, discussions were pressed forward with a view to concerting measures to meet the Committee's criticisms; and in pursuance of the experiments referred to in the Committee's Report, pilot schemes of local tendering were put into effect in certain areas. It has, however, recently become necessary once again to review the whole situation in the light of the policy decision, recently announced to Parliament, to restore the full marketing powers of the Milk Marketing Boards in 1954. As was explained in the White Paper (Command 8989) the Boards will be entrusted with the operation of the Welfare Milk Scheme, and the Milk in Schools Scheme will continue; but the

administrative arrangements will need separate consideration. That consideration is now in progress, and My Lords regret, therefore, that They are not yet in a position to indicate the bearing which any new arrangements may have either upon the question of the departmental responsibility for the scheme, or upon that of competitive tendering. My Lords are fully conscious of the urgency of reaching final decisions on these matters, and will do everything in Their power to expedite them. In reaching the decisions due weight will, of course, be given to the views of the Committee.

Paragraphs 92 to 94.—Retention of public funds by a milling company.

My Lords agree that earlier rendering of the relative accounts would have been desirable. My Lords have drawn the attention of Departments generally to the importance, in similar circumstances, of securing the punctual rendering of accounts, in order to avoid the retention by outside bodies for an unreasonable period of moneys properly due to the Exchequer.

Paragraphs 95 to 99.—Cereals : Baking subsidy.

My Lords understand that the Ministry of Food have been successful in obtaining, for purposes of their next half-yearly calculation of subsidy, a better trading sample from the National Association of Master Bakers, which represents the smaller bakers. Instead of basing their calculations, so far as the National Association is concerned, on costing returns from some 150 members they will be able to base them on more than twice that number. The sackage covered, as a percentage of the whole, will also be increased, though not to the same extent as the number of members will be increased.

2. A better trading sample has also been obtained from the Co-operative Societies for the next subsidy calculation, the number of societies covered being 30 per cent. higher.

3. My Lords note the Committee's comment in paragraph 98 that, according to the latest available information regarding the variations of profit or loss per sack in individual cases, it would appear that very little reliance can be placed on the accuracy of the average figures on which the subsidy has so far been based. While the Ministry of Food would not assent that the samples hitherto used have been fully representative of the trade as a whole (and this for reasons largely beyond their control), they have regarded them as sufficiently representative to serve as a reasonably reliable basis for revising the rate of bread subsidy; and My Lords do not differ from this view. They nevertheless agree that, in view of the increase in the baking subsidy resulting from the recent withdrawal of that on flour, special efforts are necessary to secure as reliable a basis as possible for its determination, and They understand that the Ministry of Food are doing everything in their power to achieve this.

Navy Appropriation Account

Paragraphs 100 to 103.—Vote A : Numbers.

My Lords note that the Committee do not accept the arguments put forward by the Admiralty and the Treasury in defence of the decision to postpone a Supplementary Vote for numbers in the circumstances described in paragraph 101. Their Lordships continue to doubt the utility of a procedure involving the presentation to Parliament of information which, as long as the degree of the probable excess remains uncertain, is likely to be seriously misleading. They suggest that it would be better to confine notification to Parliament to an informal indication that a Supplementary Estimate

will be required, with a promise that it will be introduced as soon as a reasonably sure computation of the prospective excess can be made. But in view of the Committee's opinion to the contrary, Their Lordships would not wish to press Their view further; and They agree that, if similar circumstances should arise again, a Supplementary Estimate should be presented at the earliest convenient opportunity.

Army Appropriation Account

Paragraphs 104 to 107.—Purchase of carpets.

My Lords note that the Committee consider the actions of the Commands called into question the whole system of devolution of purchasing and other financial powers; and that they recommend that a special enquiry be made into the methods of control of expenditure under the existing system of devolution and the desirability of supplementing the powers of the Command Secretaries, if necessary, to ensure that commitments are not entered into without their knowledge and approval.

2. My Lords assume that in referring to the "whole system of devolution" the Committee are not expecting further changes to be made in the system of delegated powers for write off or for the carrying out of Works Services. Delegated powers in these fields have been the subject of close and continuing review between the War Office and the Treasury since the war. My Lords are not aware of any evidence which would suggest that the present arrangements are unsatisfactory in this field. They assume, therefore, that the question is mainly whether any changes should be made in the system of delegation of powers for local purchase of stores and supplies. My Lords have accordingly, in accordance with the recommendation of the Committee, instituted a special enquiry into the adequacy of the arrangements in this field, with particular reference to the position and powers of the Command Secretaries and to the extent to which Commands normally enjoy delegated authorities for the local purchase of accommodation stores.

3. In furtherance of this enquiry, the War Office have supplied to Their Lordships an analysis in summary form of the powers delegated to Commands to make local purchases of stores, supplies, etc., and to make agreements for the provision of certain services. This analysis is too lengthy to quote in full, but the War Office think, and Their Lordships concur in this view, that it might be useful to members of the Committee to circulate to them the information contained. They will accordingly do so before the Accounting Officer gives evidence before next year's Committee. My Lords are confident that this analysis will establish that Commands are not in a position to spend large sums of money without any control by the War Office, or without following normal contract procedure. It will be seen that, as would be expected, the highest limits of delegated powers operate in respect of Works Services; and that in this category, subject to one or two exceptions, £10,000 is the limiting figure. Delegated powers in respect of other services Works Stores, R.A.S.C., R.A.O.C., and R.E.M.E. services are subject to considerably lower limits.

4. In general, the total sums which may be spent at any one time on local purchases of various types of stores and services are controlled either by fixed annual money allocations or by fixed money limits per individual purchase, or by individual scales of issue (eg., food rations); or, in many cases, by a combination of these methods.

5. An officer authorised to place contracts in the terms of these delegations is not normally required to submit the contract to the Command Secretary or to the Director of Army Contracts for prior approval, provided that the contract is within his powers, and that the regulations have been observed in placing it. (In special cases, particularly those of certain special "ad hoc" authorities, he may be required to do so: but such special authorities are issued only rarely and in exceptional circumstances.) The normal procedure for the issue and receipt of tenders and the allocation of contracts is laid down in regulations.

6. All local contracts placed under the above powers, except those for certain services below £50 in value, are reviewed after they have been placed, either by the Command Secretary, or (at certain stations abroad) by the Financial Adviser, or by the Director of Army Contracts. This review takes the form of a detailed examination of the conditions and specification, the schedule of tenders, the final allocation and the general reasonableness of the contract, and it is followed, where necessary, by comments and suggestions to the military authority concerned. Powers to dispense with competition, where competition is available, are strictly limited. They vary from £5,000 vested in three Commanders in Chief abroad and exercised with the prior concurrence of the Command Secretary, down to a few pounds for subordinate officers.

7. The general duties and responsibilities of Command Secretaries in relation to contracts are:—

- (i) to give advice when called upon by the military authority exercising contract placing powers;
- (ii) to review the contracts after they have been placed;
- (iii) to authorise dispensing with competition within limits laid down;
- (iv) to concur in passing over the lowest tender in the public interest;
- (v) to concur in certain minor departures from regulations relating to contract procedure.

8. In addition to the foregoing general functions the Command Secretaries in Eastern, Northern, Southern and Western Commands have powers to place certain contracts themselves as follows:—

- (i) Works Services costing £2,500 or more, for work authorised by the War Office.
- (ii) All term (running) Contracts for works maintenance.
- (iii) Contracts between £400 and £750 in value for works stores authorised by the War Office to be purchased locally (up to £1,000 for lower grade stores such as sand, aggregate, ashes).
- (iv) All local running contracts for lower grade works stores authorised by the War Office to be purchased in that way.
- (v) Electricity, gas and water supplies, where the annual value exceeds the powers of the Assistant Director of Supplies and Transport or the Officer i/c Barracks, or the tariff or other terms are abnormal.

9. As regards accommodation stores, Home Commands have very small powers of local purchase. The only cases where requirements of accommodation stores are met by local purchase are where they are so insignificant as not to justify Headquarters contracts; they account for only a fraction of 1 per cent. of the total purchases of this category of stores. The local

purchase of carpets was a special arrangement made because of the inability of the War Office to meet requirements under Headquarters arrangements. At overseas stations, for reasons of economy and practical convenience, more use is made of local purchase, for example in the case of furniture. For accommodation, as for other stores, local provision is subject to normal contract procedure and the expenditure must be covered by approved annual estimates.

10. My Lords are satisfied, from the investigation which is summarised above, that no changes are required in the normal system of delegation of powers in respect of the local purchases of stores and supplies. Should, however, the need for a special "ad hoc" delegation arise in the future, strict financial limits will be attached thereto; and arrangements will be made to bring the Command Secretaries into consultation, before action is taken, whenever appreciable expenditure is likely to be involved.

Air Services Appropriation Account

Paragraphs 108 to 110.—Messing: Financial arrangements

In accordance with the Committee's wishes, My Lords have arranged for the matter to be investigated. The practical issues involved are complex and difficult, and They do not envisage that it will be possible to reach an early decision upon them.

Paragraphs 111 to 121.—Control of expenditure on works services

(i) Parliamentary Control

My Lords note the comments of the Committee in relation to Parliamentary control of the expenditure on Works Services. With regard to paragraph 115, My Lords agree that Parliament would have been more accurately informed of the position if the Supplementary Estimate had been presented in the same form as the original. My Lords agree that in future, where a Supplementary is necessary to provide for additional expenditure on Major Works Services, it should be presented in the same detail as the original Estimate. In accepting this recommendation My Lords are anxious that it should be appreciated that, where Supplementary Estimates are concerned, it is not always practicable, in the time available, to prepare Estimates with the same degree of accuracy under the separate classifications as is aimed at in the original Estimate. My Lords are confident that Departments will achieve as high a standard as circumstances permit, but They trust that future Committees will make allowances for this reservation in considering the detailed out-turn of the Vote.

2. In paragraph 116, the Committee invite the Treasury to consider whether some means of enabling Parliament to exercise more effective control over New Works Services cannot be introduced without detriment to the efficient execution of works urgently required under the Defence Programme. My Lords have carefully considered this recommendation in consultation with the Departments concerned. They note the rule to which the Committee refer in paragraph 111 of their Report and again in paragraph 116, about the desirability of obtaining the prior sanction of the House before major Works Services are commenced, save only where the public interest demands urgent action. My Lords agree that the principle still holds good; but the Committee will no doubt appreciate that, under modern conditions, there must inevitably be many more instances than in pre-war days where it would be quite contrary to the public interest that works immediately

required under the Defence Programme should be postponed until an opportunity for seeking Parliamentary sanction has presented itself. Particularly during a period of intensive rearmament, changes of policy and variations of priority are inevitable, and would preclude regular and systematic recourse to Parliament before action is taken.

3. My Lords consider, therefore, that the object which the Committee have in mind will best be secured by an understanding with Departments that works not provided for in Estimates, and requiring Treasury authority, shall not be submitted to the Treasury unless the Department can certify them as demanding urgent action in the public interest. The Treasury will require to be satisfied on this point before sanctioning commencement of the work in advance of Parliamentary approval of the relevant Estimates. In this connection My Lords would wish again to emphasize that the circumstances prevailing in 1951-52 were quite exceptional.

(ii) *Departmental control*

4. My Lords note the comments of the Committee in paragraphs 117 to 121. They fully agree upon the desirability of obtaining reports in time for considered decisions to be taken; and they are confident that the Ministry will make every effort to see that the necessary information is both collected and transmitted to the Treasury in time to be of value for purposes of control.

National Insurance Fund Accounts

Paragraphs 122 to 126.—Underpayment of contributions

My Lords recognise the importance of securing the fullest possible compliance with the requirements of the National Insurance Acts for payment of contributions. They understand that the Ministry of Pensions and National Insurance is engaged in making a number of sample investigations in order to arrive at an estimate of the net loss involved in not pursuing the "less serious" cases, and to determine, in the light of the prospective additional manpower and other administrative costs, to what further extent it would be expedient to follow them up.

Crown Lands Abstract Accounts

Paragraphs 127 to 129.—Surrender of Crown lease of Queen's Hall, Langham Place, London

My Lords regret that the Committee found Their memorandum on this subject obscure. Although Their officers will, of course, be prepared to answer further oral examination upon this memorandum by next Session's Committee, My Lords hope that it may be of assistance if, in the meantime, They give some further explanation of what the Commissioners of Crown Lands received in return for the £112,000 paid to the lessees of the old Queen's Hall.

2. If the old lease, expiring in 1967, had been allowed to run its full course, the lessees would have been entitled, with the assistance of a payment from the War Damage Commission, to build a hall of the same size as that destroyed by enemy action, and to make profits from holding concerts, etc., in it. This would, however, have made it difficult to carry out Government policy, which, as announced in 1951, favoured a larger hall on a larger site to serve as a national concert hall and music centre.

3. This larger hall could not be erected under the short remaining term of the old lease expiring in 1967. It was therefore necessary, in order to implement the Government policy, to arrange for the surrender of that lease and the grant of a new building lease of the larger site.

4. The lessees of the old Queen's Hall were, at first, willing to erect the larger hall ; and terms were provisionally settled with them for the surrender of the old lease, and the grant to them of a lease of the larger site, for a term expiring in 2031 at a rent of £630 a year for the first two years and a rent of £3,700 a year thereafter. This rent was equivalent, after allowing to the lessees the value of the old Queen's Hall lease being surrendered, to a full rent of £6,500 a year.

5. In the end the lessees found themselves unable to build the larger hall, the cost of which would of course have been considerably more than the war damage compensation for the old Queen's Hall. It was, therefore, arranged that they should surrender the old Queen's Hall lease in consideration of the payment of £112,000, that the Ministry of Works should erect the larger hall on the larger site, and that the Commissioners should then grant to the Ministry a lease for 99 years at a rent, after a suitable peppercorn period, of £6,500 a year.

6. It will be seen that financially the two arrangements were substantially the same and that, for the payment of the £112,000, the Commissioners were to receive an additional income of £2,800 a year until at any rate the year 2031.

APPENDIX II

PAPER handed in by Mr. P. S. Milner-Barry, on 15th December, 1953

1951-52

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,

15th December, 1953

COMPARISON OF AUDITED EXPENDITURE in 1951-52 with
EXCHEQUER ISSUES of that Year.

—	Exchequer Issues	Audited Expenditure (net)	Audited Expenditure (net)			
			Less than Exchequer Issues		More than Exchequer Issues	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
CONSOLIDATED FUND SERVICES	597,637,021 18 4	597,637,021 18 4	—	—	—	—
NAVY	271,300,000 — —	275,868,928 13 10	—	—	4,568,928 13 10	—
ARMY	422,300,000 — —	431,531,180 7 8	—	—	9,231,180 7 8	—
AIR SERVICES	322,300,000 — —	328,880,526 5 2	—	—	6,580,526 5 2	—
MINISTRY OF DEFENCE ...	11,300,000 — —	11,294,869 8 8	5,130 11 4	—	—	—
	1,027,200,000 — —	1,047,575,504 15 4	5,130 11 4	—	20,380,635 6 8	—
CIVIL SERVICES	2,387,403,000 — —	2,434,545,999 12 8	—	—	47,142,999 12 8	—
REVENUE DEPARTMENTS...	236,994,000 — —	236,236,967 6 —	757,032 14 —	—	—	—
TOTAL	4,249,234,021 18 4	4,315,995,493 12 4	762,163 5 4	—	67,523,634 19 4	—
					762,163 5 4	—
					66,761,471 14 —	—

1951-52

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)

Service	Grants and Estimated Receipts, 1951-52			Expenditure, 1951-52			Differences between Exchequer Grants and Net Expenditure (Columns 3 and 6)	
	Estimated Gross Expenditure (1)	Authorised Receipts in Aid of Grants (2)	Exchequer Grants (3)	Gross Expenditure (4)	Actual Receipts in Aid (5)	Net Expenditure (6)	Surpluses (7)	Deficits (8)
	£	£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Navy	302,200,010	23,700,000	278,500,010	303,964,008 17 3	28,095,080 3 5	275,868,928 13 10	*2,631,081 6 2	—
Army	482,220,100	53,420,000	428,800,100	486,439,648 14 8	54,908,468 7 —	431,531,180 7 8	—	†2,731,080 7 8
Air Services	373,789,100	43,239,100	330,550,000	373,234,935 8 —	44,354,409 2 10	328,880,526 5 2	†1,669,473 14 10	—
Ministry of Defence	12,281,020	69,010	12,212,010	11,339,337 5 2	44,467 16 6	11,294,869 8 8	917,140 11 4	—
TOTAL, NAVAL, MILITARY AND AIR SERVICES AND MINISTRY OF DEFENCE ...	1,170,490,230	120,428,110	1,050,062,120	1,174,977,930 5 1	127,402,425 9 9	1,047,575,504 15 4	5,217,695 12 4	2,731,080 7 8
Civil Services:								
Class I	33,115,101	14,250,252	18,864,849	21,372,822 14 11	7,602,510 6 9	13,770,312 8 2	5,094,536 11 10	—
Class II	105,052,411	2,534,404	102,518,007	90,179,122 1 11	2,520,550 12 2	87,658,571 9 9	14,859,435 10 3	—
Class III	76,566,120	8,880,857	67,685,263	64,133,367 13 —	6,390,646 9 2	57,742,721 3 10	9,959,905 5 8	17,363 9 6
Class IV	298,407,816	19,356,826	279,050,990	292,521,573 — 4	19,252,155 14 3	273,269,417 6 1	5,781,572 13 11	—
Class V	937,209,815	102,718,810	834,491,005	925,003,010 11 —	102,410,023 3 7	822,592,987 7 5	11,898,017 12 7	—
Class VI	175,449,197	28,152,575	147,296,622	151,474,396 17 7	21,437,044 1 6	130,037,352 16 1	17,389,245 17 9	129,976 13 10
Class VII	85,158,782	14,991,125	70,167,657	84,414,734 3 2	14,991,125 — —	69,423,609 3 2	769,033 16 —	24,985 19 2
Class VIII	98,703,779	4,896,943	93,806,836	96,172,883 17 11	4,566,872 — —	91,606,011 17 11	2,200,824 2 1	—
Class IX	1,294,984,681	369,910,390	925,074,291	1,257,852,305 2 2	369,407,289 1 11	888,445,016 — 3	39,341,376 10 11	2,712,101 11 2
TOTAL CIVIL SERVICES ...	3,104,647,702	565,692,182	2,538,955,520	2,983,124,216 2 —	548,578,216 9 4	2,434,545,999 12 8	107,293,948 1 —	£2,884,427 13 8
Revenue Departments:								
Customs and Excise	11,417,200	863,000	10,554,200	11,291,932 7 9	863,000 — —	10,428,932 7 9	125,267 12 3	—
Inland Revenue	28,835,970	136,700	28,699,270	28,445,116 19 —	136,700 — —	28,308,416 19 —	390,853 1 —	—
Post Office	214,809,349	16,686,349	198,123,000	214,185,966 19 3	16,686,349 — —	197,499,617 19 3	623,382 — 9	—
TOTAL REVENUE DEPARTMENTS	255,062,519	17,686,049	237,376,470	253,923,016 6 —	17,686,049 — —	236,236,967 6 —	1,139,502 14 —	—
TOTAL FOR VOTED SERVICES ...	4,530,200,451	703,806,341	3,826,394,110	4,412,025,162 13 1	693,666,690 19 1	3,718,358,471 14 —	113,651,146 7 4	5,615,508 1 4

THE COMMITTEE OF PUBLIC ACCOUNTS

105 XXVII

CONSOLIDATED FUND	Estimated Expenditure	Actual Expenditure	Less than Estimate	More than Estimate
	£	£ s. d.	£ s. d.	£ s. d.
National Debt Services { (a) Interest, etc. ... } { (b) Sinking Fund ... }	535,000,000	{ 513,599,494 13 4 } { 27,399,947 - - }	—	5,999,441 13 4
Excess Profits Tax post-war refunds (part deducted for tax)	4,900,000	5,525,000 - -	—	625,000 - -
Payments to Northern Ireland Exchequer	38,000,000	39,435,053 9 11	—	1,435,053 9 11
Other Consolidated Fund Services ...	11,000,000	11,677,526 15 1	—	677,526 15 1
TOTAL OF CONSOLIDATED FUND SERVICES ...	588,900,000	597,637,021 18 4	—	8,737,021 18 4
GRAND TOTAL OF EXPENDITURE ...	—	4,315,995,493 12 4	—	—

The savings on Votes for the year 1951-52 amounted to £113,651,146 7s. 4d. as shown in column 7 and were dealt with as follows:—

	In the Financial year			
	1952-53		1953-54	
	£	s. d.	£	s. d.
Written off from the Exchequer Grant Accounts out of Ways and Means of 1951-52	78,748,339	16 11	—	—
do. 1952-53	31,786,600	7 5	—	—
Paid to H.M. Exchequer by the Paymaster-General	3,116,206	3 -	—	—
	113,651,146	7 4	—	—

In addition, Savings of £20 resulting from the nominal Excess Votes for Navy (£10) and Air Services (£10) were written off in 1952-53 out of Ways and Means of that year.

* An Excess Vote was agreed to by the House of Commons on 19th March, 1953 granting a nominal sum of £10 and sanctioning the application of Surplus Receipts to the extent of £1,807,651 1s. 5d. to meet the excess Gross Expenditure plus a deficiency in the receipts authorised to be applied under certain Votes as Appropriations in Aid of Grants on Navy Services. (See H.C. 108 of 1952-53).

† An Excess Vote for this amount was agreed to by the House of Commons on 19th March, 1953 (See H.C. 109 of 1952-53).

‡ An Excess Vote was agreed to by the House of Commons on 19th March, 1953 granting a nominal sum of £10 and sanctioning the application of Surplus Receipts to the extent of £2,210,320 19s. 11d. to meet the excess Gross Expenditure plus a deficiency in the receipts authorised to be applied under certain Votes as Appropriations in Aid of Grants on Air Services (See H.C. 110 of 1952-53).

§ Excess Votes were agreed to by the House of Commons on 19th March, 1953 in respect of the Votes listed in the table below, granting the sums shewn in Column 1 and sanctioning the application of Surplus Receipts shewn in Column 2 to meet the balance of the deficits. (See H.C. 107 of 1952-53).

Number of Vote		Amount Voted (1)	Surplus Receipts applied (2)
		£ s. d.	£ s. d.
8	CLASS III—County Courts ...	10 - -	17,353 9 6
8	CLASS VI—Ministry of Agriculture and Fisheries	7,681 19 2	122,294 14 8
4	CLASS VII—Public Buildings Overseas ...	14,701 17 8	10,262 8 2
11	Peterhead Harbour ...	21 13 4	—
1	CLASS IX—Ministry of Supply ...	10 - -	1,102,186 2 1
17	Tin ...	10 - -	1,609,895 9 1
		22,435 10 2	2,861,992 3 6
		£2,884,427 13s. 8d.	

FIRST REPORT

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

EXCESS VOTES

Your Committee have to report that during the year ended 31st March, 1953, expenditure in excess of grants voted by Parliament has been incurred as follows:—

Civil Department	Excess of Expenditure over Supply Grant	Less Surplus receipts for whose application as Appropriations in Aid authority is to be sought	Net amount to be Voted
	£ s. d.	£ s. d.	£ s. d.
Class VII, Vote 12, Works and Buildings in Ireland	1,887 7 4	1,157 0 2	730 7 2

Service Department	Deficits	Less Surpluses for whose application to meet the deficits authority is to be sought	Net Amount to be Voted
	£ s. d.	£ s. d.	£ s. d.
Navy	3,239,001 10 1	3,167,445 7 5	71,556 2 8

Your Committee see no objection to the sums as set out above being provided by Excess Votes, or to the proposed transfer of surpluses to meet the balance of the deficits on the Navy grants.

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:—

VIREMENT BETWEEN VOTES OF SERVICE DEPARTMENTS

ARMY AND AIR SERVICES

1. Your Committee have reviewed the exercise by the Treasury, in relation to Army and Air Votes, of their powers under the annual Appropriation Act to sanction provisionally, subject to subsequent confirmation by Parliament, the application of surpluses on any Votes of a Service Department to meet deficits on other Votes of the same Department. They see no reason why Parliament should not sanction the virement temporarily authorised by the Treasury in their Minutes laid before the House in February, 1954.

NAVY

2. Expenditure on certain Votes, and on the Votes as a whole, was in excess of grants. With Your Committee's approval, as expressed in their First Report, sanction was sought and, on 16th March, 1954, obtained, to an Excess Vote of amount sufficient to make good the deficits, after the application thereto of available surpluses on Votes and excess receipts. The Treasury's power provisionally to sanction virement was not therefore exercised.

001

THIRD REPORT

TABLE OF CONTENTS

<i>Paras.</i>		<i>Page</i>
	REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS	
	INLAND REVENUE—	
1-2	Non-disclosure of fees, royalties, etc.	xxxv
3-7	Income tax: Exemption of officials of international organisations	xxxv
	CIVIL APPROPRIATION ACCOUNTS	
	GENERAL—	
8-15	National museums and galleries	xxxvii
	COLONIAL OFFICE—	
16-19	Grants in aid of local revenues, etc.	xxxix
	MINISTRY OF EDUCATION AND SCOTTISH EDUCATION DEPARTMENT—	
20-21	Teachers' superannuation schemes: Actuarial deficiencies ...	xl
	GRANTS FOR SCIENCE AND THE ARTS—	
22-28	Arts Council of Great Britain	xli
	UNIVERSITIES AND COLLEGES, &C., GREAT BRITAIN—	
29-33	Grants to universities: Non-recurrent grants	xlii
	NATIONAL HEALTH SERVICES—	
34-36	Provision in Estimates for salaries and wages awards	xliv
37-41	Levels of remuneration and prices of commodities	xlv
42-45	Failure to use property acquired for the Hospital Service ...	xlvi
46-48	Allowance to chemists to cover risk of loss from unpaid charges	xlvii
49-52	Remuneration of Scottish chemists	xlviii
53-57	Central Register for the National Health Service	xlix
58-61	Hospital inventories	l
	MINISTRY OF AGRICULTURE AND FISHERIES AND DEPARTMENT OF AGRICULTURE FOR SCOTLAND—	
62-65	Fertiliser subsidies	li
	DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH—	
66-68	Authority for expenditure	lii
69-70	Co-ordination of fishery research	lii
	DEPARTMENT OF AGRICULTURE FOR SCOTLAND—	
71-75	Cost of construction of a road in the Highlands and Islands of Scotland	liii
	MINISTRY OF WORKS—	
76-79	Construction of a research station	liv
	STATIONERY OFFICE—	
80-82	Losses due to theft or fraud by civil servants: Prosecution of offenders	lv
	MINISTRY OF SUPPLY—	
83-88	Price-fixing: Non-competitive contracts	lvii
89-93	Conversion of aircraft for special purposes	lviii

<i>Paras.</i>		<i>Page</i>
	MINISTRY OF MATERIALS—	
94-97	Accounting for grant in aid transferred to a deposit account ...	lx
	TRADING ACCOUNTS AND BALANCE SHEETS	
	MINISTRY OF FOOD—	
98-101	Purchase of orange juice	lxi
102-109	Meat and livestock	lxii
	NAVY, ARMY AND AIR SERVICES APPROPRIATION ACCOUNTS	
	GENERAL—	
110-111	Service Departments: Maintenance of stocks	lxiv
	NAVY APPROPRIATION ACCOUNT—	
112-116	Cost of H.M. Yacht " Britannia "	lxiv
117-118	Partial cancellation of order for aircraft	lxv
	ARMY APPROPRIATION ACCOUNT—	
119-122	Abandonment of partially constructed Territorial Army training camp	lxvi
	BUILDING MATERIALS AND HOUSING ACT, 1945, ACCOUNT	
123-125	Loan to a slate producing Company	lxvii
	CROWN LANDS ABSTRACT ACCOUNTS	
126-135	Surrender of Crown Lease of Queen's Hall, Langham Place, London	lxviii
	NATIONAL LAND FUND ACCOUNT	
136-137	Disposal of capital of the Fund	lxx
	COLONIAL DEVELOPMENT CORPORATION ACCOUNTS	
138-140	Report and Accounts for 1953	lxxi

THIRD REPORT

THE COMMITTEE OF PUBLIC ACCOUNTS ;—HAVE made further progress in the matters to them referred and have agreed to the following THIRD REPORT:—

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS

VOTE 2. INLAND REVENUE

NON-DISCLOSURE OF FEES, ROYALTIES, &C.

1. The Report of the Comptroller and Auditor General referred to losses of revenue resulting from non-disclosure of fees, royalties, &c., by persons engaged in various occupations and professions. The Inland Revenue Department stated that, while they had power to require information from employers as to payment of wages and salaries, no similar authority existed to obtain details of fees paid. The transactions carried out by means of payments of fees are indeed so many and varied in character that if legislation were passed and generally applied the returns required would be so numerous as to be unduly onerous both to the public and to the Department. The Department did not consider that the problem, though very tiresome, was important in relation to the amount of revenue involved.

C. & A.G.'s
Revenue
Report,
Para. 19.

Q. 146

Q. 148.

Q. 144.

2. Your Committee fully appreciate the difficulties of the position as stated by the Department, especially as regards finding an exact definition of fees. The remarkable results, however, of the statutory power to obtain returns of bank interest under Section 27 of the Finance Act, 1951, lead them to believe that in the field of fees also the existence of powers to require disclosure might not only be advantageous to the revenue, but also have a beneficial effect upon public morale, which is from time to time disturbed by reported cases of evasion of tax liability. They accordingly recommend that consideration should be given to the enactment of legislation giving the Inland Revenue Department discretionary power to require returns of fees. It would not be necessary or possible that such powers should be universally exercised: but their existence would in the view of Your Committee greatly facilitate the work of the Department in such fields as might be of special interest to the Inland Revenue.

C. & A.G.'s
Revenue
Report,
Paras. 21-22.

Q. 167.

INCOME TAX: EXEMPTION OF OFFICIALS OF INTERNATIONAL ORGANISATIONS

3. Under the International Organisations (Immunities and Privileges) Act, 1950 (consolidating the Diplomatic Privileges (Extension) Acts, 1944 to 1950), Orders in Council may be made conferring certain immunities and privileges on international organisations of which H.M. Government are members and on persons connected with such organisations. Such Orders, which have to be laid before Parliament in draft and require affirmative resolutions by each House, are to be framed so as to secure that there are not conferred on any person immunities and privileges greater in extent than those required to give

C. & A.G.'s
Revenue
Report,
Paras. 27-28.

effect to any relevant international agreement. The immunities and privileges which may be conferred include exemption from taxation.

4. Although there is no statutory power to confer tax exemption for periods prior to the dates stated in Orders in Council made under the Act, the Inland Revenue Department have conceded exemptions in respect of some organisations before any Order has been made, or from a date earlier than was provided for in the Order. They furnished Your Committee with a list of eleven existing organisations in respect of which Orders had been made under the Act; for three of them the Department had allowed tax exemption administratively for periods before the operative dates of the Orders. The amounts of tax so allowed and the numbers of individuals concerned were not very large. Another list of seven organisations for which no Orders in Council had been made included, however, the North Atlantic Treaty Organisation, for which exemption had been allowed administratively since 1st July, 1951, to some 200 individuals: it had not been possible to estimate the amount of tax involved.

Qs. 274-9.
Appendix 5.

5. The Inland Revenue Department admitted to Your Committee that they had no statutory power to allow these tax exemptions in the absence of an Order in Council. They explained that they had made the strongest representations to the Departments responsible for laying any Order, and in particular to the Foreign Office in respect of the North Atlantic Treaty Organisation, but they had felt obliged as a matter of public faith to implement arrangements for exemption made with organisations by other Departments.

Qs. 238, 244,
255-68, 271.
Qs. 269,
2811.

Q. 244.

6. The Foreign Office stated that it was Government policy to afford members of international organisations the same facilities as are normally given to members of diplomatic missions, and H.M. Government were parties to the treaties and agreements setting up the organisations and providing for exemption from taxation. Drafting the necessary Orders in Council had, however, given rise to legal and technical difficulties which involved consultation with other departments. They agreed that the delay in presenting an Order for the North Atlantic Treaty Organisation was much too long, but stated that a contributory factor was a decision to bring a number of Orders before Parliament in a group. An assurance was given to Your Committee that, when any future international agreement is concluded which contains provision for tax exemption, the accompanying Order in Council will be drafted in co-ordination with the agreement.

Qs. 2781,
2839.

Qs. 2791,
2799.

Qs. 2858-9,
2879-85,
2887, 2906.

Qs. 2859-65,
2878, 2907.

Qs. 2911-2.

7. Your Committee take a serious view of the delays which have occurred in laying before Parliament drafts of the Orders in Council necessary to authorise the tax exemption granted by the Inland Revenue Department. The exemption granted to officials of the North Atlantic Treaty Organisation over a period of nearly three years, solely by administrative action, is particularly open to objection, and the fact that H.M. Government are parties to an international agreement providing for such exemption does not excuse the delay in obtaining the Parliamentary authority required by the statute. Your Committee must therefore ask that in future Orders will be laid not later than the coming into force of the agreements to which they refer; these should receive Parliamentary approval before any tax exemption is granted.

Qs. 2909-11.

Appendix 5.

Cmd. 8400.

Qs. 2878-
2911.

CIVIL APPROPRIATION ACCOUNTS

GENERAL

NATIONAL MUSEUMS AND GALLERIES

(i) *Records and stock surveys of collections*

8. The Public Accounts Committee of 1912 reported on the questions of inventory records and stock surveys of the collections in the national museums and galleries. They were of opinion that proper records of the collections should be maintained and checked from time to time by independent stocktaking, that definite rules should be laid down as to writing off deficiencies, and that the results of stocktaking should be reviewed by the Comptroller and Auditor General. So far as the museums under the control of the Board (now Ministry) of Education were concerned a departmental committee had examined these matters and their recommendations, which conformed with the views of the Public Accounts Committee, were accepted and implemented. At these museums the Comptroller and Auditor General has had access to records and there has been procedure for noting losses of objects on the Ministry's Appropriation Accounts. The Public Accounts Committee of 1915 reported that the Treasury were in communication with the authorities of the other museums and galleries with a view to arrangements being made for the compiling and checking of a more complete catalogue of the nation's possessions. At these institutions, where the collections are vested in trustees, the Comptroller and Auditor General's right of access to records had not been established and no procedure existed for bringing losses to the notice of the Treasury or Parliament. No progress was possible during the first world war: after that war the matter was shelved and it remained in abeyance till November, 1952, when the matter was again raised with the Treasury by the Comptroller and Auditor General. As a result of his inquiries, arrangements have now been made for losses occurring after 1st September, 1953, to be reported to the Treasury and noted on Appropriation Accounts, but he reported that he had not yet been informed of any developments with regard to the inventory records and survey procedure or whether full access to the records was to be afforded to him.

C. & A.G.'s
Civil Report
(Classes
I-VIII),
Paras. 10-13.

9. The Treasury explained to Your Committee in some detail the present position with regard to the compilation of records and stock-taking of the collections; in both respects progress has varied considerably at the various institutions and in both much still falls to be done. They stressed the difficulties, including staff shortage, under which the institutions have worked, and still work, which militate against any rapid remedial action; they also referred to the virtual impossibility of fully recording or taking stock of certain sections of the collections. Your Committee appreciate that difficulties may arise in some sections of the collections and may involve some selectivity in the objects to be brought under accounting control.

Qs. 802-4,
833-8, 849,
875-7.

10. Though the collections vest in trustees who are responsible for their management and safe custody, Your Committee share the views of previous Committees that they are national collections and held by the trustees for the nation. In consequence Parliament has the

Qs. 812, 824,
826, 874.
Qs. 815,
817-32,
840-77.

strongest interest in ensuring that the collections are properly managed and safeguarded. As one means to that end Your Committee consider it essential that the Comptroller and Auditor General should be given full rights of access to enable him to review the systems of accounting and stock survey in force at the various institutions and to report to Parliament such matters as he may think necessary. They trust that the Treasury will ensure that the necessary facilities are afforded.

Qs. 805,
810-3.

(ii) *Trust Funds*

11. The Comptroller and Auditor General audits the accounts of trust funds of museums and galleries on behalf of the trustees, but his knowledge of an institution's trust funds will normally extend only to those for which accounts are actually submitted to him for audit. Where it has come to his notice that funds are held, for which he has not received accounts which should have been rendered, he has taken steps to have the omissions remedied, but under present arrangements he can never be certain that all such funds are covered by his audit.

Qs. 769,
774-9, 785,
788-91.

12. Your Committee think that the Treasury, when considering the provision to be made for museums and galleries, may reasonably require to be fully informed of their resources by way of trust funds. They therefore trust that that Department will take early steps to ascertain what trust funds are held by the various museums and galleries at present, and will furnish to the Comptroller and Auditor General, for the purposes of his audit, lists of these funds and of any new trust funds that may be created in the future.

(iii) *Financial arrangements for production and sale of publications*

13. Publications produced for sale at the national museums and galleries are normally purchased from moneys provided on the Vote for the particular institution, or, in some cases, the Vote of the Stationery Office, and the proceeds of sale are appropriated in aid of those Votes.

C. & A.G.'s
Civil Report
(Classes
I-VIII).
Paras. 8-9.

14. Exceptionally the publications of the National and Tate Galleries are financed from non-voted funds, certain trust moneys at the disposal of the Trustees having been used, in the past, as working capital for producing publications. These trust moneys were later repaid from profits on the publication business, from which also were built up the existing non-voted funds of the publications departments, which are considered to be in the nature of private trust funds.

Qs. 744,
779-83.

Qs. 737-8.

15. The Treasury said in evidence that they were loth to insist on uniform arrangements being applied to all museums and galleries, or to press for a change in the arrangements at the National and Tate Galleries so long as they were satisfied that the existing arrangements were operated reasonably. In this connection they propose to formulate rules designed to ensure that there is a definite chain of responsibility for the management of the publications departments up through the Director to the Trustees, that adequate information is published about their operations, that the publications funds shall in future bear a due share of the overhead expenses of the Galleries, and that expenditure from these funds shall be properly approved, just as if it were borne on voted moneys, no more liberal allowances being paid from the funds

Qs. 748, 750,
767.

Q. 753, 773.
775.

Qs. 792-6.

than would be paid if the charges were met from Votes. Your Committee consider that in principle the publication business of galleries and museums, as that of Government Departments generally, should be financed from Votes. They do not press for any immediate change in the long standing arrangements at the National and Tate Galleries provided the rules proposed by the Treasury are applied and no use is made of the non-voted funds to supplement the emoluments of staff paid from Votes. They trust, however, that the Treasury will not agree to any extension of these arrangements to other museums and galleries.

CLASS II, VOTE 9. COLONIAL AND MIDDLE EASTERN SERVICES

GRANTS IN AID OF LOCAL REVENUES, ETC.

16. The grants to Colonies in aid of expenses of administration, etc., are fixed with reference to the needs of the territory as shown by advance estimates of its revenue and expenditure. Issues, once made, are not liable to surrender to the Exchequer but, in accordance with views expressed by an earlier Committee of Public Accounts, they are normally restricted to requirements during the course of the year. An exception has been made, however, in the case of certain Colonies in the West Indies. From 1st January, 1953, these territories have received annual block grants which, though assessed with reference to need, are issued in full as a matter of course; where a surplus arises on the year's working, it may in appropriate cases be applied by the Colony to accelerate a programme of public works and where, despite the exercise of financial prudence, the outturn shows a deficit, due account may be taken of it in assessing the grant for the following year.

C. & A.G.'s
Civil Report
(Classes
I-VIII).
Paras. 20-23.

17. In evidence before Your Committee the Colonial Office stated that the new arrangement of annual block grants had been adopted, with the approval of the Treasury, in full knowledge of the views expressed by previous Committees of Public Accounts regarding the issue of grants in aid in excess of actual requirements for the service of the year. They explained that the system of grants with issues restricted to what is necessary to balance budgets does not in their experience provide any incentive to Colonial Governments either to increase their own revenue or to curtail their own expenditure. The new system, which was experimental and subject to review from year to year, would provide that incentive in the case of the West Indian territories, which were rapidly taking more and more responsibility for their own affairs. The use by the territories of any surplus on the year's working would be carefully considered by the Colonial Office and the Treasury in the light of all the circumstances; only such part of the surpluses as had been achieved through careful and prudent administration would be sanctioned for retention by the Colony and it could only be used to accelerate approved works services, mainly in the nature of maintenance, which, but for straitened circumstances, would have been provided for in budgets. In the opinion of the Colonial Office there was nothing inherent in the new arrangement which would necessarily cause grants to be larger than they would have been under the old system.

Qs. 2356-9.

Qs. 2427,
2430.

Qs. 2394-6.

Q. 2360.

Qs. 2359,
2361-4.

18. In view of the steady increase in the grants to the Colonies concerned from £300,000 in 1951-52 to £770,000 in 1954-55, Your Committee asked the Colonial Office what evidence they had seen that the new system of annual block grants was operating as an incentive to the territories to increase their own revenue. They were informed that local Legislatures generally had taken more interest in such questions since the change was made and that some had already increased their taxation rates, though the increases had been small.

Q. 2428.

19. In Your Committee's view the new procedure of issue of grants in aid in full by the Colonial Office and retention of surpluses by Colonies for use on services which, though approved in principle, were not provided for in the British Parliamentary Estimates, involves an important departure from previous practice and may tend to weaken Parliamentary control. Your Committee, however, concur with the suggestion of the Treasury that final judgment should be deferred until the experiment has been working for, say, two years. By that time they would expect evidence to be available to satisfy any reasonable doubt regarding the financial administration of the territories concerned, particularly as to the adequacy of the steps taken to increase local revenues generally, and also regarding the procedure for ensuring that only such surpluses are retained as are achieved through careful and prudent administration. They accordingly recommend that the matter be further considered by the Committee of Public Accounts in two years' time.

CLASS IV. VOTE 1. MINISTRY OF EDUCATION

CLASS IV. VOTE 14. PUBLIC EDUCATION, SCOTLAND

TEACHERS' SUPERANNUATION SCHEMES: ACTUARIAL DEFICIENCIES

C. & A.G.'s
Civil Report
(Classes
I-VIII).
Paras. 32-4.
H.C. 128
(1950-51).

20. Under the provisions of the Teachers' Superannuation Acts, reports on the financial position of the teachers' superannuation schemes are made by the Government Actuary at intervals of seven years and presented to Parliament. A report on the position of the scheme for England and Wales at 31st March, 1948, which was presented in December, 1950, showed that there was an actuarial deficiency of £102,000,000. The Public Accounts Committee of 1951-52 were informed that this deficiency had risen to an estimated sum of £146,000,000 at 31st March, 1952. They expressed the opinion that Parliament should be kept better informed on the actuarial position of the schemes than at present, and suggested that a note of the estimated actuarial deficiencies and the accumulated balances of the departmental accounts of revenue and expenditure under the schemes should be included in the annual Appropriation or Finance Accounts.

Q. 1147.

21. Your Committee were informed in evidence that by 31st March, 1954, the deficiency was estimated to have further risen to £194,000,000. In view of the size of the deficiency and of the rapid rate at which it appears to have increased since 31st March, 1948, they agree with the Committee of 1951-52 that it is desirable that Parliament should be informed of the position of the schemes at more frequent intervals than the seven year periods at which detailed actuarial valuations are made. Your Committee appreciate that actuarial surpluses or deficiencies can be ascertained only on the basis of a complete valuation covering the teachers included in the scheme at a particular date, but

they understand that thereafter reasonably close estimates can be made annually, showing any changes in the figure arrived at on this basis. They are of opinion that such estimates would be valuable in order to keep Parliament currently informed of the progress of the schemes; the figures might also indicate whether valuations could usefully be made at shorter intervals than seven years. Your Committee accordingly suggest that the Treasury should, if possible, provide this information in the annual Accounts both for the teachers' superannuation schemes and for any other government scheme to which similar considerations might apply.

Qs. 1151-3.

Q. 1212.

CLASS IV. VOTE 10. GRANTS FOR SCIENCE AND THE ARTS

ARTS COUNCIL OF GREAT BRITAIN

22. In 1952-53 the Arts Council of Great Britain received £675,000 as a grant in aid of the expenses of the Council. Your Committee have inquired into the Council's internal arrangements for financial control, particularly as regards the steps taken to ensure that grants made by the Council to other bodies are efficiently and economically administered.

Qs. 5896-5999.

23. The Organisation and Methods Division of the Treasury, who had been asked by the Council to examine their general organisation and office arrangements, presented its reports in 1950 and 1951. The Secretary-General of the Council stated in evidence that nearly all the suggestions then made had been carried out. He agreed, however, that the Arts Council had not acted on the suggestion that, since the outright grant system might give no encouragement to economy, the subsidies they paid to grant-aided bodies should normally take the form of a limited guarantee. The Council maintain that they are able to compute beforehand what are the needs of the organisations they assist; on the board of every assisted company they have an assessor, who is an employee of the Council chosen for his knowledge of the particular art; this assessor also keeps a watch on expenditure, though he is not primarily chosen for his knowledge of accounts.

H.C. 187

(1952-53),

p. 33.

Q. 5906.

Qs. 5899,

5900.

Qs. 5901-2.

24. Your Committee are not fully persuaded that this system is conducive to economy or that it ensures that the best use is made of the moneys granted. They recall that the Treasury expressed in evidence their readiness to look into the extent to which the recommendations of the Organisation and Methods Division had been adopted by the Arts Council and recommend that such an inquiry be undertaken with a view to strengthening the arrangements for financial control, especially as regards the assistance given to other bodies.

Qs. 5897,

5903,

5935-7.

Q. 5907.

25. The grant in aid received by the Council in 1952-53 included £90,000 provided by a supplementary estimate to enable further grants to be made for the Royal Opera House, Covent Garden. Your Committee were informed that £50,000 of these grants had, with Treasury agreement, been used to reduce an overdraft owed by Covent Garden to its bankers amounting to £100,000. The Secretary-General of the Arts Council explained that the overdraft arose from the heavy expense of repairs, &c., necessary to maintain a very old and uneconomic theatre and not from any lack of public support of the productions staged there.

H.C. 226.

(1951-52).

Qs. 5923,

5947.

Q. 5927.

26. Your Committee asked why sums voted by Parliament for the furtherance of the Arts were regarded as applicable to the reduction of

Qs. 5923,

5941.

- Q. 5924. past deficits incurred at a particular theatre. The Treasury explained that the payment was regarded as essential to the credit and financial position of Covent Garden; on this particular occasion they had presented a Supplementary Estimate for the purpose and, as an exception to normal practice in relation to Grants for Science and the Arts, had explained in Part III of the Estimate that the additional grant was required for a specific purpose, viz. for the Royal Opera House, Covent Garden. Nevertheless, Your Committee note that no reference was made in the Supplementary Estimate to the proposed reduction of an overdraft. They consider that where it is intended to apply money, granted presumably for current purposes, to meet an existing overdraft, this should be indicated in the Estimate.
- Q. 5944.
- Qs. 5908-21. 27. The Report of the Arts Council for 1952-53 shows that, out of grants for opera and ballet amounting to £347,000, no less than £333,000 went to the Royal Opera House, Covent Garden, and Sadler's Wells.
- Q. 5908. The Secretary-General of the Council explained in evidence that the high proportion of the expenditure in London as compared with the provinces arose from the conception that the capital city should set the tone in the arts by providing opera and ballet of the highest artistic standard. Tours were made in the provinces each year by the opera and ballet companies and the Council were now supporting a third company which would spend more than half the year out of London.
- Qs. 5909-10. It was also the Council's policy to create artistic centres in provincial towns, but they considered that to create and equip grand opera outside London would be an exceedingly expensive task.
- Q. 5919. 28. Your Committee appreciate the relevance of the considerations which have influenced the Council in allocating to London so much of the grants for opera and ballet. They are nevertheless concerned at a situation which results in the capital city receiving over 95 per cent. of the money available for this purpose and would invite the Treasury and the Arts Council to consider whether a considerably larger proportion could not with advantage be employed in supporting provincial ventures.

CLASS IV. VOTE 11. UNIVERSITIES AND COLLEGES, &c., GREAT BRITAIN

GRANTS TO UNIVERSITIES: NON-RECURRENT GRANTS

- Appendix 1. 29. Successive Committees of Public Accounts have given much attention to the system of controlling expenditure out of the non-recurrent capital grants to universities, &c., which now amount to over £6,000,000 per annum. The present system stops short at an examination by the University Grants Committee of plans and estimates, and the records and papers kept by the Committee are not seen by the Treasury or the Comptroller and Auditor General. The Public Accounts Committee of last Session, in paragraphs 3 and 4 of their Third Report, recorded that, although the University Grants Committee were provided with accounts certified by the universities' auditors, the Treasury were unaware what instructions were issued to the auditors and could not therefore say whether the auditors regarded it as part of their responsibility (as would the Comptroller and Auditor General) to see that the grants are properly and economically applied. The Committee took the view that the adequacy of the system of financial

control was a matter which concerned Parliament, and on the information available they were not able to give Parliament an unqualified assurance that there was no irregularity or abuse and that the grants had been spent on the purposes for which they were voted with due regard to the elimination of waste and extravagance. They felt compelled therefore to reaffirm the views expressed by their predecessors and by the Select Committee on Estimates of 1951-52 on the need for closer control, and to renew the recommendation that the books and accounts of the universities that relate to their expenditure of non-recurrent grants should be open to inspection by the Comptroller and Auditor General. They fully endorsed the view of their predecessors and the Treasury as to the need to preserve the autonomy of the universities, but remained unconvinced by Treasury arguments that it would be prejudiced by the adoption of their recommendation.

P.A.C.
1951-52
3rd Report,
Para. 41.
S.C. on
Estimates,
1951-52,
5th Report,
Para. 37.

30. In their relevant Minute of 15th December, 1953, the Treasury stated that they had sought to avoid any detailed control of the activities of universities, and neither they nor the University Grants Committee had ever claimed the right to examine the universities' books. They could not avoid the conclusion that, were the Comptroller and Auditor General given the right of inspection, the result would be that the Treasury would find themselves compelled to expand their intervention in university matters in a way which they believed would be prejudicial to the present harmonious relationship between the universities and the University Grants Committee. They were, however, most anxious to satisfy any apprehensions as to the adequacy of the system of financial control and had therefore again considered possible ways of providing the assurances which the Committee of Public Accounts required, without throwing the books of the universities open to inspection by the Comptroller and Auditor General. No difficulty was foreseen in making satisfactory arrangements with the universities to ensure that grants are duly appropriated to the purpose for which they are made, though the precise part to be played by the universities' auditors and professional advisers would require consideration: to ensure economy in expenditure it was proposed that the University Grants Committee should appoint one or more suitable persons who would report to that Committee on the question whether any, and if so what, changes are necessary to secure that universities' methods of contracting, and of recording and controlling expenditure, are reasonably designed and properly applied to ensure effective safeguards against waste, extravagance or other abuse. Such report would be made available to the Committee of Public Accounts.

T.M.
15.12.53.
Para. 3.

Para. 1.

Para. 4.

Para. 5.

31. Your Committee were assured by the Treasury that the decision to resist inspection by the Comptroller and Auditor General had not been influenced in any way by universities' objections, although it was known that the universities attached the greatest importance to continuance of the present system of conducting their financial relations with the State through the single authority of the University Grants Committee. The special investigation proposed by the Treasury, which would be carried out on behalf of the University Grants Committee by independent persons, would preserve this system: it would cover all the universities and, as envisaged, would be rather wider and more general than an *ad hoc* investigation by the staff of the Comptroller and Auditor General.

Qs. 902-7.

Qs. 901-2.

Q. 911.

32. Your Committee are not convinced by the objections raised in the Treasury Minute and elaborated in evidence, and they regret the Treasury's reluctance to accept the recommendation of their predecessors and of the Select Committee on Estimates of 1951-52: nor can they agree that the arrangements proposed in the Treasury Minute will provide a satisfactory alternative to inspection by the Comptroller and Auditor General. They nevertheless recognise that the Treasury have attempted to satisfy the apprehensions of successive Committees of Public Accounts. Your Committee, therefore, while fully endorsing the views expressed by their predecessors, are glad to learn that a special committee of four has been appointed for the purpose to begin work forthwith. They recommend that the matter be considered afresh by the Committee of next Session in the light of the results.

Qs. 938-40.
Appendix I.

33. The papers and records of the University Grants Committee, which contain requests from the universities for assistance and the record of the consideration of them by that Committee, are not seen by the Comptroller and Auditor General. While his access to such documents would not necessitate any contact with the universities, it would enable him to report, if necessary, to Parliament on the steps taken by the University Grants Committee to examine these requests and to ensure due economy in the expenditure of these very large grants. Your Committee accordingly recommend that the Comptroller and Auditor General should in future have access to such papers and records of the University Grants Committee as relate to non-recurrent grants.

CLASS V, VOTES 5 AND 14. NATIONAL HEALTH SERVICES

PROVISION IN ESTIMATES FOR SALARIES AND WAGES AWARDS

Civil Appropriation Accounts (Classes I-VIII), 1952-53, p. 271.

34. The advances made to Hospital Boards in England on revenue account, charged to Subhead B of the Vote, were about £14,000,000 less than estimated. The Ministry explained on the face of the account that about £3,500,000 of this saving arose because expenditure in respect of salary and wage awards was less than the amount provided in the Estimate.

Q. 4914.

35. In evidence before Your Committee the Ministry further explained that they try each year to make some assessment of costs likely to mature during the year through wages increases and to agree them with the Treasury. When the Estimates for 1952-53 were being framed a large number of claims for increases in salaries and wages were pending and the estimate for such increases was to a certain extent speculative; the amount provided for the purpose was £10,000,000, but only £6,500,000 had been spent. The Treasury explained that it had been the custom in preparing the Estimates for the Health Service to make provision for expenses which it was much more likely than not would be incurred. They aimed in the Estimate at fixing an amount for such expenses which was the probable or almost certain cost during the year, on the grounds that, if that amount were almost certainly going to be required, Parliament would be misled if no allowance were made for it. There was also a specific objection in the case of the Health Service to having a Supplementary Estimate for expenditure which could be foreseen, since budgetary control of the Health Service very largely depended upon enforcing the discipline that no money could be spent during the year beyond that which was provided from the beginning.

Qs. 4915,
4941.

Q. 4918.

Q. 4923.

36. Your Committee were surprised to learn that the Estimate for the National Health Service, England and Wales, for 1952-53 included a substantial amount for possible increases in salaries and wages. They had understood that no provision was made in Estimates for claims to increased remuneration which were merely under consideration at the time the Estimates were presented to Parliament, and, indeed the Public Accounts Committee of 1950 had expressed satisfaction at learning that the Treasury could never accept the view that Departments should be encouraged or permitted to provide in their annual Estimates for liabilities which might not become due for payment in the year of estimate. They appreciate the need to enforce the discipline that no more could be spent in the year than was provided from the beginning, but they find it difficult to appreciate the value of this discipline where the sum provided includes a substantial amount for undetermined claims to increased remuneration and the hospital Boards, as the Ministry admitted, are aware that it does. Your Committee accordingly recommend that the exceptional practice followed in framing estimates for the National Health Service be reviewed by the Treasury. Q. 4925.

LEVELS OF REMUNERATION AND PRICES OF COMMODITIES

37. Previous Committees of Public Accounts have recorded disappointment that there were still so many gaps in the Departments' knowledge of the facts relevant to the assessment both of proper remuneration of those employed in the National Health Services and of fair and reasonable prices for goods supplied. The Committee of Session 1952-53, in paragraphs 12 to 14 of their Third Report, expressed regret that after such long consideration so little had yet been done; recorded their emphatic opinion that the Departments should intensify their efforts to ensure that no more than fair and reasonable prices are paid for commodities in substantial demand for the Health Services; and expressed their hope that this Session's Committee might be furnished with more tangible results of the Department's lengthy consideration than had yet been forthcoming.

38. In their Minute dated 15th December, 1953, on that Report, the Treasury recorded that further discussions were taking place to secure the co-operation of the dentists and opticians in a full fact-finding investigation, and that the conclusions to be drawn from facts submitted in 1952 were being discussed with the chemists. On prices for commodities the Treasury stated that they had been at pains to satisfy themselves that the Departments intend to press on as rapidly as possible with their investigations of costs and profits and with the discussions with manufacturers that will subsequently be necessary.

39. No tangible results were recorded in the Treasury Minute, but in evidence before Your Committee the Ministry of Health stated that they had completed their investigations of the cost of spectacle lenses and frames and had allowed increases in prices which would cost the Exchequer about £170,000 a year. The makers had claimed increases which would have cost over £500,000 a year. In arriving at these prices the Ministry had confined profit rates to the level usually allowed in Government contracts. They had also started investigations on 91 out of the total of 6,000 proprietary preparations used in the Health Services. These 91 make up about 30 per cent. of the total prescriptions for proprietary preparations. Investigations of three Q. 4617. Q. 4620.

preparations for treatment of asthma have been completed ; the makers of one of them have reduced the price, but the Ministry have been unable to agree satisfactory prices for the other two and they are asking doctors not to prescribe them. The Ministry are looking into the prices of a number of non-proprietary drugs but were unable to report any final results. They stated, however, that the prices of some of these had been voluntarily reduced during the investigations.

- Qs. 4609-15. 40. The Departments are in process of finding the facts relating to the remuneration of dentists and hope to have completed this process before the end of August, 1954. On remuneration for other professional services, however, they seem still to have done little more than discuss the methods of getting the facts. Particularly poor progress has been made on remuneration of Scottish chemists, to whom an outline scheme of investigation was submitted as long as a year ago.
- Qs. 4632-7.

41. Your Committee cannot accept this disappointing rate of progress and the long continued absence of any assurance that the Departments' payments are no more than fair and reasonable as consistent with the professions of urgency in the Treasury Minute referred to above. The practical value of getting the facts has been clearly demonstrated by the large reduction obtained in the claims of the spectacle makers, and in the reductions already achieved in the prices of some non-proprietary articles. Your Committee consider that the Treasury should obtain from the Departments evidence of real and substantial progress in ascertaining all the facts necessary to give Parliament an assurance that the payments are no more than fair and reasonable. They are most emphatically of opinion that the investigations now in progress or under discussion should be so hastened that the results are available to the Public Accounts Committee of next Session.

FAILURE TO USE PROPERTY ACQUIRED FOR THE HOSPITAL SERVICE

42. Inquiries into the circumstances in which a property bought by a Hospital Board for a particular purpose had been left vacant for some two years and then used for an entirely different purpose left the Public Accounts Committee of last Session in doubt as to the adequacy of the Ministry's general arrangements for examining accommodation requirements in the hospital service and the use made of property acquired for that service. They therefore recommended, in paragraph 26 of their Third Report, that these arrangements should be reviewed.

T.M.
15.12.53.
Paras. 23-6.

43. The Treasury in their Minute on the Reports of the Committee stated that they had accordingly reviewed the arrangements with the Ministry and found them generally satisfactory. It had not, however, been the Ministry's practice systematically to follow up the action taken by Regional Hospital Boards after property had been acquired ; a special review showed that a number of properties acquired between 1950 and 1952 had not yet been brought into use, principally because of the inability of the Boards concerned to undertake immediately, with the limited capital resources available, the necessary work of adaptation. The Treasury gave details of arrangements which have now been made to avoid such delays in future and to ensure that

they are informed if it is proposed to use any property for a purpose substantially different from that for which they sanctioned its purchase.

44. In response to a request from Your Committee, the Ministry furnished a list of the properties which were still unused; this consisted of 31 properties purchased six months or more ago. Of these, 14 had been unused for two years and nine for 12 months. Five of the 14 were now being disposed of. The Comptroller and Auditor General had referred in his Report to three unused hotels acquired for use as nurses' homes which were subsequently found to be unnecessary or unsuitable for the purpose and were being disposed of. In evidence before Your Committee, the Ministry admitted that other instances might come to light on further investigation. They explained that in the earlier days of the Health Service the policy had been to encourage development which looked reasonable and to avoid too much central control. They did not consider that they could excuse or defend the actions of the Boards in the instances now brought to light and thought they should have been discovered earlier. In consequence they are satisfied that stricter central control of the use of property on the lines described in the Treasury Minute is absolutely essential.

Appendix 8.

C. & A.G.'s
Civil Report
(Classes
I-VIII),
Paras. 42-9.
Qs. 4813-4.

Q. 4757.

Qs. 4779-83.

45. Your Committee are in full agreement with the Ministry on this issue. So long as restrictions on capital investment or on the total sums available for the Health Services continue, waste of money on the purchase of unnecessary or unsuitable premises for the hospital service must reduce the amount that can be spent on services of benefit to the patients. It is therefore the clear duty of the Ministry to do whatever they can to stop such waste. Your Committee therefore welcome the arrangements now made by the Ministry to watch that property acquired for a hospital purpose is in fact used, and used for that particular purpose. In view of the fact that five properties, after remaining unused for two years or more, are now to be disposed of, they trust also that the Ministry will make careful inquiries to see that a property is really needed before they authorise a Board to buy it. Your Committee recommend that the working of the new arrangements be carefully watched by the Treasury and reviewed by future Committees of Public Accounts; they feel sure that individual hospital authorities will give their full co-operation so as to serve the best interests of the hospital service as a whole.

ALLOWANCE TO CHEMISTS TO COVER RISK OF LOSS FROM UNPAID CHARGES

46. When chemists were told of the proposal to impose charges on patients to meet part of the cost of prescriptions dispensed from 1st June, 1952, they claimed that it would not always be possible for them to recover the sums due from patients: medicine which had been dispensed was sometimes not collected, and urgently needed medicine might be collected by people who had brought no money. On the assumption that chemists would be unable to collect the charge on one in every forty-eight prescription forms in urban areas, the Department agreed to make an allowance of $\frac{1}{4}$ d. for each form, with an increase to $\frac{3}{8}$ d. in rural areas. These allowances are estimated to cost about £170,000 a year.

C. & A.G.'s
Civil Report
(Classes
I-VIII).
Paras. 50-51.

Q. 4955.

- Qs. 4954, 4961, 4964. 47. The Treasury authorised these allowances on condition that they would be reviewed after a reasonable period of operation. When Your Committee examined the Health Departments at the end of May, 1954, they had made no such review, nor had they any evidence of the relation between the amount of £170,000 a year they had been paying to meet the risk of losses and the losses actually incurred by chemists. They stated, however, that the correctness of the allowances would be checked as part of the investigation of chemists' remuneration as a whole referred to in paragraph 40 above.
- Q. 4961. 48. The Departments claimed that it had been necessary to grant estimated allowances without inquiry as to the actual loss because of the speed with which the charges had to be put into operation. Your Committee do not regard this as sufficient justification for departing from the principle which has been so strongly enjoined by previous Committees of Public Accounts and fully accepted by the Treasury in their Minute dated 15th December, 1953, on the Reports of the Committee of Session 1952-53, that the relevant facts should be ascertained before any increase in remuneration under the National Health Services is granted. They see no reason why payment of the allowance should not have been made conditional on the production of sufficient evidence to judge the extent of the losses actually incurred, and they trust that such evidence will be speedily obtained. They recommend that the Treasury should take steps to ensure that any claims for additional payments of any sort that may arise in future are dealt with in strict accordance with the approved principles.

REMUNERATION OF SCOTTISH CHEMISTS

- C. & A.G.'s Civil Report (Classes I-VIII). Para. 52. 49. Payments to chemists include an allowance for ingredients used in making up prescriptions. Until 1952 the tariff rates payable to chemists in Scotland for ingredients included varying percentage additions to the wholesale prices ("oncost"). In 1951 an arbitration awarded a fixed addition ("oncost") of 25 per cent. and the award provided that the tariff should be revised on this basis.
- Paras. 53-4. 50. In translating wholesale rates into rates for the smaller quantities used in individual prescriptions, the Department has made a number of allowances and adjustments which result in the total payments to chemists appreciably exceeding the sum of the actual cost to them of the ingredients used and the 25 per cent. addition awarded in arbitration.
- Qs. 4982-3. As an example, the actual cost of one fluid ounce of chloroform water is $\cdot 11225d.$, but, as all unit prices are rounded up to the nearest $\frac{1}{2}d.$, the tariff rate is $\frac{1}{2}d.$ an ounce. For a prescription requiring six ounces the Scottish chemist would thus be paid $3d.$ plus 25 per cent., i.e. $3\frac{3}{4}d.$, though it would cost him only about two-thirds of a penny. In England unit prices are usually calculated by reference to the cost of larger quantities and are rounded to the nearest $\frac{1}{2}d.$, whether up or down; the payment for six ounces of chloroform water would accordingly be $\frac{1}{2}d.$ It is clear that not only are chemists being paid more in Scotland on average than in England for the same ingredients but they are also receiving appreciably more than the arbitration award of 25 per cent. over the cost to them of these ingredients.
- Q. 5002. 51. The Department explain this anomaly on the ground that the Scottish tariff rates have been compiled in this way ever since the National Insurance scheme was introduced in 1912. They have tried
- Q. 4991.

to negotiate a uniform tariff, flexible enough to take account of their different circumstances, for the two countries, but the Scottish chemists have not so far agreed.

52. Your Committee see no justification for the continuance of the anomalous methods used in calculating the Scottish tariff rates, and consider it contrary to the terms of the award to continue arrangements which give the chemists in total more than the actual cost of the ingredients used plus 25 per cent. They are emphatically of opinion that differences in remuneration not justified by differences in cost should be discontinued, and recommend therefore that the Scottish tariff should be immediately reviewed and any such differences eliminated.

CENTRAL REGISTER FOR THE NATIONAL HEALTH SERVICE

53. The Public Accounts Committee of last Session expressed concern at the heavy expenditure which would be involved in the maintenance of a Central Register of patients. As the Committee stated, doctors' remuneration is derived from a central pool which is distributed by Executive Councils in proportion to the number of patients on doctors' lists. When, by 1950-51, these lists and Executive Council records had become inflated by duplication and the inclusion of persons who had died or left the country, arrangements were made to check them against National Registration records; and, as a result of this check, which cost over £590,000, the records were greatly improved.

54. National Registration numbers were formerly used as a means of identifying patients and, when national registration came to an end in 1952, the Departments arranged for the compilation and maintenance of a numerical Central Register of patients, which they considered to be necessary to avoid further inflation of doctors' lists and to provide a check on dental treatment and the issue of spectacles. The Treasury had not finally agreed that a Central Register was needed and hoped to avoid one by using Ministry of National Insurance records. The Committee joined in the hope that by this means or by an improvement in the organisation of the records of Executive Councils the heavy cost of a register could be avoided.

55. The Ministry now estimate the cost of maintaining this register for England and Wales at about £150,000 a year. Your Committee were told in evidence that the experiment with Ministry of National Insurance records had not proved successful, but the Treasury were still discussing the need for a Central Register with the Departments. In evidence the Treasury explained that there were two problems to be solved; first, the extent to which it is necessary to avoid the errors in the doctors' lists of patients; second, the magnitude of the error created by the present situation and the extent to which it would be avoided by a register.

Q. 4887.
Q. 4873.
Appendix 9.

Q. 4900.

56. As duplication appears to arise mainly because patients, when changing doctors, do not give the name of their previous doctor, Your Committee asked the Ministry whether the onus of seeing that this information was given could not be placed upon doctors. The Ministry did not think this would be a sufficient safeguard and considered that, unless an absolute identity, which no two people can share, is nationally recorded, it is not possible to be sure that no duplication occurs.

Q. 4885.

57. Your Committee appreciate that, although inflation of doctors' lists does not affect the payment from the Exchequer, the Departments have some responsibility for seeing that the central pool is fairly distributed among doctors. They are not yet convinced, however, that such an expensive device as the Central Register is required for this purpose and they trust that all possible alternatives will be the subject of close examination in the discussions now proceeding between the Treasury and the Departments. They feel sure that, if some less costly method could be used with the co-operation of the doctors, that co-operation would be forthcoming.

HOSPITAL INVENTORIES

C. & A.G.'s
Report on
N.H.S.
Summarised
Accounts,
Paras. 5-7;
on N.H.S.
(Scotland)
Summarised
Accounts,
Para. 3.

58. The Reports of the Comptroller and Auditor General again mentioned that at some hospitals inventories of equipment were still lacking and that at some others they were incomplete or had not been kept up to date. The accounts for 1952-53 recorded losses of £87,000, mainly of bedding and linen, revealed by the checking of such inventories as existed; some further deficiencies at 20 hospitals had yet to be recorded, and some others were still under investigation.

59. The continued failure of a number of hospitals to prepare and maintain inventories was mentioned in paragraphs 21 and 22 of the Third Report of the Public Accounts Committee of last Session. The Committee had been told that, because of the staff required, the institution of proper inventories in hospitals had been spread over a period which it had later been found necessary to extend, but the departments would concentrate on seeing that inventories were at least prepared for such special items as bedding and linen. The Committee expressed the hope that priority would be given to this work as a necessary step towards preventing losses of these attractive stores.

Qs. 5023,
5054.

60. The Ministry of Health stated in evidence to Your Committee this year that they were laying down some minimum requirements for inventories, to be fulfilled within 18 months, and were stressing in particular the things which experience shows are most likely to get lost, for instance, linen, sheets and stocks of a similar character. The Department of Health for Scotland said that the arrangements which they had originally proposed for inventories had met with the objection that they would call for increased staff, but a satisfactory revised procedure which would not require additional staff has been agreed with Regional Boards and was now in operation and working satisfactorily.

Q. 5046.

Qs. 5036-7,
5041, 5047

61. Your Committee regret that, at this date, there should still be hospitals without adequate inventories of equipment. That appreciable losses have sometimes been brought to light where there were inventories emphasises their importance to show where action to prevent loss is called for. Part of the delay in England and Wales appears to be due to the time taken in discussions with the hospital authorities. Your Committee note that experience in Scotland has shown that it is possible to operate a reasonably satisfactory system without engaging extra staff and hope that it will now be possible to remedy the unsatisfactory position in England and Wales without further delay. Until proper inventories are compiled and stocks are checked against them, no reliance can be placed on the records of losses noted in the Accounts.

Qs. 5019-21.

Q. 5046.

CLASS VI, VOTE 9. MINISTRY OF AGRICULTURE AND FISHERIES (FOOD PRODUCTION SERVICES)

CLASS VI, VOTE 21. DEPARTMENT OF AGRICULTURE FOR SCOTLAND (FOOD PRODUCTION SERVICES)

FERTILISER SUBSIDIES

62. The Agriculture (Fertilisers) Act, 1952, empowered the appropriate Ministers to make contributions, under schemes approved by the Treasury, for relieving farmers of a part of their expenditure on fertilisers. A general fertilisers scheme (S.I., 1952, No. 838) for the United Kingdom, introduced in April, 1952, provided for various contributions to farmers at rates approximating to 30 per cent. of the cost of the phosphatic content of fertilisers purchased and delivered on or after 1st July, 1951. The scheme also provided that the Minister in determining the contribution may take into consideration any contribution payable in respect of such fertilisers under any other enactment or scheme and may reduce the amount accordingly.

C. & A.G.'s
Civil Report
(Classes
I-VIII).
Paras. 92-5.

63. During the period 1st July, 1951, to 30th June, 1952, other schemes for subsidising the use of fertilisers were in operation. These were made under the Agriculture (Miscellaneous Provisions) Act, 1950, which permitted such schemes to be made by the appropriate Minister with the approval of the Treasury. For England, Wales and Northern Ireland a ploughed-up grassland (fertilisers) scheme (S.I., 1951, No. 1153) provided for contributions of two-thirds of the cost (up to a maximum of £4 an acre) of fertilisers used on land ploughed up after being under grass for seven years or longer. A similar scheme for Scotland (S.I., 1951, No. 1173) authorised contributions of up to one-third of the cost of fertilisers used as a top dressing on hill and marginal grassland and of up to two-thirds of the cost (within a maximum of £4 an acre) of fertilisers applied to grassland ploughed up on or after 1st January, 1951. The schemes provide that the appropriate Minister shall, in determining the amount of the contributions under them, have regard to the amount of any contribution payable under any other Act. The grassland fertilisers schemes have now finished; the scheme for England, Wales and Northern Ireland ceased after 4th February, 1952, and the Scottish scheme after 30th June, 1952.

64. Notwithstanding the provisions in the schemes that regard should be had to any other Exchequer contributions for the same fertilisers, the Departments decided in December, 1951, to pay contributions in full both under the general fertilisers scheme and under the earlier grassland fertilisers schemes. The Comptroller and Auditor General reported that his tests had disclosed that some farmers had consequently received contributions of between 80 per cent. and 100 per cent. of the full cost of the fertiliser. The Departments maintained, in evidence before Your Committee, that this decision was justified, as the purpose of the general fertilisers scheme was to relieve farmers in general whereas the grassland schemes were designed as a specific incentive to farmers to plough up old grassland and fertilise it.

Q. 1688.
Appendix 10.

Q. 1683.

Q. 1688.

65. The Treasury admitted that they were surprised to find that payments were being made in respect of the same fertiliser under both schemes; they had noticed that both payments were related to the gross cost of the fertilisers without any adjustment, and that there

Qs. 1692-3.

Qs. 1708,
1760.

was a possibility that farmers might in consequence be reimbursed the full cost of the fertilisers used by them. They had not been asked for their approval before the schemes were launched, but when they were consulted they had reluctantly agreed to the practice as it appeared administratively impracticable to go back on what was being done. Your Committee are of opinion that, in view of the wording of the relative Statutory Instruments authorising these schemes, the Treasury and Parliament might reasonably have expected the administering Departments to make some adjustment or scaling down where farmers became eligible for payments under more than one scheme. Noting that Treasury approval was necessary for both schemes, Your Committee consider that the Departments should have obtained the prior concurrence of the Treasury in the decision to pay contributions in full. They also think that the Departments should be reminded of the necessity for making their intentions clear both to Parliament and to the Treasury whenever it is possible that schemes of assistance may overlap.

CLASS VI, VOTE 18. DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH

AUTHORITY FOR EXPENDITURE

66. Previous Committees of Public Accounts have expressed the view that, as a matter of general principle, where it is desired that continuing functions involving substantial expenditure should be exercised by Government Departments, the powers and duties to be exercised should be defined by specific statute. The Committee of Session 1947-48 considered that the expenditure on the Vote for the Department of Scientific and Industrial Research, among others, should be covered by statutory authority other than the annual Appropriation Act. In evidence before the Committee of Session 1948-49, the Treasury said that the first convenient opportunity would be taken to embody the functions of the Department of Scientific and Industrial Research in a statute, and in paragraph 4 of their Third Report the Committee welcomed this promise.

Q. 2489.

67. The Treasury, however, told subsequent Committees that such an opportunity had not arisen. In evidence before Your Committee they stated that it was still the intention to legislate as soon as practicable, but that it had not yet been, nor was it likely in the immediate future to be, practicable to find the necessary amount of legislative time. They agreed that the drafting of the Bill itself would not take any significant time.

Q. 2492.

68. Your Committee see no reason to expect that the necessary legislation would need a large allocation of Parliamentary time. They think that in view of the many years which have elapsed since Committees of Public Accounts first recommended legislation and the substantial expansion of the Department's expenditure during that period, the necessary Bill should be prepared as once, so that it may be ready for immediate introduction when any opportunity presents itself.

C. & A.G.'s
Civil Report
(Classes
I-VIII).
Paras. 104-7.

CO-ORDINATION OF FISHERY RESEARCH

69. Expenditure, provisionally estimated at £213,000, is being incurred on the construction of a new fishery research trawler for the Research

Station of the Department of Scientific and Industrial Research at Torry, Aberdeen. The new vessel will be concerned with the problem of dealing with and processing fish when it is caught and with problems of refrigeration on board; the Department are also collaborating with the White Fish Authority (which receives grants from public funds for research or experiment) on similar refrigeration experiments at sea under commercial conditions.

Q. 2582.

70. It appeared from evidence given to Your Committee that five other Departments or grant-aided bodies were engaged on fishery research and had provided themselves with a total of 12 research vessels for various purposes; but it was not clear from the evidence how the activities of these Departments and bodies and the Department of Scientific and Industrial Research were co-ordinated. Your Committee were not satisfied that there is no overlap of functions, and they therefore recommend that the Treasury should inquire further into the need for all these fishery research vessels and into the arrangements made to prevent unnecessary duplication of work.

Qs. 2578-81.

Qs. 2585-7,
2591-4.

CLASS VI, VOTE 20. DEPARTMENT OF AGRICULTURE FOR SCOTLAND

COST OF CONSTRUCTION OF A ROAD IN THE HIGHLANDS AND ISLANDS OF SCOTLAND

71. The Department of Agriculture for Scotland have statutory authority to make grants for the provision and improvement of roads in the crofting areas of the Highlands and Islands of Scotland. The grants, normally limited to 75 per cent. of the cost of the work, are paid to the local authority concerned.

C. & A.G.'s
Civil Report
(Classes
I-VIII).
Paras. 110-1.

72. The construction of 8½ miles of road to serve nine isolated crofting townships with a total population of 600 was approved by the Treasury in 1946 on the basis of an estimated cost of £25,500. Work began in April, 1947, and has been carried out by direct labour under the supervision of the local authority's surveyors. A revised estimate of £65,000 which the local authority put forward in November, 1948, was considered by the Department to be unreliable because of the absence of a detailed route survey and priced quantities. After a joint inspection by the county surveyor and the Department's engineers the estimated cost was increased to £96,000, towards which the Treasury in February, 1950, approved a 75 per cent. grant. In March, 1952, however, the Treasury were informed that the road was expected to cost £135,000, the increase being attributed partly to unforeseen constructional difficulties and partly to the increased cost of labour and materials, particularly in the last two years. The Treasury expressed dissatisfaction at the way earlier estimates had been framed and considered that a cost of nearly £16,000 a mile for a road to serve the needs of only 600 people was unjustified. They were, however, prepared to approve a 75 per cent. grant on £115,500 leaving the balance to be met by the local authority. The road is still uncompleted.

73. In evidence before Your Committee the Department explained that the original estimate was made by the local authority on the basis of a pre-war standard cost figure of £3,000 a mile which took no account of the exceptional expenses of under-building due to the nature

Qs. 1773,
1786.

Qs. 1777,
1801.

of the route. In 1946, when wartime arrears had accumulated and there was a general eagerness to get on with schemes of crofter roads, the local authority's estimate was accepted and submitted to the Treasury, although the Department admit that it was quite unreal. The Department state that since this experience they invariably send their own engineers and make an estimate on technical advice of their own. Your Committee were glad to have this assurance, but cannot understand why in 1946 the Department accepted a figure which was so obviously unrelated to realities.

74. This is not the only project in which Your Committee found, on taking evidence this year, that schemes were approved by the Treasury on the basis of estimates which proved in the light of events to bear little relation to eventual cost. Other examples include an experimental heat-pump, approved at £30,000 and eventually costing £88,000, site works at a new factory now estimated to cost £385,500, as compared with £158,000 three years ago, and the research station referred to in paragraphs 76 to 79 of this Report. The Treasury have explained to previous Committees of Public Accounts that they have no means themselves of checking advice on technical matters received from Departments. Their decision on any scheme must depend among other factors on what it is likely to cost. It is therefore of the utmost importance that realistic estimates of total ultimate cost should be prepared by Departments after a most careful examination of financial and technical details of projects before application is made to the Treasury for approval. This is equally necessary whether the work is to be carried out by the Department itself or by local authorities or other outside bodies with a substantial measure of Exchequer assistance.

75. Your Committee hope that the attention of all Departments likely to be concerned will be drawn to their responsibilities in this matter.

CLASS VII, VOTE 3. PUBLIC BUILDINGS, GREAT BRITAIN

CONSTRUCTION OF A RESEARCH STATION

C. & A.G.'s
Civil Report
(Classes
I-VIII).
Paras. 112-4.

76. Work on the erection at East Kilbride in Scotland of a Mechanical Engineering Research Station for the Department of Scientific and Industrial Research was started by the Ministry of Works in 1949. The work is being carried out by the Ministry as an allied service for the Department and the cost consequently falls on the Votes for Public Buildings, Great Britain. Provision for the work was first made in 1949-50 when the total estimate was shown as £1,000,000 in Part III of the Estimates; this figure was increased to £1,500,000, described as provisional, in the Estimates for 1950-51 and 1951-52. The figure was reduced to £1,264,600 in 1952-53 and increased to £2,000,000 in 1953-54.

77. The work was planned in two stages, the first stage comprising site works, a general purpose building, workshops, canteen, etc., the second stage a wind tunnel and seven laboratories, each of which would have to be designed for its particular purpose. The estimated cost of the first stage was £495,000. In January, 1952, the Ministry told the Treasury that the first of the seven laboratories in the second stage was estimated to cost £505,000, but in April, 1952, this had

increased to £565,000. The Treasury then expressed concern at the growing cost of the whole scheme and asked what the total was expected to be and whether the figure of £1,264,600 shown in the Ministry's Estimate for 1952-53 would bring the work to a point at which it could, if necessary, be stopped and still provide buildings of some practical use to the Department. The Ministry replied that, if the whole scheme were completed, the cost might be anything from £2,000,000 to £5,000,000, but, except for one further laboratory estimated to cost £371,000, they had not sufficient details of the Department's requirements to prepare even rough sketch plans. In September, 1952, the Treasury decided that the whole project must be reviewed and in October, 1952, after the Department had told them that they had regarded £2,000,000 as an absolute limit on the total estimate, the Treasury accepted this figure as a firm limit for the project.

78. As it appeared from the varying estimates given at different times that the total cost of this station was uncertain, Your Committee inquired into the arrangements made to control the expenditure. The Treasury explained that they had agreed initially that a mechanical engineering research station should be developed at East Kilbride, but at that time no estimate of the cost had been made. The idea was to have a core of administrative buildings and around it to build a series of laboratories. The station would be capable of almost infinite extension and no total sum had ever been authorised by the Treasury for the eventual cost of the whole scheme over a period of years, nor indeed could one be given. As the Ministry of Works explained, the research scientist develops his ideas as the work proceeds. So far the Treasury had authorised the general purpose buildings and certain specific laboratories, and they had now set an upper limit of £2,000,000 on the expenditure to be incurred in the foreseeable future. They added that clearly not all the laboratories originally proposed could be built within this amount; some must be postponed and eventually, over a long period, the total expenditure might be much more.

Qs. 2007-8.

Q. 1995.

Q. 2008.

Q. 2007.

79. Your Committee were glad to be assured that the Treasury exercise close control over the constituent parts of schemes of this kind. The fact that a project is capable of indefinite expansion makes it the more necessary, in their view, to keep constant control on its development. They were, therefore, glad to note that the Treasury had put a limit to expenditure on this particular project in the foreseeable future and had taken steps to see that the work done within this limit would provide a useful core of a research station without committing them to further expenditure. They consider, however, that, when long-term building projects of this kind are proposed, it should be made clear to Parliament in Part III of the Estimate whether the figure shown as "total estimate" is in fact the total for the scheme when brought to final completion or merely the total of the stages so far envisaged.

Q. 2010.

CLASS VII, VOTE 9. STATIONERY AND PRINTING

LOSSES DUE TO THEFT OR FRAUD BY CIVIL SERVANTS: PROSECUTION OF OFFENDERS

80. In paragraph 28 of their First Report concerning defalcations by officials of Labour Exchanges, the Public Accounts Committee of 1916 were not satisfied that the Board of Trade were sufficiently alive to the duty of prosecuting cases of real fraud. The Report continued

“ There are, no doubt, sometimes cases with extenuating circumstances, but they should be carefully scrutinized, and Your Committee support the action of the Treasury when they state that they will not be able to sanction the charge of the loss in question against the . . . Vote unless either a prosecution has been attempted or the Board have been advised by their legal advisers that the evidence available is not such as will secure a conviction.”

Qs. 2178-84. 81. Your Committee inquired into certain recent cases of theft at Stationery Office Sale Offices which resulted in the dismissal of five officers. As none of these officers was prosecuted it appeared that some change in policy as regards prosecution might have occurred since the Committee of 1916 reported. At Your Committee's request the Treasury explained the principles on which they were at present, and had been for a lengthy period, working. These are that in the event of theft or fraud by a civil servant there is a *prima facie* case for prosecution. Whether or not a prosecution shall be made, however, is a matter for the Accounting Officer, to be decided in the light of all relevant considerations, and not merely the consideration whether the available evidence is or is not such as will, in the opinion of the Department's legal advisers, secure a conviction. The Treasury claim no right to be consulted in advance, though their advice may be sought by Departments. Departments have, however, to obtain Treasury approval to the write-off of losses due to theft or fraud except where the amount involved is very small, and, in seeking such approval, they report whether the offenders have or have not been prosecuted. If there has been no prosecution the reasons are given. The actual practice of Departments therefore is under continual review by the Treasury. Theoretically, if, in the opinion of the Treasury, an officer should have been but has not been prosecuted, the Treasury would refuse authority for write-off and the Accounting Officer would then be obliged to justify his decision to the Committee of Public Accounts, but in practice no cases have arisen in which the decisions of Accounting Officers have been so unreasonable as to warrant such a course.

82. Your Committee have considered the views of the Public Accounts Committee of 1916, but cannot accept the doctrine that in cases of fraud or theft the only criterion by which to decide whether or not to prosecute should be the adequacy of evidence to secure conviction. They accept the view of the Treasury that in the event of theft or fraud by a civil servant there is a *prima facie* case for prosecution; public moneys are involved, and it should be generally known in the Civil Service that theft will normally entail prosecution as well as dismissal. Nevertheless they cannot agree that the application of an automatic rule such as that set out in the Report of the Committee of 1916 must necessarily be in the public interest, and consider that discretion to waive prosecution in any particular case must be entrusted to an individual, who may be required to justify such decision. They agree with the Treasury that the exercise of this discretionary power is a matter for the Accounting Officer of the Department, who in any event has to secure Treasury authority for writing off any such losses and note them in the Appropriation Account of his Department. They recommend the universal application of what is at present the common practice of adding to such notes a statement to indicate whether the offender was prosecuted and, if so, with what result.

**CLASS IX, VOTE 3. MINISTRY OF SUPPLY
(PURCHASING (REPAYMENT) SERVICES)****PRICE-FIXING: NON-COMPETITIVE CONTRACTS**

83. In 1951-52 the Ministry of Supply placed non-competitive contracts to an estimated value of £466,000,000, representing some 47 per cent. by number (68 per cent. by value) of the contracts they placed with industry during the year. By 1952-53 the proportion had fallen to 42 per cent. by number and 57 per cent. by value. The prices to be paid in a large proportion of these non-competitive contracts were left to be settled after the work had begun, generally because adequate information on which to agree them was not available at the time the contract was placed.

C. & A.G.'s
Civil Report
(Class IX).
Paras. 22-32.

84. The problem of fixing fair prices for non-competitive orders was closely examined by wartime Committees of Public Accounts and a formula was then evolved to limit the margin, over and above the reasonable cost of manufacture, allowed for profit. The contractor's profit was to be related to the capital employed by him in carrying out the work, and the formula was designed to restrict the profit margin on fixed price contracts, including any appropriate allowances for efficiency and risk, to a maximum of 15 per cent. on employed capital. When this formula was evolved, the Government were the major purchasers of engineering products. After the war the Treasury expressed the view that the formula should still be used by contract officers as a guide, though they recognised that it was no longer wholly appropriate to the circumstances and that difficulties might arise in negotiation, particularly where the Government was a marginal customer.

Qs. 5082,
5148.

85. The Comptroller and Auditor General explained to Your Committee that, in his examination of current price settlements for some types of non-competitive contracts, such as those with the aircraft industry, he was able to tell from an examination of the Ministry's papers what profit margin the agreed price was intended to provide. The technical costs officer furnished an estimate of the reasonable cost of labour and materials and the accountant an estimate of overheads. The difference between these and the agreed price was the profit margin; and, as the firms concerned allowed facilities for calculating the rate of turnover, the margin could be related to capital employed as estimated by the Ministry and so checked against the profit formula. For other types of contract, however, this information was not always available, and the Comptroller and Auditor General drew attention to two non-competitive orders totalling nearly £12 million for motor vehicles required urgently in connection with the war in Korea. In one of these, the Ministry had agreed a list price less a discount; in the other, some information on costs had been obtained by the Ministry and test-checked, but the price finally agreed had not been built up, and the firm had not allowed facilities for computing the current rate of turnover. In neither of these settlements, therefore, was he able to tell what margin was included in the agreed prices for profit, or whether the profit formula had been applied.

Q. 5082.

86. The Ministry stated in evidence that they were still using the formula as a guide. They did not think it could always be used, and the extent to which it could be used as a rule in negotiations with a

Q. 5083.

firm depended very much on the proportion of the firm's output which was being purchased by the Government. In settlements with the aircraft industry, where the Government was a powerful buyer, the formula was applied almost universally. The motor-car industry, however, from whom the Ministry were large but much less powerful buyers, had refused to accept the formula as a guide in the negotiation of prices, maintaining that it was not the way in which they built up their own prices in normal commercial activity. They preferred to sell at list prices less discount, and the Ministry had accepted this. The Ministry stated that the vehicles were in commercial production and the list price was fixed in relation to other competition. They got very substantial discounts, partly because they did their own servicing, partly because they bought in large quantities, and they considered that the "best user" terms they obtained were fair and reasonable. They admitted that they had no reliable information on the profit included in the list price. Your Committee regret that the Department were unable to find out precisely how the discount they had obtained compared with that allowed to other purchasers, nor are they satisfied that competitive tendering need be excluded in the case of articles whose makers publish a list of retail prices. The Department maintained, however, that it was the price that mattered and that it would be wrong if they paid overmuch attention to the profit margin and ignored the other elements of the price.

Qs. 5097-8. The Ministry stated that the vehicles were in commercial production and the list price was fixed in relation to other competition. They got very substantial discounts, partly because they did their own servicing, partly because they bought in large quantities, and they considered that the "best user" terms they obtained were fair and reasonable. They admitted that they had no reliable information on the profit included in the list price. Your Committee regret that the Department were unable to find out precisely how the discount they had obtained compared with that allowed to other purchasers, nor are they satisfied that competitive tendering need be excluded in the case of articles whose makers publish a list of retail prices. The Department maintained, however, that it was the price that mattered and that it would be wrong if they paid overmuch attention to the profit margin and ignored the other elements of the price.

Qs. 5083, 5120. They got very substantial discounts, partly because they did their own servicing, partly because they bought in large quantities, and they considered that the "best user" terms they obtained were fair and reasonable. They admitted that they had no reliable information on the profit included in the list price. Your Committee regret that the Department were unable to find out precisely how the discount they had obtained compared with that allowed to other purchasers, nor are they satisfied that competitive tendering need be excluded in the case of articles whose makers publish a list of retail prices. The Department maintained, however, that it was the price that mattered and that it would be wrong if they paid overmuch attention to the profit margin and ignored the other elements of the price.

Qs. 5098, 5141-3. They admitted that they had no reliable information on the profit included in the list price. Your Committee regret that the Department were unable to find out precisely how the discount they had obtained compared with that allowed to other purchasers, nor are they satisfied that competitive tendering need be excluded in the case of articles whose makers publish a list of retail prices. The Department maintained, however, that it was the price that mattered and that it would be wrong if they paid overmuch attention to the profit margin and ignored the other elements of the price.

Qs. 5100, 5109. They admitted that they had no reliable information on the profit included in the list price. Your Committee regret that the Department were unable to find out precisely how the discount they had obtained compared with that allowed to other purchasers, nor are they satisfied that competitive tendering need be excluded in the case of articles whose makers publish a list of retail prices. The Department maintained, however, that it was the price that mattered and that it would be wrong if they paid overmuch attention to the profit margin and ignored the other elements of the price.

Qs. 5083, 5125. They admitted that they had no reliable information on the profit included in the list price. Your Committee regret that the Department were unable to find out precisely how the discount they had obtained compared with that allowed to other purchasers, nor are they satisfied that competitive tendering need be excluded in the case of articles whose makers publish a list of retail prices. The Department maintained, however, that it was the price that mattered and that it would be wrong if they paid overmuch attention to the profit margin and ignored the other elements of the price.

87. Your Committee do not overlook the difficulties inherent in negotiating prices for non-competitive contracts where the Ministry is a marginal customer; but they cannot regard as satisfactory the acceptance, for very large orders, of a list price less a discount when the Ministry have no reliable information on the profit margin included and the return it represents on capital employed. They are in full agreement with the Ministry that it would be wrong to concentrate on one component of a price to the exclusion of the others. Each is of equal importance; and for this reason it appears to Your Committee that the building up of a price from estimates of labour, materials and overheads, checked by the appropriate experts, with a known addition for profit is the surest way of arriving at a demonstrably fair and reasonable price.

88. Your Committee therefore welcome the assurance given by the Ministry that the profit formula is still taken as a guide; and they trust that the Ministry and other purchasing Departments will make every endeavour, in as wide a field of non-competitive contracting as possible, to obtain the detailed information on costs and turnover and facilities to check them which would enable them to make use of the formula as a means of judging the fairness of the prices they are negotiating. They attach importance to the obtaining of such information as a basis for negotiating reasonable prices even if it should not prove possible to apply the profit formula in detail.

CONVERSION OF AIRCRAFT FOR SPECIAL PURPOSES

C. & A.G.'s
Civil Report
(Class IX).
Paras. 33-6.
Qs. 3254-8.

89. In 1950, the Air Ministry asked the Ministry of Supply to arrange that four of a number of military transport aircraft then under manufacture should be specially equipped for carrying Ministers, senior officers and officials of Air Council status. The Air Ministry, on whose Votes the final charge was to be borne, wished to keep down the cost

of conversion to a reasonable level. They therefore stated an upper limit of £15,000 for the first aircraft and asked the Ministry of Supply to obtain an estimate for the other three.

90. The contractor was not prepared to quote until the first aircraft had been completed, but in May, 1950, he gave £18,000 as a general indication of the cost and the Air Ministry were so informed. The first aircraft was not completed till September, 1951. The other three had already been ordered in January, 1951, but neither Department had any indication that the cost was likely to be substantially in excess of £18,000 per aircraft till April, 1952, when all four had been delivered. The sum ultimately agreed and paid by the Ministry of Supply averaged £37,350 for each conversion. The Air Ministry were told that, according to the contractor, the high cost was due to the very expensive fittings, &c., which had been installed.

Q. 3320.

Qs. 3271-2,
3321, 3381.

91. The Air Ministry explained in evidence that at the outset their requirements were indicated in broad terms only—"ideas in outline". These broad terms were translated by the technical experts of both Departments and the contractor into the detailed requirements which were eventually met. Modifications were introduced in the course of this process. The Air Ministry were broadly responsible for the quality of the fittings ordered, but both Departments considered, and Your Committee agree, that reasonable civil airline standards had not been exceeded. The Ministry of Supply stated that they were satisfied, after investigation of the contractor's costs, that the price paid for the work was fair.

Qs. 3263,
3397, 3401.

Q. 3343.

Qs. 3263,
3305, 3310-3,
3377.

92. The Departments agreed that the Air Ministry should have been kept in close touch with price developments so that they could at least have considered whether the cost could be reduced by eliminating or modifying some of the items. The Ministry of Supply admitted that there had been a failure to obtain up-to-date estimates of cost and transmit them to the Air Ministry—a failure which they thought was probably due to the extreme pressure on staff resulting from the rearmament programme. They did not think it would have been possible to include a cost limit in the conversion contract, as the main contract for the aeroplanes included no such limitation. They regarded it, however, as their function to keep a customer Department informed of increases in estimates of cost and they explained that they now had a system under which the Air Ministry were advised at two-monthly intervals of any probable changes in the prices of aircraft or engines on order.

Qs. 3301-2,
3314.Qs. 3326,
3344.Qs. 3285,
3298.

Q. 3290.

Qs. 3314,
3345.

93. Your Committee appreciate that the rearmament programme must have caused heavy pressure on the staff of the Ministry of Supply, but they must express concern that nothing was done, through the contractor or through liaison between the technical and financial officers of either department, to enable this work, on which a limit of cost had been put by the Air Ministry, to be reviewed in the light of mounting costs. Your Committee find it difficult to believe that some arrangement could not have been made to secure from the contractor the supply of up-to-date information about probable cost. They trust that for future work of this type, where the expectation of cost may influence the standard of the provision, satisfactory arrangements will be made to serve this purpose.

CLASS IX, VOTE 6. MINISTRY OF MATERIALS (TRADING SERVICES AND ASSISTANCE TO INDUSTRY)

ACCOUNTING FOR GRANT IN AID TRANSFERRED TO A DEPOSIT ACCOUNT

C. & A.G.'s
Civil Report
(Class IX).
Paras. 40-41.

94. The Report of the Comptroller and Auditor General drew attention to the fact that the full amount of £90,000 provided for a Grant in Aid to the British Guiana Fibre Research Company Limited had been charged to the Vote, although only £84,500 had been paid to the company during the year. The balance had been placed in a deposit account opened with Treasury authority, and the Report stated that as this deposit account was controlled by the Ministry of Materials the sum in question could not in strictness be regarded as having come in course of payment as required by the Exchequer and Audit Departments Act, 1866.

Q. 3406. 95. The Comptroller and Auditor General explained in evidence that Section 24 of the Act required that an appropriation account should exhibit on the discharge side the sums which had actually come in course of payment within the financial year and that no imprest or advance should be included. In his view an unpaid balance transferred from one account to another in the Government books could not be regarded as having come in course of payment; and if, by some stretch of the wording, it could be so regarded, it would be an imprest or advance and not a final payment. Whatever might be the practical advantages of the course adopted he felt bound to bring this contravention of the Act to the notice of the Committee.

Q. 3408. 96. The Ministry said that they had supposed that they were complying with the rules. The practical reasons for dealing with the balance in this way were that they did not wish to put the Company in funds to an unnecessary extent, and if the balance had been surrendered as unspent they would have had to ask Parliament to revote it in the following year; this would have involved a Supplementary Estimate. The Treasury said that in their view the procedure of surrender and revoting would have been unnecessarily cumbrous, as the total sum to be spent in the two years would have been the same as had already been approved by Parliament. The alternative of paying out the whole sum, when it was not needed, would have conflicted with the Committee's view that balances in the hands of grant-aided bodies should be kept to a minimum: and they thought that the procedure of transferring the balance, in exceptional circumstances, to a deposit account had been adopted on a previous occasion with the knowledge of the Public Accounts Committee of the day.

Q. 3409. 97. Your Committee agree with the Comptroller and Auditor General that the charge to an Appropriation Account of the whole amount provided for a Grant in Aid, when part of it has not been paid to the grant-aided body, is strictly inadmissible as conflicting with the requirements of the Exchequer and Audit Departments Acts. They do not consider that a departure from the terms in which provision is made in the Estimate, and from the accepted rules of vote-accounting, can be justified by the practical advantage of avoiding the necessity for surrendering the sum unpaid and asking Parliament to revote it in the following year. They trust that such an unjustifiable procedure will not be followed in any future instances.

TRADING ACCOUNTS AND BALANCE SHEETS

MINISTRY OF FOOD

PURCHASE OF ORANGE JUICE

98. The Trading Account of the Canned Fish, Fruit and Vegetables Division of the Ministry of Food included a provision of £650,000 to meet expected losses on the disposal of concentrated orange juice found unsuitable for issue under the Welfare Scheme. Contracts for this juice had been placed in 1951 and by June, 1952, when it came to light that juice issued for the Welfare Scheme contained more preservative than was permissible, some 578,000 gallons had been delivered in the United Kingdom. Of this quantity, 297,200 gallons had been accepted without question but, when it was established that the juice supplied under the contract did not comply with the contract specification, the balance of 280,800 gallons, on which 80 per cent. of the purchase price had been paid on delivery f.o.b. at an Italian port, was rejected. A formal claim for repayment of the moneys paid (£336,960), together with freight and incidental costs, had been lodged by the Ministry. The contractor had, however, repudiated liability.

C. & A.G.'s
Report on
Trading
Accounts.
(Vol. I).
Paras. 8-9.
Qs. 4040-63.

99. The Ministry informed Your Committee in evidence that at the time the contracts were placed they were under great pressure to find new sources of supply owing to the failure of crops in some countries and the need to avoid dollar purchases. After extensive tests of samples two contracts were placed through a reputable agent in this country with a supplier in Sicily. Normal trade practice is to import orange juice in barrels with preservative added, but the Ministry import it in tins in the pure form in order that they may control the addition of preservative when the juice is bottled. Although samples from shipments were submitted to chemical examination on arrival in the United Kingdom, they were not tested for the presence of preservative because it was not thought that the contractor would have been so foolish as to add it to juice in tins. The suspicions of the Ministry were first aroused in April, 1952, but, as the ingredient suspected was not the preservative, the tests applied proved negative. The discovery by a public analyst in the following month of an excessive quantity of preservative arose from tests made as a matter of routine to discover whether the quantity was in excess of that permitted by the Food and Drugs Act as specified on the labels of the bottles. The firm who had bottled the juice at first admitted liability, but further investigation by the Ministry absolved them and revealed that the preservative had been added by the Sicilian supplier contrary to specification. The quantity of preservative was not necessarily harmful, but it rendered the consignment unsuitable for issue under the Welfare Scheme. Some 80,000 of the 578,000 gallons delivered by the contractor had been used before the defects were discovered and a further 40,000 gallons have since been disposed of. The Ministry were negotiating with possible purchasers for the remaining 458,000 gallons. So far as the claim against the supplier was concerned, the Ministry stated that they had withheld just under £150,000 and were advised that the financial position of the contractor ruled out any chance of further recovery.

Q. 4041.

Q. 4052.

Q. 4051.

Qs. 4041-3,
4061.

Q. 4063.

Q. 4060.

Qs. 4045-6.

Q. 4047.

100. This transaction provided for payment of 80 per cent. of the value on delivery f.o.b. at a Sicilian port, the balance being payable 42 days after arrival in the United Kingdom subject to the Ministry being satisfied with the quality and condition. There was, therefore, a special onus on the Ministry not to accept delivery in Sicily until they were satisfied that the goods were in conformity with specification.

101. Thus, bad trading practice has resulted in losses which may amount to as much as £650,000.

MEAT AND LIVESTOCK

(i) *Home-killed meat losses*

C. & A.G.'s
Report on
Trading
Accounts
(Vol. I).
Paras. 10-12.
Qs. 4064-
4112.

102. Under the arrangements for control of home-killed meat, most animals bought by the Ministry are paid for according to the grade and class of the animal and an estimate of the meat that it will yield when slaughtered, as assessed by grading panels at the livestock markets or other places authorised by the Ministry as collecting centres. These panels consist of three members, normally an auctioneer, a producer and a butcher, appointed by or under the authority of the Ministry and remunerated by fees paid out of the Ministry's Vote.

103. Comparisons are made between the estimated weight of meat paid for and the actual weight obtained on slaughter. In the early years of the war the comparisons showed that the over- and under-estimates very nearly cancelled out, but later the balance increasingly turned against the Ministry. In 1947-48 the net shortage was 1.38 per cent. of total home meat purchases, involving a loss of some £1,250,000. Special attention by the Ministry's live-stock inspectors effected some improvement during 1948, but figures for subsequent years showed an increase in the shortages. The grading loss in 1951-52 was 1.20 per cent. and, in 1952-53, 1.10 per cent., representing in the latter year a loss of some £2,500,000.

Qs. 4066-7. 104. Your Committee asked why the bias of error was now so consistently against the Ministry. In evidence the Ministry stated that comparison between the grading results of the war years and the post-war period was vitiated by alterations in grading categories. Until 1944 there had in fact been under-grading of the higher quality beasts. They stated that they would not expect the grading estimate and the actual outturn weight to correspond closely because of losses in weight due to handling and transport between the grading centre and the slaughterhouse. Such transport was needed to maintain equitable supplies throughout the country, and the Ministry claimed that the unavoidable loss involved might be as much as 1 per cent. The average loss in weight during 1952-53 was 1.65 per cent. for cattle and 1.08 per cent. for sheep and the Ministry did not consider that the proportions of loss due to grading alone, viz. 0.65 per cent. for cattle and 0.08 per cent. for sheep, were in themselves disturbing.

Q. 4069. Appendix 11. 105. At the request of Your Committee, the Ministry furnished a Memorandum containing particulars of cases where the grading results were substantially below average. This showed that the average loss on cattle of 1.65 per cent. in 1952-53 related to 2,160,000 cattle passing through 667 collecting centres. The highest percentage loss at a centre was 4.15 per cent. At four other centres, including the centre referred to in paragraphs 107 to 109 below, the losses ranged from 3.30 to 2.64

per cent. The Ministry stated that they make a continuous review of the weekly results of all centres and, in order to raise the standards of the inefficient, their livestock inspectors have devoted as much time as possible to the worst centres. During the past year a large proportion of the inspectorate has been taken from normal duties both to conduct special drives to prevent bad grading and also to persuade and advise graders to improve their standards. The marked improvement thereby secured tended, however, to diminish when the inspectors were withdrawn. The Ministry stated that the number of inspectors available was insufficient to provide continuous attention at the worst centres and at the same time maintain a degree of inspection at the remaining centres adequate to prevent deterioration of grading standards there. For the new Fatstock Guarantee Scheme, the Ministry are strengthening the inspectorate substantially, and they hope that, when any centre appears to need special attention, action can be taken more quickly than in the past without neglecting other centres.

106. Your Committee are disturbed to learn that a substantial number of graders, appointed by or under the authority of the Ministry and remunerated from that source, can only be prevailed upon to protect the interests of their employer by means of continuous supervision. The loss to the Exchequer from incorrect grading has been very considerable and Your Committee, while deploring the circumstances that have made it necessary to strengthen the Ministry's inspectorate, hope that this may result in a marked improvement of the standard of grading during the operation of the new Fatstock Guarantee Scheme.

(ii) *Irregularities in grading at a collecting centre*

107. The Comptroller and Auditor General drew attention to specially unsatisfactory grading results at a collecting centre where low-grade animals were presented by dealers. Despite special supervision by Ministry inspectors, irregularities in the weighing and grading of animals had taken place for a number of years. These were brought to the notice of the Ministry in November, 1950, and April, 1951, but the efforts made to improve the standard of grading were only temporarily successful. Eventually the Ministry decided to change the existing members of the grading panels and to appoint one of their own inspectors as certifying officer. In the absence of means of ascertaining the number and identity of the animals wrongly weighed and graded, it had proved impossible to evaluate the losses sustained by public funds.

C. & A.G.'s
Report on
Trading
Accounts
(Vol. I).
Paras. 13-14.

108. The Ministry stated in evidence that this centre was exceptional in that it was situated in an area where there was a tremendous demand for manufacturing meat and that it did not deal to any large extent directly with producers but with traders who brought animals that they found difficult to dispose of in other markets. The centre had practically closed down as a dealers' market during the war but had reverted to that purpose in 1947, since when the cattle dealt with had increased from 25,000 per annum to over 64,000 in 1951 and 1952. The irregularities had been of a nature which it was very difficult to pin down, but the Ministry claimed that since the appointment in June, 1953, of their own inspector as certifying officer the grading results had been slightly better than the average for the country as a whole.

Q. 4074.

Q. 4097.

Qs. 4077,
4081.

109. While Your Committee note that the grading arrangements at this centre are now regarded as satisfactory, they must express surprise at the inadequacy of the steps taken before June, 1953. Indications of unsatisfactory grading results were apparent as long ago as 1950, by which time the Ministry must have been fully aware of the change in the character of the market that had taken place from 1947 onwards. In these circumstances, Your Committee regret that no really effective measures were taken until a period as long as three years had elapsed.

NAVY, ARMY AND AIR SERVICES APPROPRIATION ACCOUNTS

GENERAL

SERVICE DEPARTMENTS: MAINTENANCE OF STOCKS

110. Previous Committees of Public Accounts have considered whether the Service Departments should resume the practice, abandoned during the war, of furnishing with their Appropriation Accounts information to show whether they had increased their spending power by depleting stocks. The Departments and the Treasury stated that they had not been able to overcome the practical difficulties in the way of providing, on pre-war lines, certificates as to the completeness of reserves of warlike stores and statements showing the value of non-warlike stores, and the Public Accounts Committee of Session 1950-51 recommended, in paragraph 20 of their Second Report, that the matter be reviewed by the Committee of Public Accounts in two years' time.

111. The difficulties of reviving the pre-war practice are explained in a paper furnished to Your Committee by the three Service Departments and printed as Appendix 12 to the Minutes of Evidence. Your Committee do not disagree with the conclusions reached in that paper, namely, that in present conditions no form of certificate could be devised which would be satisfactory either to the Departments or to the Committee of Public Accounts.

NAVY APPROPRIATION ACCOUNT

COST OF H.M. YACHT "BRITANNIA"

Appendix 13
(I), Para. 9.

Para. 6.
Paras. 10 &
12.

C. & A.G.'s
Navy Report.
Para. 13.
Qs. 5544-9.

112. Your Committee have taken evidence on the cost of H.M. Yacht "Britannia". The vessel was ordered in February, 1952, and was completed and accepted by the Admiralty on 11th January, 1954. She was designed as a dual purpose vessel, for use as a royal yacht in peace and as a hospital ship in war. She was originally estimated to cost £1,750,000; the final cost is now expected to be approximately £2,100,000.

113. The contract for her construction was framed on the basis of payment of actual reasonable costs incurred by the contractor for materials and labour, plus a fixed fee to cover his overheads and profit. This fee was negotiated at an early stage of the work and the rate of profit it yields to the contractor appears to be moderate.

114. As regards the increase in the cost of the ship over the original estimate, the Committee were informed that shipbuilding price levels were rising steadily at the rate of something like 1 per cent. per month throughout the 21 months during which the ship was under construction. Moreover, the work was delayed by difficulties in supplies of steel plates and by labour difficulties and inter-trade demarcation disputes, none of which were within the control of the Admiralty or the contractor. The contractors have stated to the Admiralty that the increase of approximately 20 per cent. over the original estimate is most reasonable and compares very favourably with the results for any shipbuilding contracts carried out during the same period.

Q. 5639.

Q. 5595.

Qs. 5539,
5635.

115. The Admiralty admitted that considerable overtime costs were incurred in order that the vessel might be ready for the single journey from Tobruk in May, 1954; it is not clear to Your Committee that the use of any alternative ship was considered.

Qs. 5533-8,
5592.

Q. 5612.

116. Your Committee have inquired closely into the charges of wasteful expenditure made in the House and elsewhere in regard to this ship. It was alleged in particular that numerous and costly alterations were made as the work proceeded and that substantial changes were made in fittings, furnishings and decorations. Your Committee find no justification for these charges.

Qs. 5567-9,
5614-7.

PARTIAL CANCELLATION OF ORDER FOR AIRCRAFT

117. A Note to the Navy Appropriation Account records a payment of £500,000 in respect of charges arising from the partial cancellation of an order for certain naval aircraft. The total amount of these charges is expected to be approximately £800,000. The aircraft, which were ordered in 1950, represented a re-designed version of an existing two-seater model to carry an additional man and equipment. This involved enlarging the fuselage and setting the engine further forward. A "mock-up" of the re-design which was prepared and flown proved liable to stall and was difficult to turn at height. The Admiralty thought when the order was placed that these weaknesses could be overcome in the course of production; as the requirement was urgent, no prototypes were obtained. When deliveries began, however, it was found that the weaknesses had not been overcome, and the attempt to use the machines for operational purposes had to be abandoned. The order was therefore cancelled in 1952 except for a number of machines which could be safely adapted for training purposes.

C. & A.G.'s
Navy Report.
Para. 24.

Qs. 5679-80.

Q. 5676.

Qs. 5677-8,
5681.

118. The Admiralty explained in evidence that they obtain prototypes when there is little urgency and they are uncertain about the potential qualities of aircraft. They commonly place production orders without prototypes, however, when, as happened in the present case, they believe that disadvantages shown in the early stages are likely to be overcome and the aircraft are very urgently needed. This procedure inevitably carries the risk of serious financial loss when considerable changes in operational requirements are involved. Your Committee realise that risks must sometimes be taken in cases of extreme urgency, but in view of the large sums of money at stake they trust that production orders for substantial numbers of machines, of which prototypes have not been proved, will only be placed in exceptional and compelling circumstances.

Q. 5674.

20216

C

ARMY APPROPRIATION ACCOUNT

ABANDONMENT OF PARTIALLY CONSTRUCTED TERRITORIAL ARMY TRAINING CAMP

C. & A.G.'s
Army
Report.
Paras. 25-30.
Qs. 3002-6,
3017.

119. At Penrhos and Llanbedr in North Wales were located R.A.F. airfields, the use of which was discontinued after the war. In 1951 Llanbedr was in use by the Army as a territorial camp. In the neighbourhood were three areas of land totalling 6,000 acres over which there had been arranged non-damaging training rights. Damaging training was done at Trawsfynydd, which is largely owned by the War Department. When the rearmament programme started the R.A.F. asked for the return of their airfield but were willing to hand over permanently to the War Department another airfield at Penrhos, some 30 miles from Trawsfynydd.

Qs. 3008-14.

Q. 3024.

Q. 3015.

Q. 3032.

Q. 3015.

Q. 3043.

Q. 3021.

120. In May, 1951, the Treasury were informed of the need to construct a new territorial camp at Penrhos, but were not told that similar training rights would be required. The War Department stated in evidence that the local Land Commissioner, an official of the Ministry of Agriculture and Fisheries, was informed that a camp was to be built at Penrhos, but he was not told that non-damaging training rights over an area of land, two-thirds of which was agricultural, similar in extent to the area at Llanbedr would be required. It was presumed that he would be aware of the need. It was also presumed that no difficulty would arise in obtaining the non-damaging training rights by agreement on the grounds that a division had been trained there in 1948. In default of agreement, rights could be obtained under defence regulations. The War Department land agent made some enquiries as to the attitude of local farmers, but they were not very detailed, since he wished to avoid fanning opposition. £82,000 was spent on the camp, £10,000 on winding up the contract and £4,500 on caretaking and other charges. Moveable stores to the value of £13,000 have since been transferred elsewhere.

Qs. 3021,
3047.

121. In February, 1952, the construction of the territorial camp at Penrhos was abandoned uncompleted in view of local and national protests against the use of an excessive proportion of Welsh land for training purposes. The War Department have in mind the use of the camp for what they describe as a residuary purpose, but in the event there is no doubt that the main part of the net expenditure of some £80,000 has been incurred in vain.

122. Your Committee are not satisfied that the War Department are blameless in this matter. On the one hand they argued that there was no reason to anticipate opposition because the land had been used for training before. On the other hand they admit that they sought to evade opposition by not disclosing their intentions. Your Committee consider that in assuming that, because there was no great opposition from the farmers in the Penrhos area in 1948, the farmers would be willing in the changed conditions of 1952 to accord training rights voluntarily for years to come, that the Ministry of Agriculture and Fisheries would not oppose such use, and that any government would be willing to exercise powers under defence regulations if the training rights were not granted willingly, the War Department were guilty of an error of judgment. Your Committee believe that there was a lack of liaison between the Departments concerned and in

particular between the War Department, the Treasury and the Ministry of Agriculture and Fisheries, for which the War Department must bear the responsibility. They trust that in future Regional Land Commissioners and the interests affected will be consulted before embarking upon substantial expenditure of this nature.

BUILDING MATERIALS AND HOUSING ACT, 1945, ACCOUNT

LOAN TO A SLATE PRODUCING COMPANY

123. Advances totalling £125,000 were made from the Building Materials and Housing Fund to a Company which was formed for the purpose of reviving the slate industry in Scotland. Five advances of £15,000 each were made between June, 1948, and July, 1950, and a final advance of £50,000 in September, 1950. The Company had produced a list of plant, &c., on which they desired to spend the sum of £50,000, but stated that the money was not required immediately. The Ministry of Works were advised that, under the terms of their agreement with the Company, they must make the advance before 30th September, 1950, if they approved this expenditure, although the Company would have preferred not to have the money until they were ready to spend it; the advance was accordingly made in September, 1950. The Company first placed the £50,000 on deposit receipt with a bank; they then lent it with other unused moneys to a Scottish Burgh Council at $2\frac{3}{4}$ per cent. interest. It is now invested in $3\frac{1}{2}$ per cent. War Loan, giving the Company a return of $4\frac{1}{2}$ per cent. on the purchase price.

C. & A.G.'s
Report on
B.M. and H.
Act, 1945,
Account.

124. Under the terms of the Agreement with the Ministry the loans were to be for 25 years; the Company were to pay interest on the loans at 4 per cent. per annum after the end of two years and were then to commence repayment of principal. The Company's operations have not been as successful as was hoped; by 30th September, 1952, they had accumulated losses of £55,270, before providing anything for interest on the loan. In May, 1951, with Treasury sanction, the terms of the Agreement were varied so as to postpone payment of interest and repayment of principal until after September, 1954, when the position is to be reviewed in the light of the Company's financial position at that time.

125. Your Committee were surprised to learn that the Department did not consider the possibility of entering into a supplementary agreement to meet the desire of the Company that payment of the final advance of £50,000 should be postponed until the Company could use the money for the approved purpose. They also find difficulty in understanding how the objects for which Parliament set up the Fund, namely the stimulation of building and of the production of building materials, could be furthered by the investment of this sum in War Loan. They find it still more difficult to understand why the Company should have been granted deferment of payment of the whole of the interest due from it, instead of only the excess over the interest it was itself drawing from the investment of the Ministry's money. Your Committee hope that, unless the Company are certain to need this money in the immediate future for the purpose for which it was granted, means will be found of surmounting any legal difficulties there may be in getting it back into the Ministry's hands.

Q. 2208.

Qs. 2216,
2253.

Q. 2222.

20216

C 2

CROWN LANDS ABSTRACT ACCOUNTS

SURRENDER OF CROWN LEASE OF QUEEN'S HALL, LANGHAM PLACE, LONDON

(i) *Relation between sum paid and the value to the Commissioners*

126. In paragraphs 127 to 129 of their Third Report, the Public Accounts Committee of Session 1952-53 commented on a payment of £112,000 made by the Commissioners of Crown Lands for the surrender of the lease of the Queen's Hall in Langham Place, London. The hall had been destroyed by enemy action, and the Government considered that it should be replaced by a larger one on the site of the old hall and an adjoining site. The lessees were not prepared to build the larger hall and therefore surrendered their lease, which was due to expire in January, 1967, in consideration of the payment of £112,000. The annual rent payable under the lease was £630 2s.

127. Under the general arrangements approved by the Treasury the Ministry of Works were to take a rebuilding lease of the site at a peppercorn rent until building started and thereafter at a rent suitably increased to take account of the loss of interest on capital in the meantime. The annual rental value was stated to be £6,500, of which some £5,000 is attributable to the part formerly occupied by the Queen's Hall. The evidence given before the Committee appeared to show that all the Commissioners had obtained by this payment of £112,000 was the right to a potential net income, after allowing for taxation, of approximately £2,404 for 17 years, the present value of which must be less than the ultimate total income of £41,000. As the Committee found an explanatory memorandum submitted by the Treasury to be obscure and had no time to examine the Treasury upon it, they expressed the hope that this Session's Committee would investigate the matter further.

P.A.C.
Reports,
1952-53,
Appendix 2.

128. In their Minute dated 15th December, 1953, on the Reports of last Session's Committee, the Treasury gave some further explanation. They stated that the larger hall favoured by the Government could not be erected under the short remaining term of the old lease and the surrender of this lease was therefore necessary in order to implement Government policy. If the lease had been allowed to run its full course, the lessees would have been able, with the assistance of a payment from the War Damage Commission, to build a hall of the original size and to make profits from its use. They were at first willing to erect the larger hall favoured by the Government, and terms were provisionally settled with them for a lease of the larger site until 2031. The rent under this lease, after the first two years, was to be £3,700 a year; the difference of £2,800 between this and the assessed value of £6,500 was an allowance for the value of the old lease they were surrendering. In the end the lessees found themselves unable to build the larger hall, and the alternative arrangements described by last Session's Committee were made. The Treasury claimed that financially the two arrangements were substantially the same and that for the payment of £112,000 the Commissioners were to receive an additional income of £2,800 a year at any rate until the year 2031.

Qs. 3567-73,
3598, 3609,
3721-2.

129. Your Committee have taken further evidence on the matter, but it does not appear to them to substantiate this claim. The Commissioners and the Treasury admit that, if the old lease had run its

course, they would have obtained possession of the site with a rebuilt hall of the original size in 1967 without any payment. The Commissioners thought it arguable that they might not at that date be able to obtain a rent of £6,500 for the two sites, but agreed that there was no reason to expect a drop in land values in London in the period to 1967.

Qs. 3574,
3637.

Q. 3576.

130. Your Committee see no reason to differ from the conclusion drawn by last Session's Committee, namely that the Commissioners secured no more by their payment of £112,000 than the potential right to an increased income for not more than 17 years, the present value of which the Treasury agree is under £32,000.

131. The Treasury did indeed claim that the asset which the lessees had to sell was worth more than £32,000, on the ground that the lessees expected, on pre-war experience, to be able, when they had rebuilt the original hall, to make substantial profits from its use; and that they would not have been prepared to sell at a figure which did not adequately compensate them for the loss of these potential profits. The Commissioners agree, however, that it is not their business to run concert halls; as trustees they are under a fiduciary duty to invest their money, in land if possible, so as to bring the best return possible having regard to all the circumstances, and a better return might have been got by letting this site for other purposes. It appears to Your Committee, therefore, that the value of the asset to a concern engaged in the business of concert promotion is not a true measure of its value to trustees whose legitimate business is limited to investment in land. Your Committee were further told that the original lessees had been entitled to a war damage payment of the order of £350,000 if they rebuilt the hall, and that the Commissioners by their payment of £112,000 had secured the right to pass on this payment to whoever took a building lease of the site and erected a new concert hall. The Treasury stated that this payment would almost certainly be available towards the cost of the larger hall which the Government had proposed should be built. While it may have been desirable for the Government to acquire this right in order to implement their policy of building a larger hall, Your Committee are unable to see that any benefit accrued to the Commissioners from its acquisition.

Qs. 3586-9.

Qs. 3591-3.

Qs. 3611-4.

Qs. 3710-3.

Qs. 3606,
3628.

Q. 3607.

132. In all the circumstances, Your Committee are forced to the conclusion that, in order to facilitate Government policy, the Commissioners were induced to pay £112,000 for an asset which, to them, was worth approximately £32,000.

(ii) *Legality of proposed arrangements*

133. The Comptroller and Auditor General reported that no binding agreement between the Commissioners and the Ministry of Works had yet been concluded and that he had raised certain questions with the Treasury concerning the powers of the Ministry to enter into such an agreement. In evidence before Your Committee the Commissioners agreed that, in addition to losing the interest on their capital of £112,000, they were already out of pocket by four years' rent amounting to some £26,000, and that this loss would continue until the Government could see their way to building on the site. In the recoupment of this loss they were relying on an understanding with the Treasury. The Ministry of Works stated that they accepted no responsibility for

Qs. 3652,
3677-90.

Qs. 3657,
3693-7.

this loss ; they were waiting for a trust to be set up under the Arts Council to take a lease of the new hall. When the trust was set up they would seek Parliamentary approval through their Estimates for their expenditure on building the hall ; unless this approval was given the Ministry would not take a lease and the Commissioners would be left with a loss.

Q. 3722. 134. The Treasury admit that it is no part of the duty of the Commissioners to give subsidies, concealed or indirect, towards implementing Government policies. They informed Your Committee that, while exact details could not be worked out until the proposed trust was set up, it was their intention to propose arrangements to Parliament to ensure that the Crown Lands Commissioners are not damnified as a result of Government policy and that any additional cost so caused will appear in the proper place in the Estimates and the Appropriation Accounts.

135. Your Committee welcome this assurance. They cannot, however, escape the conclusion that the Commissioners of Crown Lands, under Treasury influence, gave more weight to the implementation of Government policy than to their fiduciary duties as trustees. Your Committee would not dissent from the view that it is proper for the Commissioners to have regard to the wishes of the Treasury in matters of Government policy where that is not inconsistent with securing the best return on their investments together with the protection usually expected by trustees. But they trust that, if any suggestions to this end are made in future, the Commissioners will take more care than they did on this occasion to ensure that the arrangements are consistent with their duties as trustees and to secure the protection of a binding agreement before parting with any of the funds in their trusteeship.

NATIONAL LAND FUND ACCOUNT

DISPOSAL OF CAPITAL OF THE FUND

Foreword
to N.L.F.
Account.
Q. 5877.

Q. 5878.
Qs. 5874,
5879.

136. The National Land Fund was established under Section 48 of the Finance Act, 1946, which provided for payment to the Fund of £50,000,000 from the Consolidated Fund and empowered the Treasury, in cases where the Commissioners of Inland Revenue accepted property in satisfaction of death duties, to pay the Commissioners out of the Fund the amount of those duties and to dispose of the property at their discretion. The primary intention was to spend the capital of the Fund. There are, however, not enough of these cases coming forward to make any inroads at all on the capital, which is invested in government securities. Payments from the establishment of the Fund in 1946 to 31st March, 1953, totalled only £776,383, and at the latter date the balance in the Fund had increased to £55,644,346.

137. Your Committee think it undesirable in principle that substantial amounts of public money for which there is no foreseeable need should be kept in special funds or accounts outside the direct control of Parliament. They therefore recommend that the Treasury should consider the desirability of legislation to return to the Exchequer some part of the large, and growing, balance of the National Land Fund.

COLONIAL DEVELOPMENT CORPORATION ACCOUNTS

REPORT AND ACCOUNTS FOR 1953

138. The Colonial Development Corporation was charged under the Overseas Resources Development Act, 1948, with the duty of securing the investigation, formulation and carrying out of projects for developing resources of colonial territories with a view to the expansion of production of foodstuffs and raw materials, or for other agricultural, industrial or trade development. The Act specified that these activities might be carried out either by the Corporation itself or by other bodies in association with it; the assistance given to such bodies might include financial assistance by the taking up of share or loan capital or by grant, loan or otherwise.

139. Your Committee have been informed that about 16 per cent. of the money at present deployed by the Corporation is on loan or debenture. These advances by way of loan and debenture are made by the Corporation when the circumstances of a development project are such as not to justify investment in it on purely commercial grounds, as, for example, in the case of a public utility company in need of a loan, where its policy or interests might in the future be affected by action on the part of the government of the territory concerned; in such a case, the company might well be unable to borrow on the market at an economic rate, if at all. Although the Corporation requires no formal statement by prospective borrowers that they have attempted to raise the money from normal commercial sources, inquiries to this effect are usually made before a loan is granted; it was emphasised, moreover, that in spite of the advantageous terms on which the Corporation was able to advance money, it did not compete with ordinary financial development, since the Colonies as a whole were finding great difficulty at present in obtaining accommodation on the London market.

140. While recognising the validity of these contentions, Your Committee are concerned lest the Corporation, in its desire not to repeat the history of some of its earlier activities (upon which comment was made by the Public Accounts Committee of 1950-51), should take too restrictive a view of its functions. They observe that of the five new projects which were started in the year of account, two consist entirely, and two very largely, of debenture loans or loans on Government security. Reference to this high proportion of relatively safe investment is made in the Report of the Corporation, with a rider that "if Corporation is to fulfil its real function, most of the money deployed should surely continue to be risk capital"; with this latter remark Your Committee entirely concur. In answer to their inquiry whether the Corporation had changed its function considerably from that originally envisaged, and was becoming in effect a finance house, Your Committee were advised that it was misleading to look only at the new schemes; they were informed that the Corporation was investing a considerable amount of money currently on existing projects under direct management such as the Usutu forest project, a scheme which in the long run would probably cost £10,000,000. Your Committee would nevertheless point out that a continuation over several years of the tendency displayed in the year of account might well have the effect of distorting the whole emphasis of the work of the Corporation.

20216

C 4

PROCEEDINGS OF THE COMMITTEE

THURSDAY, 19TH NOVEMBER, 1953

Members present:

Mr. Benson.	Sir John Mellor.
Mr. Godber.	Mr. Oliver.
Mr. David Jones.	Mr. Powell.
Sir Edward Keeling.	Captain Waterhouse.

Mr. Benson was called to the Chair.

The Committee deliberated.

Resolved, That, when the Treasury Officers of Accounts are present during the taking of evidence from any Accounting Officer, the Chairman may at his discretion direct that copies of any documents, put in by such Accounting Officer in supplement to his evidence, be sent to the Treasury Officers of Accounts.

Ordered, That, unless the Committee otherwise order, strangers be not admitted.

[Adjourned till Tuesday, 15th December, at Four o'clock.]

TUESDAY, 15TH DECEMBER, 1953

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Mr. Steele.
Mr. Hoy.	Mr. West.
Mr. Oliver.	

Revenue Departments Appropriation Accounts, 1952-53, Vote 1, Customs and Excise, considered.

Sir Frank Tribe, Mr. E. G. Compton, Mr. P. S. Milner-Barry, Sir William Croft, and Mr. R. J. Lloyd were examined.

[Adjourned till Thursday at Four o'clock.]

THURSDAY, 17TH DECEMBER, 1953

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Mr. David Jones.
Colonel Crosthwaite-Eyre.	Sir John Mellor.

Revenue Departments Appropriation Accounts, 1952-53, Vote 2, Inland Revenue, considered.

Sir Frank Tribe, Mr. F. E. Figures, Mr. S. Goldman, and Sir Eric Bamford were examined.

[Adjourned till Tuesday, 2nd February, 1954, at Four o'clock.]

TUESDAY, 2ND FEBRUARY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Hoy.

Mr. David Jones.
Sir John Mellor.
Mr. Oliver.

Revenue Departments Appropriation Accounts, 1952-53, Vote 3, Post Office; Post Office Commercial Accounts, 1952-53; Post Office Savings Banks Account, 1952; Post Office Savings Banks Fund Account, 1952, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Sir Alexander Little, Dr. W. G. Radley, Mr. K. Anderson, and Mr. L. D. Harkess were examined.

Draft Special Report, proposed by the Chairman, brought up and read the first time.
Ordered, That the said Report be read a second time, Paragraph by Paragraph, Paragraphs 1 and 2 agreed to.

Resolved, That the Report be the Special Report of the Committee to the House.

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

TUESDAY, 9TH FEBRUARY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Mr. Hoy.
Sir John Mellor.
Mr. Oliver.

Mr. Powell.
Mr. Steele.
Mr. West.

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Statement of Excess, 1952-53 (Civil Appropriation Accounts, Class VII, Vote 12, Works and Buildings in Ireland), considered.

Sir Harold Emmerson was examined.

Civil Appropriation Accounts, 1952-53: Class I, Vote 4, Treasury and Subordinate Departments, considered.

Sir Herbert Brittain was examined.

Statement of Excess, 1952-53 (Navy Appropriation Account), considered.

[Adjourned till Tuesday next at Four o'clock.]

TUESDAY, 16TH FEBRUARY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Hoy.
Mr. Niall Macpherson.

Mr. Oliver.
Mr. Steele.
Mr. West.

Civil Appropriation Accounts, 1952-53, Class IV, Vote 12, Broadcasting; Report and Accounts of the British Broadcasting Corporation, 1952-53, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Mrs. D. C. L. Johnstone, Sir Alexander Little, Mr. K. Anderson, Lieutenant-General Sir Ian Jacob, Mr. J. G. L. Francis, and Mr. R. H. K. Marett were examined.

[Adjourned till Tuesday next at Four o'clock.]

TUESDAY, 23RD FEBRUARY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Hoy.	Sir John Mellor.
Mr. David Jones.	Mr. Oliver.
Mr. Niall Macpherson.	Mr. West.

Draft First Report, proposed by the Chairman, brought up and read the first and second time, and agreed to.

Sir Frank Tribe, Sir Herbert Brittain, and Mr. F. E. Figgures were examined on all the matters considered this day.

Report of the Comptroller and Auditor General upon the Civil Appropriation Accounts; Paragraphs relating to National Museums and Galleries considered.

Mr. J. H. Vetch was examined.

Civil Appropriation Accounts, 1952-53; Class IV, Vote 11, Universities and Colleges, &c., Great Britain, considered.

Sir Edward Hale was examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 2ND MARCH, 1954

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre	Mr. Oliver
Mr. David Jones	Mr. Steele
Sir John Mellor	Mr. West

Civil Appropriation Accounts, 1952-53: Class IV, Vote 1, Ministry of Education, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Mr. R. W. B. Clarke, Sir Gilbert Flemming and Sir Henry Hancock were examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 4TH MARCH, 1954

Members present:

Mr. Blenkinsop	Mr. David Jones
Colonel Crosthwaite-Eyre	Sir John Mellor
Mr. Hoy	Mr. Oliver

In the absence of the Chairman, Mr. David Jones was called to the Chair.

Civil Appropriation Accounts, 1952-53: Class V, Vote 7, Ministry of Labour and National Service, considered.

Sir Frank Tribe, Mr. Figgures, Sir Godfrey Ince, and Mr. C. E. Maher were examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 9TH MARCH, 1954

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre
Mr. Hoy
Mr. David Jones

Mr. Niall Macpherson
Sir John Mellor
Mr. Steele

Civil Appropriation Accounts, 1952-53: Class VI, Vote 1, Board of Trade; Trading Accounts and Balance Sheets, 1952-53, considered.

Sir Frank Tribe, Mr. F. E. Figgures, and Sir Frank Lee were examined.

[Adjourned till Thursday at Four o'clock.]

THURSDAY, 11TH MARCH, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop
Colonel Crosthwaite-Eyre
Mr. Hoy
Mr. David Jones

Sir John Mellor
Mr. Oliver
Mr. Steele

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1952-53: Class VI, Vote 8, Ministry of Agriculture and Fisheries, considered.

Sir Alan Hitchman was examined.

Civil Appropriation Accounts, 1952-53: Class VI, Vote 9, Ministry of Agriculture and Fisheries (Food Production Services), Vote 21, Department of Agriculture for Scotland (Food Production Services), considered.

Sir Alan Hitchman and Mr. A. Glen were examined.

Civil Appropriation Accounts, 1952-53: Class VI, Vote 20, Department of Agriculture for Scotland, considered.

Mr. A. Glen was examined.

[Adjourned till Tuesday next at Four o'clock.]

TUESDAY, 16TH MARCH, 1954

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre
Mr. Hoy
Mr. David Jones
Mr. Niall Macpherson

Sir John Mellor
Mr. Oliver
Mr. Steele

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1952-53: Class IV, Vote 13, Festival of Britain, 1951, considered.

Mr. G. A. Campbell, Lieut.-General Sir Charles King, and Mr. W. A. Procter were examined.

Civil Appropriation Accounts, 1952-53: Class VII, Vote 3, Public Buildings, Great Britain, considered.

Mrs. D. C. L. Johnstone and Sir Harold Emmerson were examined.

[Adjourned till Thursday at Four o'clock.]

THURSDAY, 18TH MARCH, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop	Sir John Mellor
Colonel Crosthwaite-Eyre	Mr. Oliver
Mr. Hoy	Mr. Steele
Mr. Niall Macpherson	

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1952-53: Class VII, Vote 9, Stationery and Printing, considered.

Mrs. D. C. L. Johnstone, Mr. J. R. Simpson, and Mr. W. Cox were examined.

Building Materials and Housing Fund Account, 1952-53, considered.

Sir Harold Emmerson was examined.

[Adjourned till Tuesday next at Four o'clock.]

TUESDAY, 23RD MARCH, 1954

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre	Sir John Mellor
Mr. Hoy	Mr. Oliver
Mr. David Jones	Mr. Powell
Mr. Niall Macpherson	Captain Waterhouse

Civil Appropriation Accounts, 1952-53: Class II, Vote 9, Colonial and Middle Eastern Services, Vote 10, Overseas Food Corporation, Vote 11, Development and Welfare (Colonies, &c.), considered.

Sir Frank Tribe, Mr. F. E. Figgures, Sir Thomas Lloyd, and Mr. E. W. A. Scarlett were examined.

[Adjourned till Thursday at Four o'clock.]

THURSDAY, 25TH MARCH, 1954

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.	Mr. Niall Macpherson.
Mr. Hoy.	Mr. Powell.
Mr. David Jones.	Mr. West.

Civil Appropriation Accounts, 1952-53: Class VI, Vote 18, Department of Scientific and Industrial Research, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Sir Ben Lockspeiser, and Mr. S. H. Smith were examined.

[Adjourned till Tuesday next at Four o'clock.]

TUESDAY, 30TH MARCH, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Sir John Mellor.
Colonel Crosthwaite-Eyre.	Mr. Oliver.
Mr. Hoy.	Mr. Powell,
Mr. David Jones.	Mr. Steele.
Mr. Niall Macpherson.	Mr. West.

Civil Appropriation Accounts, 1952-53: Class VI, Vote 14, Ministry of Transport, Vote 15, Roads, &c., Class IX, Vote 8, Ministry of Transport (Shipping and Special Services), considered.

Sir Frank Tribe, Mr. F. E. Figgures, and Sir Gilmour Jenkins were examined.

[Adjourned till Thursday at Four o'clock,

THURSDAY, 1ST APRIL, 1954

Members present:

Colonel Crosthwaite-Eyre.	Mr. Oliver.
Mr. Godber.	Mr. Speir.
Mr. Hoy.	Mr. Steele.
Sir John Mellor.	

In the absence of the Chairman, Colonel Crosthwaite-Eyre was called to the Chair.

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Revenue Departments Appropriation Accounts, 1952-53; Vote 2, Inland Revenue, further considered.

Sir Eric Bamford was further examined.

Sir Ivone Kirkpatrick, Mr. F. A. Vallat, and Mr. J. Webb were examined.

Civil Appropriation Accounts, 1952-53: Class II, Vote 3, British Council, considered, Sir Ivone Kirkpatrick and Mr. H. P. Croom-Johnson were examined.

Civil Appropriation Accounts, 1952-53: Class IX, Vote 11, Administration of certain African Territories, considered.

[Adjourned till Thursday next at Four o'clock.

THURSDAY, 8TH APRIL, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Sir John Mellor.
Mr. Niall Macpherson.	Mr. Speir.

Army Appropriation Account, 1952-53, considered.

Sir Frank Tribe, Mr. G. P. Humphreys-Davies, and Sir George Turner were examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 13TH APRIL, 1954

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.	Mr. Oliver.
Mr. Godber.	Mr. Speir.
Mr. Hoy.	Mr. Steele.
Mr. David Jones.	Mr. West.
Mr. Niall Macpherson.	

Sir Frank Tribe, Mr. G. P. Humphreys-Davies, and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Air Services Appropriation Account, 1952-53, considered.

Sir James Barnes was examined.

Civil Appropriation Accounts, 1952-53: Class IX, Vote 3, Ministry of Supply (Purchasing (Repayment) Services), considered.

Sir James Barnes and Sir James Helmore were examined.

[Adjourned till Thursday, 29th April, at Four o'clock.

THURSDAY, 29TH APRIL, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Mr. Niall Macpherson.
Mr. Godber.	Sir John Mellor.
Mr. David Jones.	Mr. Oliver.

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1952-53: Class IX, Vote 6, Ministry of Materials (Trading Services and Assistance to Industry), Vote 17, Ministry of Materials (Strategic Reserves), Vote 19, Tin; Trading Accounts and Balance Sheets, 1952-53, Ministry of Materials, considered.

Sir Eric Bowyer was examined.

Army Appropriation Account, 1952-53, further considered.

Sir George Turner was further examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 4TH MAY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Mr. David Jones.
Colonel Crosthwaite-Eyre.	Mr. Niall Macpherson.
Mr. Godber.	Sir John Mellor.
Mr. Hoy.	Mr. Oliver.

Crown Lands Abstract Accounts, 1952-53, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Mrs. D. C. L. Johnstone, Mr. C. G. Eastwood, and Mr. F. J. Root were examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 6TH MAY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Mr. Hoy.
Mr. David Jones.

Mr. Oliver.
Mr. Powell.
Mr. Steele.

Civil Appropriation Accounts, 1952-53: Class IX, Vote 7, Ministry of Food; Trading Accounts and Balance Sheets, 1952-53, Ministry of Food; Overseas Resources Development Acts, 1948 to 1951, Accounts, 1952-53 (Account of the Receipts and Payments of the Minister of Food in connection with the Queensland-British Food Corporation during the year ended 31st March, 1953) considered.

Sir Frank Tribe, Mr. F. E. Figgures, Sir Henry Hancock and Dr. E. E. Bailey were examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 11TH MAY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Godber.
Mr. Hoy.
Mr. David Jones.

Sir John Mellor.
Mr. Oliver.
Mr. Powell.
Mr. Speir.
Mr. Steele.

Civil Appropriation Accounts, 1952-53: Class IX, Vote 1, Ministry of Supply, Vote 4, Royal Ordnance Factories, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Sir James Helmore, and Mr. F. C. Musgrave were examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 13TH MAY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Hoy.
Mr. David Jones.
Mr. Oliver.

Mr. Powell.
Mr. Steele.
Mr. West.

Civil Appropriation Accounts, 1952-53: Class VI, Vote 6, Ministry of Fuel and Power, Class IX, Vote 9, Ministry of Fuel and Power (Special Services); Coal Charges Account, 1952-53; Coal Industry Nationalisation Act, 1946, Accounts, 1952-53, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Sir John Maud, and Mr. R. J. Ayres were examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 18TH MAY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Sir John Mellor.
Mr. Hoy.	Mr. Powell.
Mr. David Jones.	Mr. Steele.
Mr. Niall Macpherson.	

Civil Appropriation Accounts, 1952-53: Class V, Vote 5, National Health Service, England and Wales, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Sir John Hawton, and Mr. H. R. Smith were examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 20TH MAY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Mr. Speir.
Mr. Godber.	Mr. Steele.
Mr. Niall Macpherson.	

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the matters considered this day.

Civil Appropriation Accounts, 1952-53; Class V, Vote 5, National Health Service, England and Wales, further considered.

Sir John Hawton and Mr. H. R. Smith were further examined.

Civil Appropriation Accounts, 1952-53: Class V, Vote 14, National Health Service, Scotland; Summarised Accounts of Regional Hospital Boards, &c., for England and Wales, 1952-53; Summarised Accounts of Regional Hospital Boards, &c., for Scotland, 1952-53, considered.

Sir John Hawton and Mr. H. R. Smith were examined.

Treasury Minute, dated 15th December, 1953, on the First, Second and Third Reports from the Committee of Public Accounts, Session 1952-53: Paragraphs relating to the Scottish Special Housing Association, Ltd., considered.

Mr. H. R. Smith and Mr. J. Callan Wilson were examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 25TH MAY, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Mr. Oliver.
Colonel Crosthwaite-Eyre.	Mr. Powell.
Mr. Hoy.	Mr. Speir.
Sir John Mellor.	Mr. West.

Draft Second Report, proposed by the Chairman, brought up and read the first time.

Ordered, That the said Report be read a second time, Paragraph by Paragraph.

Paragraphs 1 and 2 agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1952-53: Class IX, Vote 3, Ministry of Supply (Purchasing (Repayment) Services), further considered.

Sir James Helmore was further examined.

Accounts of the National Insurance Fund, the National Insurance (Reserve) Fund, the Industrial Injuries Fund and the National Insurance (Existing Pensioners) Fund, 1952-53, considered.

Sir Geoffrey King was examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 27TH MAY, 1954

Members present:

Mr. Blenkinsop.	Mr. Oliver.
Colonel Crosthwaite-Eyre.	Mr. West.
Mr. David Jones.	

In the absence of the Chairman, Mr. West was called to the Chair.

Overseas Resources Development Acts, 1948 to 1951, Accounts, 1952-53 (Accounts of the Receipts and Payments of the Secretary of State for the Colonies in connection with the Colonial Development Corporation during the year ended 31st March, 1953); Accounts of the Colonial Development Corporation, 1953, considered.

Sir Frank Tribe, Mr. F. E. Figgures, Mr. A. E. Drake, Sir Thomas Lloyd and Mr. W. Rendell were examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 1ST JUNE, 1954

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.	Mr. Speir.
Mr. Hoy.	Mr. Steele.
Mr. Oliver.	Mr. West.
Mr. Powell.	

Navy Appropriation Accounts, 1952-53; Navy Dockyard and Production Accounts, 1952-53, considered.

Sir Frank Tribe, Mr. G. P. Humphreys-Davies, Mr. F. E. Figgures, and Sir John Lang were examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 3RD JUNE, 1954

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.	Sir John Mellor.
Mr. David Jones.	Mr. Oliver.
Mr. Niall Macpherson.	Mr. Powell.

Sir Frank Tribe and Mr. F. E. Figgures were examined on all the Accounts considered this day.

Local Loans Fund Accounts, 1952-53, considered.

Sir Herbert Brittain and Mr. G. D. Kirwan were examined.

Civil Appropriation Accounts, 1952-53: Class IX, Vote 12, Advances to Allies, &c.; Civil Contingencies Fund Accounts, 1952-53; National Land Fund Account, 1952-53, considered.

Sir Herbert Brittain was examined.

Civil Appropriation Accounts, 1952-53: Class IV, Vote 10, Grants for Science and the Arts, considered.

Sir Herbert Brittain and Mr. W. E. Williams were examined.

Civil Appropriation Accounts, 1952-53: Class I, Vote 1, House of Lords, Vote 2, House of Commons, Vote 3, Registration of Electors, Vote 5, Privy Council Office, Vote 6, Privy Seal Office, Vote 7, Charity Commission, Vote 8, Civil Service Commission, Vote 9, Exchequer and Audit Department, Vote 10, Government Actuary, Vote 11, Government

Chemist, Vote 12, Government Hospitality, Vote 13, The Mint, Vote 14, National Debt Office, Vote 15, National Savings Committee, Vote 16, Overlapping Income Tax Payments, Vote 17, Public Record Office, Vote 18, Public Works Loan Commission, Vote 19, Repayments to the Local Loans Fund, Vote 20, Royal Commissions, &c., Vote 21, Secret Service, Vote 22, Tithe Redemption Commission, Vote 23, Silver, Vote 24, American Aid Counterpart Funds, Vote 25, Miscellaneous Expenses, Vote 25A, Repayments to the Civil Contingencies Fund, Vote 25B, Coronation of Her Majesty, Vote 26, Scottish Home Department, Vote 27, Scottish Record Office; Class II, Vote 1, Foreign Service, Vote 2, Foreign Office Grants and Services, Vote 4, United Nations, Vote 5, Commonwealth Relations Office, Vote 6, Commonwealth Services, Vote 7, Oversea Settlement, Vote 8, Colonial Office, Vote 12, Development and Welfare (South African High Commission Territories), Vote 13, Imperial War Graves Commission; Class III, Vote 1, Home Office, Vote 2, Home Office (Civil Defence Services), Vote 3, Police, England and Wales, Vote 4, Prisons, England and Wales, Vote 5, Child Care, England and Wales, Vote 6, Fire Services, England and Wales, Vote 7, Supreme Courts of Judicature, &c., Vote 8, County Courts, Vote 9, Land Registry, Vote 10, Public Trustee, Vote 11, Law Charges, Vote 12, Miscellaneous Legal Expenses, Vote 13, Scottish Home Department (Civil Defence Services), Vote 14, Police, Scotland, Vote 15, Prisons, Scotland, Vote 16, Approved Schools, Scotland, Vote 17, Fire Services, Scotland, Vote 18, Scottish Land Court, Vote 19, Law Charges and Courts of Law, Scotland, Vote 20, Department of the Registers of Scotland, Vote 21, Supreme Court of Judicature &c., Northern Ireland, Vote 22, Irish Land Purchase Services; Class IV, Vote 2, British Museum, Vote 3, British Museum (Natural History), Vote 4, Imperial War Museum, Vote 5, London Museum, Vote 6, National Gallery, Vote 7, National Maritime Museum, Vote 8, National Portrait Gallery, Vote 9, Wallace Collection, Vote 14, Public Education, Scotland, Vote 15, National Galleries, Scotland, Vote 16, National Library, Scotland; Class V, Vote 1, Ministry of Housing and Local Government, Vote 2, Housing, England and Wales, Vote 3, Exchequer Contributions to Local Revenues, England and Wales, Vote 4, Ministry of Health, Vote 6, Registrar General's Office, Vote 8, Grants in Respect of Employment Schemes, Vote 9, Ministry of National Insurance, Vote 10, National Assistance Board, Vote 11, Friendly Societies Registry, Vote 12, Central Land Board, Vote 13, Department of Health for Scotland, Vote 15, Housing, Scotland, Vote 16, Exchequer Contributions to Local Revenues, Scotland, Vote 17, Registrar General's Office, Scotland; Class VI, Vote 2, Services in Development Areas, Vote 3, Financial Assistance in Development Areas, Vote 4, Export Credits, Vote 5, Export Credits (Special Guarantees), Vote 7, Office of Commissioners of Crown Lands, Vote 10, White Fish Authority, Vote 11, Surveys of Great Britain, &c., Vote 12, Forestry Commission, Vote 13, Development Fund, Vote 16, Mercantile Marine Services, Vote 17, Ministry of Civil Aviation, Vote 19, State Management Districts, England and Wales, Vote 22, Fisheries, Scotland, Vote 23, Herring Industry, Vote 24, State Management Districts, Scotland; Class VII, Vote 1, Ministry of Works, Vote 2, Houses of Parliament Buildings, Vote 4, Public Buildings Overseas, Vote 5, Royal Palaces, Vote 6, Royal Parks and Pleasure Gardens, Vote 7, Miscellaneous Works Services, Vote 8, Rates on Government Property, Vote 10, Central Office of Information, Vote 11, Peterhead Harbour; Class VIII, Vote 1, Merchant Seamen's War Pensions, Vote 2, Ministry of Pensions, Vote 3, Royal Irish Constabulary Pensions, &c., Vote 4, Superannuation and Retired Allowances; Class IX, Vote 2, Ministry of Supply (Assistance to Industry, Scrap Recovery, &c.), Vote 5, Ministry of Materials, Vote 10, Foreign Office (German Section), Vote 13, War Damage Payments, Vote 14, Burma War Damage Payments, Vote 15, Board of Trade (Strategic Reserves), Vote 16, Ministry of Supply (Strategic Reserves), Vote 18, Ministry of Food (Strategic Reserves); Ministry of Defence Appropriation Account, 1952-53, considered.

The Committee deliberated.

[Adjourned till Thursday, 22nd July, at Four o'clock.

THURSDAY, 22ND JULY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Mr. Hoy.
Mr. David Jones.
Mr. Niall Macpherson.
Sir John Mellor.

Mr. Oliver.
Mr. Powell.
Mr. Steele.
Mr. West.

Draft Third Report, proposed by the Chairman, brought up and read the first time.

Ordered, That the said Report be read a second time, Paragraph by Paragraph.

Paragraphs 1 and 2 amended and agreed to.

Paragraphs 3 to 6 agreed to.

Paragraph 7 amended and agreed to.

Paragraphs 8 and 9 agreed to.

Paragraph 10 amended and agreed to.

Paragraphs 11 to 13 agreed to.

Paragraph 14 amended and agreed to.

Paragraphs 15 to 18 agreed to.

Paragraph 19 amended and agreed to.

Paragraph 20 agreed to.

Paragraph 21 amended and agreed to.

Paragraphs 22 to 32 agreed to.

Paragraph 33 amended and agreed to.

Paragraph 34 agreed to.

Paragraph 35 amended and agreed to.

Paragraphs 36 to 40 agreed to.

Paragraph 41 amended and agreed to.

Paragraphs 42 to 48 agreed to.

Paragraph 49 amended and agreed to.

Paragraph 50 postponed until after Paragraph 82.

Paragraphs 51 to 56 agreed to.

Paragraph 57 postponed until after Paragraph 82.

Paragraph 58 agreed to.

Paragraphs 59 to 61 amended and agreed to.

Paragraphs 62 to 69 agreed to.

Paragraph 70 amended and agreed to.

Paragraphs 71 to 73 agreed to.

Paragraph 74 amended and agreed to.

Paragraph 75 agreed to.

Paragraph 76 amended and agreed to.

Paragraphs 77 to 81 agreed to.

Paragraph 82:—

"Your Committee have considered the views of the Public Accounts Committee of 1916, but cannot accept the doctrine that in cases of fraud or theft the only criterion by which to decide whether or not to prosecute should be the adequacy of evidence to secure conviction. They feel unable to lay down hard and fast rules upon this matter and consider that the decisions in individual cases must rest with the Accounting Officer, subject to the existing Treasury power to refuse authority for write-off. The State, in this as in other matters, should not lag behind the standard of the good employer."

Amendment proposed, in line 1, to leave out from the word "Committee" to the end of the Paragraph and add the words "note that the present Controller of H.M. Stationery Office is of opinion that in the above-mentioned case the employees concerned should have been prosecuted, and they consider that the spirit of the view expressed by the Public Accounts Committee of 1916 should be adhered to, subject to the waiving of obviously trivial and nugatory thefts".—(Mr. Powell.)

Question proposed, That the words proposed to be left out, to the word "feel" in line 4, stand part of the Paragraph.

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

TUESDAY, 27TH JULY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Mr. Hoy.
Mr. David Jones.
Mr. Niall Macpherson.
Sir John Mellor.

Mr. Oliver.
Mr. Powell.
Mr. Steele.
Mr. West.

Paragraph 82.

Amendment proposed, in line 1, to leave out from the word "Committee" to the end of the Paragraph and add the words "note that the present Controller of H.M. Stationery Office is of opinion that in the above-mentioned case the employees concerned should have been prosecuted, and they consider that the spirit of the view expressed by the Public Accounts Committee of 1916 should be adhered to, subject to the waiving of obviously trivial and nugatory thefts".

Question again proposed, That the words proposed to be left out, to the word "feel" in line 4, stand part of the Paragraph.

Amendment, by leave, withdrawn.

An Amendment made.

Paragraph, as amended, agreed to.

Postponed Paragraphs 50 and 57 amended and agreed to.

Paragraph 83 amended and agreed to.

Paragraph 84 agreed to.

Paragraphs 85 and 86 amended and agreed to.

Paragraph 87:—

"Your Committee do not overlook the difficulties inherent in negotiating prices for non-competitive contracts where the Ministry is a marginal customer; but they cannot regard as satisfactory the acceptance, for very large orders, of a list price less a discount when the Ministry have no reliable information on the profit margin included and the return it represents on capital employed. They are in full agreement with the Ministry that it would be wrong to concentrate on the component of a price to the exclusion of the others. Each is of equal importance, and for this reason it appears to Your Committee that the building up of a price from estimates of labour, materials and overheads, checked by the appropriate experts, with a known addition for profit is the surest way of arriving at a demonstrably fair and reasonable price."

Amendment proposed, in line 2, to leave out from the word "customer" to the end of the Paragraph, and add the words

"especially where, as in the cases to which the Comptroller and Auditor General draws attention, a large order is placed for urgent delivery. Your Committee have no criticism to make of the conduct of the Ministry in these two cases. They recognise that where the Ministry is one of many customers for a standard product, sold in a competitive market, whether the Ministry is one of the largest customers or not, the contract is not really non-competitive even if it is not put out to tender and that therefore the same considerations do not apply. They further recognise that, as the Ministry witness made plain, while the formula provides for a maximum profit, too great an insistence upon the figure might result in the Ministry having to pay more in some contracts, as the maximum might tend to become a standard profit. Nevertheless, Your Committee welcome the assurance given by the Ministry that the profit formula is still taken as a guide, and they trust that in all appropriate cases the Ministry and other purchasing departments will endeavour to obtain such information on costs, turnover and capital employed as will enable them to satisfy themselves that the price is in accordance with the established formula".—(Mr. Niall Macpherson.)

Question put, That the words proposed to be left out stand part of the Paragraph.

The Committee divided: Ayes 5, Noes 3.

Ayes

Mr. Blenkinsop
Mr. Hoy
Mr. David Jones
Mr. Oliver
Mr. Steele

Noes

Mr. Niall Macpherson
Sir John Mellor
Mr. Powell

Paragraph agreed to.

Paragraphs 88 to 96 agreed to.

Paragraph 97 amended and agreed to.

Paragraphs 98 and 99 agreed to.

A Paragraph brought up, read the first and second time, and inserted.

Paragraph 100 amended and agreed to.

Paragraphs 101 and 102 agreed to.

Paragraph 103 amended and agreed to.

Paragraph 104 agreed to.

Paragraph 105 amended and agreed to.

Paragraphs 106 to 112 agreed to.

Paragraph 113 amended and agreed to.

Another Paragraph brought up, read the first and second time, and inserted.

Paragraphs 114 to 116 amended and agreed to.

Four other Paragraphs brought up, read the first and second time, and inserted.

Paragraphs 117 to 132 agreed to.

Paragraphs 133 and 134 amended and agreed to.

Resolved, That the Report, as amended, be the Third Report of the Committee to the House.

Ordered, That the following Papers be appended to the Minutes of the Evidence taken before the Committee:—

Memorandum from the Treasury on—

(i) Access by the Comptroller and Auditor General to Records and Papers of the University Grants Committee;

(ii) Liability of the British Broadcasting Corporation to Income Tax;

(iii) Civil Contingencies Fund: Operations during 1952-53;

Letter from Mr. F. E. Figgures on the form of the List of Securities appended to the Post Office Savings Bank Account;

Memorandum from the Board of Inland Revenue on the granting of Tax Privileges to International Organisations;

Extract from a letter by Sir Edward Hale, K.B.E., C.B., relating to the purchase of a site in Newcastle on behalf of Durham University;

Memoranda from the Ministry of Health on—

(i) Cost investigations and price discussions;

(ii) Delays in use of property acquired for hospital purposes;

(iii) Central Register for the National Health Service;

Memorandum from the Ministry of Agriculture and Fisheries on Grassland Fertilisers and General Fertilisers Subsidies;

Memorandum from the Ministry of Food on Meat and Livestock: Cattle Grading;

Memorandum from the War Office on Stock Certificates;

Two Memoranda from the Admiralty on H.M. Yacht "Britannia";

Joint Memorandum from the Treasury and the Ministry of Labour and National Service on the Net Accounting of Loans to Rempoy, Ltd.;

Memorandum from the Ministry of Fuel and Power on Costs of Local Fuel Offices.

Ordered, That the Minutes of the Evidence taken before the Committee, together with the Appendices, be reported to the House.

LIST OF WITNESSES

	<i>Page</i>
<i>Tuesday, 15th December, 1953</i>	
Sir William Croft, K.C.B., K.B.E., C.I.E., C.V.O., and Mr. R. J. Lloyd, C.B.E.	1
<i>Thursday, 17th December, 1953</i>	
Sir Eric Bamford, K.C.B., K.B.E., C.M.G.	9
<i>Tuesday, 2nd February, 1954</i>	
Sir Alexander Little, K.C.B., Dr. W. G. Radley, Kt., C.B.E., Mr. K. Anderson, C.B.E., and Mr. L. D. Harkess	21
<i>Tuesday, 9th February, 1954</i>	
Sir Harold Emmerson, K.C.B., K.C.V.O.	33
Sir Herbert Brittain, K.B.E., C.B.	39
<i>Tuesday, 16th February, 1954</i>	
Sir Alexander Little, K.C.B., Mr. K. Anderson, C.B.E., Lieut.-General Sir Ian Jacob, K.B.E., C.B., Mr. J. G. L. Francis, and Mr. R. H. K. Marett, O.B.E.	43
<i>Tuesday, 23rd February, 1954</i>	
Sir Herbert Brittain, K.B.E., C.B., and Mr. J. H. Vetch... ..	59
Sir Herbert Brittain, K.B.E., C.B., and Sir Edward Hale, K.B.E., C.B.	71
<i>Tuesday, 2nd March, 1954</i>	
Sir Gilbert Flemming, K.C.B., and Sir Henry Hancock, K.C.B., K.B.E., C.M.G.	81
Sir Gilbert Flemming, K.C.B.	90
<i>Thursday, 4th March, 1954</i>	
Sir Godfrey Ince, G.C.B., K.B.E., and Mr. C. E. Maher	97
<i>Tuesday, 9th March, 1954</i>	
Sir Frank Lee, K.C.B., C.M.G.	112
<i>Thursday, 11th March, 1954</i>	
Sir Alan Hitchman, K.C.B.	127
Sir Alan Hitchman, K.C.B., and Mr. A. Glen, C.B., M.C.	134
Mr. A. Glen, C.B., M.C.	142
<i>Tuesday, 16th March, 1954</i>	
Mr. G. A. Campbell, Lieut.-General Sir Charles King, K.B.E., C.B., and Mr. W. A. Procter	149
Sir Harold Emmerson, K.C.B., K.C.V.O.	152

	<i>Page</i>
<i>Thursday, 18th March, 1954</i>	
Mr. J. R. Simpson, C.B., and Mr. W. Cox, O.B.E.	169
Sir Harold Emmerson, K.C.B., K.C.V.O.	178
<i>Tuesday, 23rd March, 1954</i>	
Sir Thomas Lloyd, G.C.M.G., K.C.B., and Mr. E. W. A. Scarlett, O.B.E.	187
<i>Thursday, 25th March, 1954</i>	
Sir Ben Lockspeiser, K.C.B., F.R.S., and Mr. S. H. Smith	202
<i>Tuesday, 30th March, 1954</i>	
Sir Gilmour Jenkins, K.C.B., K.B.E., M.C.	216
<i>Thursday, 1st April, 1954</i>	
Sir Eric Bamford, K.C.B., K.B.E., C.M.G., Sir Ivone Kirkpatrick, G.C.M.G., K.C.B., Mr. F. A. Vallat, and Mr. J. Webb	228
Sir Ivone Kirkpatrick, G.C.M.G., K.C.B., and Mr. H. P. Croom- Johnson, O.B.E.... ..	238
<i>Thursday, 8th April, 1954</i>	
Sir George Turner, K.C.B., K.B.E., J.P.	243
<i>Tuesday, 13th April, 1954</i>	
Sir James Barnes, K.C.B., K.B.E.	250
Sir James Barnes, K.C.B., K.B.E., and Sir James Helmore, K.C.B., K.C.M.G.... ..	263
<i>Thursday, 29th April, 1954</i>	
Sir Eric Bowyer, K.B.E., C.B.	276
Sir George Turner, K.C.B., K.B.E., J.P.	284
<i>Tuesday, 4th May, 1954</i>	
Mr. C. G. Eastwood, C.M.G., and Mr. F. J. Root, C.B.	290
<i>Thursday, 6th May, 1954</i>	
Sir Henry Hancock, K.C.B., K.B.E., and Mr. E. E. Bailey, C.B., C.B.E., D.Phil.	310
<i>Tuesday, 11th May, 1954</i>	
Sir James Helmore, K.C.B., K.C.M.G., and Mr. F. C. Musgrave, C.B.	327
<i>Thursday, 13th May, 1954</i>	
Sir John Maud, K.C.B., C.B.E., and Mr. R. J. Ayres, C.B.E.	348
<i>Tuesday, 18th May, 1954</i>	
Sir John Hawton, K.C.B., and Mr. H. R. Smith, C.B.	365

	<i>Page</i>
<i>Thursday, 20th May, 1954</i>	
Sir John Hawton, K.C.B., and Mr. H. R. Smith, C.B.	385
Mr. H. R. Smith, C.B., and Mr. J. Callan Wilson	404
<i>Tuesday, 25th May, 1954</i>	
Sir James Helmore, K.C.B., K.C.M.G.	407
Sir Geoffrey King, K.C.B., K.B.E., M.C.	414
<i>Thursday, 27th May, 1954</i>	
Sir Thomas Lloyd, G.C.M.G., K.C.B., and Mr. W. Rendell, A.C.A. ...	424
<i>Tuesday, 1st June, 1954</i>	
Sir John Lang, K.C.B.	439
<i>Thursday, 3rd June, 1954</i>	
Sir Herbert Brittain, K.B.E., C.B., and Mr. G. D. Kirwan, C.B., M.C.	459
Sir Herbert Brittain, K.B.E., C.B.	464
Sir Herbert Brittain, K.B.E., C.B., and Mr. W. E. Williams, C.B.E. ...	470

TUESDAY, 15TH DECEMBER, 1953.

Members present:

MR. BENSON in the Chair.

Mr. Blenkinsop.
Mr. Hoy.
Mr. Oliver.

Mr. Steele.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Comptroller and Auditor General, Mr. E. G. COMPTON, C.B., a Third Secretary, Treasury, and Mr. P. S. MILNER-BARRY, O.B.E., Treasury Officer of Accounts, called in and examined.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1952-53.

VOTE 1.

CUSTOMS AND EXCISE.

Sir WILLIAM CROFT, K.C.B. K.B.E., C.I.E., C.V.O., Chairman of the Board, and Mr. R. J. LLOYD, C.B.E., Accountant and Comptroller General, H.M. Customs and Excise, called in and examined.

Chairman.] Will Members turn to the Revenue Departments Appropriation Accounts, page iv of the Comptroller and Auditor General's Report, Vote 1, paragraphs 5 and 6? I have no questions on those paragraphs.

Mr. Blenkinsop.

1. Just a general matter on paragraph 5. I see noted here a fall on the previous year in the sums received under the Import Duties Act. Could you give, just shortly, the main causes of that?—(Sir *William Croft.*) I think it was partly increased restrictions on imports.

2. Quota?—Quota, and partly, I think, also, a fall in the value of the imports, a fall in the prices of raw materials, and so on. I do not quite remember when that fall started. There was certainly a restriction on imports during that year.

3. That was the period, was it not, when there was a general cutting down on imports in view of the balance of trade position?—Yes.

4. In paragraph 6, on the Excise position, I see noted a reduction of revenue from purchase tax. Was that due to any reduction in purchase tax levels or did that reduction come later?—I think there was a reduction in the duty at that time.

5. That was the time at which the utility schemes were brought to an end and replaced by the D Scheme?—Yes.

6. There was a consequential loss on that?—Yes.

Chairman.

7. Now, paragraph 7. Sir William, as the Comptroller and Auditor General's first sentence in paragraph 7 says, the collection of duties and tax is mandatory but there are certain extra-statutory concessions that you make. The procedure was laid down by the Treasury in 1897, I think, as a result of some comment of the Public Accounts Committee of that year. You have rather gone, have you not, outside the Treasury regulations?—We follow it as far as possible, Mr. Chairman. You are referring to the question of legislation on these extra-statutory remissions, I take it?

8. How far do you advise the Treasury on extra-statutory remissions?—Oh, we get authority from the Treasury.

9. Invariably?—Yes. I am speaking of the class remissions.

10. Yes, the class remissions?—Yes, we get our authority from the Treasury.

11. With regard to the individual remissions, what do you do there?—I think that depends on the amount of them. (Mr. *Lloyd.*) It depends on the amount. Up to £50 they are dealt with in the Department. Over £50 we get Treasury authority.

12. What arrangements have you with the Treasury on this question of extra-statutory remissions?—(Sir *William Croft.*) If we

15 December 1953.]

Sir WILLIAM CROFT,
K.C.B., K.B.E., C.I.E., C.V.O., and Mr. R. J. LLOYD, C.B.E.

[Continued.]

think an extra-statutory remission is required we write a letter to them and get their authority. Perhaps some discussion may take place, of course, but we get their authority in writing.

Mr. Oliver.

13. When you speak about "remissions founded on fixed principles of general application affecting classes," do you mean an entire class of the community?—There is a distinction between class remissions and individual remissions.

14. I appreciate the individual remissions. It is the class I am concerned about?—I think a class may consist of any number of individuals, individuals who are capable of being grouped together.

15. Are you referring to individuals or are you referring to a class of persons?—No, a class of individuals, a class of taxpayers.

16. Some people who have been grouped together, is that right?—Yes.

17. I observe, too, in respect of class remissions that you undertook to the Treasury to place these on a statutory footing at the earliest possible opportunity. As far as I can see that goes back to about 1897. That is 57 years ago?—Yes.

18. And has no opportunity yet presented itself which could justify this step?—Yes, it is constantly appearing. We have done several, within my own experience in the Customs Department, in about the last six or seven years. A very important one which has been the subject of discussion with this Committee on more than one occasion was the question of the duty-free privileges of the Navy in respect of tobacco and drinks, which were on a customary non-statutory basis. That question was raised in this Committee. I was questioned about it several times and I made several submissions, and a year or two ago that was placed on a statutory footing with very satisfactory results. That situation has been cleared up and a substantial saving has resulted; and there have been other cases, too, in the last few years.

19. On paragraph 8, can you describe one or two of the 38 remissions which were larger or more unusual than the rest?—These are the individual cases where we grant remissions on considerations of equity and compassion. May I just read one of these out to you? I pick one out at random: "At a time when considerable uncertainty existed as to the correct rate of duty on parts of zipp fasteners, consignments were contracted for and imported at a price based on a rate less than that properly applicable and in all the circumstances the Treasury agreed to remit the difference between the rates".

Mr. Hoy.

20. Is that dealing with an individual case?—It is an individual trader. Would you like one or two more?

Mr. Oliver.

21. Yes?—I am just taking them more or less by chance: "Imported rubber boots were regarded by the trader as young children's footwear which is exempt from purchase tax and sold as such. They were, however, found to be chargeable as industrial boots. In the circumstances the Financial Secretary agreed to the remission of the tax due". I have another one here: "A research organisation of the brewing industry built a small model brewery for experimental purposes. The Treasury agreed that the organisation should be licensed and controlled as brewers for sale but that the duty chargeable on all beer produced could be remitted on the understanding that all worts"—that is, unfermented beer—"or beer are destroyed on the conclusion of the experiments".

22. As a general rule when the word "brewery" is referred to in the House of Commons it usually provokes a few hostile remarks, but I make no comment on that. With regard to the remissions on less than £50 which are excluded from the Schedule, are those numerous, or are they a very small number?—Not very many. Those are ones which we do on our own responsibility.

23. What would you say, probably 50?—(Mr. Lloyd.) I should say 50 or 60 in the course of a year. The typical case is goods sent from abroad to a person who we are satisfied is genuinely too poor to pay the duty or that hardship would be caused if he were pressed, that sort of thing.

Chairman.

24. Paragraph 9. Class remissions come, I think, into quite a different category from the individual remissions. Why do you not publish the list of class remissions?—(Sir William Croft.) Publish them?

25. You do publish them?—No.

26. Why not?—Some of them, and I can think of one certainly, contain a figure which we always treat as strictly confidential, that is to say, we have a confidential level of duty and tax on postal packets imported privately by private individuals, not trade importations. It is a figure which we always keep to ourselves. A few years ago the Chancellor authorised us to raise it. The reason was that there was not much money involved, it gave us an undue amount of

15 December, 1953.]

Sir WILLIAM CROFT,
K.C.B., K.B.E., C.I.E., C.V.O., and Mr. R. J. LLOYD, C.B.E.

[Continued.]

administrative trouble and, of course, created an excessive amount of odium, and one way or another it was agreed that it was desirable to raise this figure. But of course, if we published the figure and it became generally known, people would take steps to see that their parcels were within the limit; that is to say, if you were sending someone from abroad a set of silver spoons, a dozen silver spoons, perhaps, in order to avoid paying tax on the dozen silver spoons you could send them in a dozen parcels each of which would come under the limit. That is the sort of reason we keep the figure to ourselves.

27. Has it not the effect of making fish of one and fowl of another? If somebody knows your class remission they can take steps to keep within it, but other members of the public not knowing it cannot take those steps. You are putting certain people in a favoured position, surely?—I do not think anybody knows it. I do not think anybody is in a favoured position. We just pass the parcel. We do not collect the duty. It is not a question of making a claim, it is a question of an action on our part.

28. Could you tell us the mechanism of the machinery of how you deal with the parcel of less than the amount you allow?—The parcels have a declaration on the outside saying what the goods are and what they are worth. If it has not, of course, we should open it and make our own valuation. Our officer would see that the tax and duty on a particular parcel was less and he would simply let it go through. If it was more he would send a claim for the payment.

29. Could you give us one or two examples of these class remissions?—Are you thinking of the question of publication now, or is it legislation?

30. Publication and legislation?—And legislation?

31. How many class remissions are there, important ones?—We have 32, of which we agreed that seven are appropriate for statutory cover on a suitable occasion.

32. Let us take some of those that you regard as inappropriate for legislation?—Of which there are 22.

33. And seven, I gather, are also considered inappropriate for publication?—They need not all be inappropriate for publication, but certainly some would be. I have not thought so much about publication as about legislation, but I do not at the moment see what we or anybody else would gain from publication and I think that some, at any rate, of the disadvantages of legislation would occur also in connection with publication. That is my preliminary view. You were asking for

some examples of class remissions which were considered unsuitable for legislation?

34. Legislation, first, yes?—This is, I think, a good one: you understand that in the case of purchase tax we collect the tax as a rule from the wholesaler?

35. Yes?—And he is left to assess himself. We go round afterwards to check the assessment and satisfy ourselves it is correct, but in the first instance he makes the assessment, reports to us and sends us the money on the due date. The money is not due until the end of the quarter in which the goods have become chargeable. Meanwhile, of course, the goods have gone to a retailer and very likely they have been sold by the retailer to a member of the public. The wholesaler makes this assessment on the basis of the statute and the regulations and guidance that we give him and he may have made a perfectly *bona fide* mistake in the assessment which we find out later, and we consider that where the mistake is entirely *bona fide* and the trader has otherwise a good reputation as having showed no sign of trying to evade the tax, it is not fair to insist on his paying the tax when he cannot recover it from the person to whom the goods have been sold.

36. You mean his mistake is that he has not charged the retailer with the purchase tax?—With something less than the proper amount and he is not in a position to recover the amount which is due above what he has paid; and we consider that if this is a *bona fide* mistake we should not insist on his paying tax which he cannot recover. Now, that must rest, it seems to us, upon a discretionary basis because we must be the judges of whether the case is a deserving one, whether or not the mistake is a *bona fide* mistake, and the trader's record is such that we should treat him decently. Suppose that were to be translated into law, either the law would give us the same amount of discretion that we exercise at present and therefore be more or less worthless as law or else it would confer a right upon him, and if we had to take a case into the Court we should be in a position where the onus of proof would rest upon us. We should then have to prove to the satisfaction of the Court that the mistake was not a *bona fide* mistake and I think it would be agreed that that would not be a suitable position for us to be in. Therefore, that seems to us to be a class remission which must rest upon a non-legislative discretionary basis.

37. Can you give us another case?—I see another case in regard to light oils produced in this Country on which there is an Excise Duty which, of course, is much less than the Duty on imported oils. Now, some of these oils are produced in gasworks and they are chargeable like other light oils

15 December, 1953.]

Sir WILLIAM CROFT,
K.C.B., K.B.E., C.I.E., C.V.O., and Mr. R. J. LLOYD, C.B.E.

[Continued.]

produced in this country, indigenous light oils. But in the case of these gas works frequently part of the material out of which they make these light oils is imported oils on which the full rate of duty is chargeable. Therefore, the product that we have to tax may be made partly out of indigenous materials, in which case it is subject only to excise, but it may also be partly made out of the imported materials on which a higher rate is charged; and it has proved to be, as a matter of practice, impossible to ascertain just how this mixture is made up. To save ourselves a lot of trouble for no sufficient profit we have been authorised to levy duty on that light oil at the excise rate.

38. I take it that is known, that is one of the things published?—It is not published, but it is no doubt known to all the people concerned.

39. There are a number of these extra-statutory concessions, however, for which you intend to get statutory authority?—Yes.

40. Why were not they dealt with in the 1952 Act?—I think there are five or seven of them. The majority are concerned with purchase tax, and if you remember we did not bring purchase tax into the consolidation. But we would like to take an early opportunity of consolidating the purchase tax law, and that is the opportunity we are waiting for to deal with these points.

41. How much duty is involved in these concessions?—That is, of course, a difficult question to answer. There was a lot of duty involved in the one I have mentioned, the naval duty-free stores, and we have saved several million pounds on that. I think that must be a good deal larger than any of those on our present list, but there is the one I mentioned just now of remitting duty on private imported parcels if the duty and tax are less than a certain amount. I do not know whether Mr. Lloyd could give a figure, whether it is hundreds of thousands of pounds or anything of that nature? (Mr. Lloyd.) I think it is quite impossible, Sir, to make an estimate because in the nature of things the goods just go and no account is taken of them. I would not hazard any figure at all.

42. Before you make a concession you do estimate the cost of it, do you not?—You cannot always estimate with any degree of exactitude, Sir. You have, of course, a general idea, the best idea you can form when you are considering making the concession.

43. That is what I am asking for now. What do you feel is the lost revenue from these extra-statutory concessions? I am not asking for a meticulously accurate one?—I am afraid I could not hazard an opinion offhand, Sir.

44. Could you give us some estimate? I do not want you to involve your staff in too big a job, but perhaps you can give us some round impression of what they cost?—Most certainly. (Sir William Croft.) I think it is possible that when we increased the limit we must have given something. (Mr. Lloyd.) We must have. (Sir William Croft.) We might not have had any idea what the original cost was but when it was increased I think we would have an idea of what the extra cost would be. We will look up our papers and send you a note, if we may.*

Mr. Oliver.

45. You say, Sir William, that you have seven items on which you are contemplating seeking statutory cover and then you refer to two which you are considering. What were the two? The Comptroller and Auditor General says in the middle of paragraph 10: "I was informed in August, 1953, of seven class remissions for which it was intended to seek statutory cover at the first convenient opportunity and of two where the question of so doing was still under consideration"?—One of them is Customs privileges to U.S. personnel on duty in the United Kingdom and their families. The second is Customs Duty to foreign personnel coming to this Country on a tour of duty, and my note is that these concessions have largely been superseded by arrangements made under N.A.T.O., and when that is in force we shall consider whether that is not an occasion for giving statutory effect to these concessions, but I think an important consideration at that time would be to what extent these concessions are likely to be permanent and whether they seem to be suitable as part of our permanent fiscal machinery.

46. From the Report I see, with two exceptions, that all the matters mentioned have been authorised since the war. Do the two exceptions referred to date back for any considerable time?—I do not really know where that statement came from because all these concessions have a date, which is since 1939. They may have been pre-war concessions which may have been renewed since the outbreak of war in some form.

47. Since 1939?—Yes.

Chairman.

48. Mr. Compton, are the Treasury satisfied with regard to the position of extra-statutory allowances?—(Mr. Compton.)

* Note by Witness: There are no data by reference to which a reasoned estimate could be made, but the total annual cost of this waiver is considered to be of the order of £½ million. Of this, about £100,000 is attributable to the increase of the former free limit.

15 December, 1953.]

Sir WILLIAM CROFT,
K.C.B., K.B.E., C.I.E., C.V.O.; and Mr. R. J. LLOYD, C.B.E.

[Continued.]

Well, broadly, yes, Mr. Chairman. It is a question we have got under consideration all the time. The Customs have been very good about putting us in touch with the practical needs of administration on this. As the Report says, it is in law mandatory on them to exact duty in all cases but in practice everyone recognises that there must be a certain amount of latitude. The question is, what control should be kept over that and how often one can go back to Parliament to get Parliament to ratify what experience has proved is a concession that can be put into a category. I think that Sir William Croft has exactly represented the Treasury view of these things and I do not think I really want to add anything to the exposition.

49. I turn now to paragraphs 12 to 15. There has been some increase recently in the allowance for passengers, has there not? (Sir William Croft.) Yes.

50. What is the practice? Is a passenger coming in informed as to how much he can bring in, or is he expected to know?—At one time these limits were confidential, but a few years ago we decided to publish them and since then they have been increased by this arrangement for the encouragement of tourists, so that there is no concealment of them. I do not know that we ourselves take steps to bring them to people's notice, but they are quite emphatically brought to people's notice. I came across from Brussels myself only the other day and there were men walking round the deck of the ship with bottles of whisky which they said were tax free. They certainly were not profit free, but they were tax free.

Mr. Hoy.

51. Until you reached the Customs?—No, they are tax free coming through the Customs free on landing in this country. They were within our limits. They are quite well known. They were calling out the limits on board ship.

52. A whole bottle?—A half bottle. They were carrying these bottles round saying: "These are tax free." I only mention that as showing that everybody knows about it.

Mr. Hoy.] I think that is going too far.

Mr. Steele.

53. Were these people carrying the bottles round trying to sell them?—Oh, certainly.

Mr. Oliver.

54. I do not think there is any secret about what the quantities are because there are so many people to inform you of what the maximum appears to be, and on the B.O.A.C. and the European service they actually tell you the quantity. That is the usual thing?—Yes.

55. But on a ship, apparently, it seems to be general knowledge. You do not require any instructions, your fellow passengers seem to know?—Yes, I think so.

Mr. Hoy.] If everybody knows, would somebody like to tell my colleague and me? We do not know what spirits you might bring in.

Chairman.

56. Would you like to tell Mr. Hoy exactly what he may bring in the next time he comes in?—I am ashamed to say I do not know entirely, but I know you can bring half a bottle of whisky and 200 cigarettes. (Mr. Lloyd.) Half a pound and half a pint is the formula.

57. I wonder if the Comptroller and Auditor General can tell us?—(Sir Frank Tribe.) Yes, half a pound of tobacco including cigars and cigarettes, which I believe is the equivalent of 200 cigarettes, plus half a bottle, that is one-twelfth of a gallon, of spirits or liqueurs or cordials, plus one whole bottle, that is one-sixth of a gallon, of wine in bottle, plus half a pint of perfume and toilet waters of which not more than half is perfume. All that may be brought in free of tax and I am told that the approximate duty on that would be £5 6s. 0d. That is for a British subject returning. Non-European visitors can bring in more. They can bring in up to £8 15s. 0d. duty value.

58. Your experienced traveller will probably know it, your inexperienced traveller will not?—(Sir William Croft.) I think the shops on the other side of the Channel have these things up in the window.

Mr. Hoy.

59. Not always very accurately?—No.

Mr. Oliver.] I can only speak for myself in this matter, but I have always been informed by my fellow travellers—I refer to fellow travellers on the boat—who always inform me and inform me accurately, but I can never remember it because I have not the slightest doubt that they change from time to time.

Chairman.

60. These concessions are extra-statutory, are not they?—They are extra-statutory, yes.

61. Is there any reason why they should be? There is clearly a case where if you allow it to everybody you should take statutory authority for it, surely?—Well, Sir, they are very old standing. I think we have traced them back to the early part of the nineteenth century, long before 1897 when these rules came into operation, and they have always been regarded as outside them. Quite apart from that,

15 December, 1953.]

Sir WILLIAM CROFT,
K.C.B., K.B.E., C.I.E., C.V.O., and Mr. R. J. LLOYD, C.B.E.

[Continued.]

I think there are reasons why they should not be made statutory. I think there is a good deal to be said for these remissions being *ex gratia*. I have certainly heard of a case of a man who was frequently crossing the Channel and coming back with his full lot, and we stopped him as it was obviously not given for a matter of this kind. He said he was stocking up some brandy for Christmas, and we stopped him, and I think that is not unreasonable. I think the main point is this, that if you legislate you make this concession a matter of right and if you make it a matter of right a fresh discretionary fringe grows up over and above the right. You find after a few years you have got to allow another 200 cigarettes and another half a pint of whisky.

62. I do not see why that should be. I have a certain income tax free allowance, but the income tax people have not given me discretionary allowances for increasing it. Obviously, the original allowance, surely, was because people carried broken packets. In fact, I seem to remember in the past that you could bring in broken packets but not unbroken packets. That is away back, 30 years ago?—That is not so now, Sir, I can assure you.

63. It seems to me that if you have fixed this it should seriously be considered as to whether or not you should make these allowances statutory. Is there any reason why, because they existed before the 1897 Treasury Minute, they should be regarded as outside the scope of the Treasury Minute? I should have thought they should be brought inside the scope?—That was not the decision at the time and that decision has been maintained ever since. I might as well say that these additional concessions for the non-European travellers are a matter of international agreement and I think it is difficult not to legislate to cover that, and if we legislate to cover that it certainly will look rather odd if the basic discretionary concessions are not covered by regulation. So, I think it is possible that we shall find we have got to do it. I myself with all respect, Sir, think that we shall have some reason to regret it hereafter.

64. Have you any idea of the cost, again approximately, of these concessions on passengers' baggage?—I do not think we have got anything on which to go. Of course, it must be constantly rising because the number of people going through is constantly increasing and the value of the articles is constantly increasing with increases of duty. I do not think, Mr. Lloyd, you could give a figure?—(Mr. Lloyd.) We have no data, Sir, on which a figure could be based. If

you wish, we could endeavour to give you what I might describe as an intelligent guess, but we cannot go any nearer than that.*

65. Yes. I think we will have an intelligent guess?—Very well, Sir. (Sir Frank Tribe.) I have calculated that if everybody brought in the maximum, which, of course, admittedly they do not, the loss to the Revenue would be in the region of £13 million or £14 million a year.

Mr. Hoy.

66. Yes, but there would be a considerable number of people who will bring things in knowing that they have no duty to pay, but if they were going to be faced with duty they simply would not have anything to do with it. I think that is true. Would not you agree with that?—(Sir William Croft.) Yes, certainly and, of course, there would not be the slightest chance of our being able to collect all this because the thing is of such old standing that there would be an outcry.

Chairman.

67. When you increased the allowance as a result of the arrangement with O.E.E.C. was Parliament informed?—Of course we were in it, but we are not the Department responsible for tourism. It was done in the interests of tourism. I do not know whether the Treasury can say?—(Mr. Lloyd.) As far as I know they were not. (Sir William Croft.) As far as we know Parliament was not informed but, of course, the Comptroller and Auditor-General was informed.

68. Did not you about double the duty-free concession?—It must have been. (Sir Frank Tribe.) Approximately, yes. Tobacco was increased from half a pound to the ordinary tourist to one pound and spirits from half a bottle to a bottle.

69. When you give a concession of that size surely it would be better to inform Parliament, would not it?—(Sir William Croft.) Yes, I think on reflection it would. Of course, you understand, it was done as a matter of good business.

* *Note by Witness:* As stated in evidence there are no data by reference to which a reasoned estimate could be made, but the total annual cost is considered to be of the order of £8 million, of which £1 million is attributable to the special concession for non-European visitors introduced in 1949-50. In considering these figures, it should be borne in mind that but for the known existence of the concessions the great bulk of the goods brought in by tourists would not be imported at all, so that the net realisable revenue at stake is probably quite small.

15 December, 1953.]

Sir WILLIAM CROFT,
K.C.B., K.B.E., C.I.E., C.V.O., and Mr. R. J. LLOYD, C.B.E.

[Continued.]

70. Yes, nevertheless Parliament might be consulted?—It was not done as a concession to the subject or anything like that.

71. No, it was a concession which cost millions?—It may be, yes.

72. So I hope you will in future consider informing Parliament if and when you propose to make class concessions of considerable size?—Yes. I would like to make some enquiries and see just how this question arose and perhaps send you a note later on.*

Mr. Hoy.

73. It was an interim arrangement, was it not?—It is not meant to last for ever as far as I know. It was done really to encourage tourists at a time when we needed them very badly.

74. And it will come up for reconsideration?—I think so, yes.

75. And it was done in consultation with other countries in Europe, was it not?—Oh, yes.

Mr. Oliver.

76. There is no means of knowing to what extent this concession is used because I take it that when the officers of the Customs and Excise ask for a declaration they are shown the quantities and there is no record made?—We take no particulars at all, no. If we were going to make any estimate we should just have to make an estimate of the number of people coming through the Customs and assume that half of them bring in something.

77. I understand you are trying out this dispensation until 1955 and then reconsidering the matter as to whether an international convention should be made. Is that so?—Yes.

78. Would legislation follow as a matter of course then or would it still be discretionary on our part?—I think when we decided upon it as a permanent measure that would be the time for legislation.

79. This would only cover the dispensation in respect of the concession to the non-European traveller, not our own nationals coming and going?—That is the question that would come up in the first instance.

80. The danger which you refer to about legislation in respect of this matter would be equally applicable to this international position?—It would, yes.

* Note by Witness: The action taken and the reasons therefor were stated in paragraph 10 of the Commissioners' Report for the year ended 31st March, 1950, Cmd. 8120.

Chairman.

81. Mr. Compton, do the Treasury accept the view that this passenger's baggage concession should be extra-statutory?—(Mr. Compton.) Well, Mr. Chairman, I think the Treasury would take two points on this. The first is the point of cost. I do not think we could ever hope to eliminate the cost of this concession by legislation or otherwise. Some concession, statutory or not, would have to be faced. Secondly, as to Parliamentary cover, again at the Treasury we have been sensible of the point that if you lay down limits by legislation you do establish rights in place of what at present consists of concessions, and the tendency therefore would be, if you do legislate about it, to increase the cost of what you are doing because you create rights where concessions were before. As against that, Sir William Croft has pointed out that these are partly matters of international convention which would therefore be ripe for legislative cover in any event, and if that was so we probably ought to consider seeking Parliamentary cover for as much of the field as is appropriate for it. But this is a matter, I am afraid, on which considerations of propriety do weigh in some respect against the considerations of the cost.

82. Do you accept Sir William's view that baggage concessions were outside the scope of the Treasury Minute of 1897?—They were outside but I do not think that that historical reason is conclusive against considering them for legislation now.

83. Were the Public Accounts Committee of that date informed that they were outside?—That I do not know.

84. Who decides that they are outside?—(Mr. Lloyd.) I think the Committee were informed.

85. Anyhow, you feel that in so far as these concessions are as a result of international agreement they ought to be legislated upon?—(Mr. Compton.) That in principle is right, yes.

Mr. West.

86. On this question of the relaxation of Customs regulations on the recommendation of O.E.E.C., do I understand that the particular countries generally accepted the recommendations and have they implemented them, do you know?—(Sir William Croft.) I think so, I think it is a matter of general agreement and arrangement.

87. So far as the agreement or arrangement is concerned, who makes it, or is it merely adopted by the particular countries without recourse to those people who are members of the organisation?—I think it was made by discussion and negotiation

15 December, 1953.]

Sir WILLIAM CROFT,
K.C.B., K.B.E., C.I.E., C.V.O., and Mr. R. J. LLOYD, C.B.E.

[Continued.]

among the members of the organisation. I am not quite sure about that.

88. Would there have been any official negotiations or discussions between the individual member countries for the relaxations to be implemented?—Oh, certainly so, I understand.

89. Who would have undertaken those negotiations, would it have been your Department?—No, that is the point I tried to make, that we were not ourselves responsible, though we played a part, in advising about the possibility of Customs concessions.

90. Would it be the Government of the day that was responsible for the negotiations and the ultimate agreement?—Oh, it must have been, and I suppose the Board of Trade as the Department interested in tourism.

[Mr. Steele.] On this question there are two aspects. There is first of all our own national who has this *ex gratia* allowance, whatever you may call it, and then there is the non-European. I take it that when this concession was given to the non-European your officers were instructed on it, and then from time to time they would be asked to submit some report as to what was happening. Could we have any information as to the effect of this concession? I can just imagine two people going through the Customs, one, one of our own nationals and the other a non-European, one with a half bottle of whisky and the other with a bottle of whisky, and what happens?

Mr. West.] Supposing both have a full bottle?

Mr. Steele.

91. That is the point, both having a full bottle of whisky. Has there been any trouble or any difficulties?—I have not heard any complaints. I think our people realise that tourists from dollar countries are badly needed and I think they also realise that these people are further away from home and from their normal sources of supply, so it is reasonable that they should be allowed to bring in larger quantities of the particular cigarettes they affect. I think that is the rationale of it.

92. To your knowledge there has been no trouble or difficulty?—I have heard of no trouble.

Chairman.

93. Just one point on paragraph 11, the question of foreign nationals here, the Americans. The Americans receive very large concessions of duty-free goods, do not they?—Yes.

94. That again is extra-statutory?—Yes.

95. Is there any reason why that is extra-statutory?—No, except in so far as it is an extension of diplomatic privilege, as it is in some cases. Diplomatic privilege is extra-statutory; it rests on the comity of nations or whatever you like to call it. Otherwise, I think it is covered by the remarks I made before, namely, that these concessions are in process of being replaced by arrangements agreed under N.A.T.O. and when that has happened we propose to consider whether the time is ripe for legislating and we should be guided at that time by whatever view we can form as to the likelihood of their being permanent.

96. Have you any difficulty with regard to the resale of stuff brought in for the American troops?—They are certainly not supposed to sell in the British market cameras and the like.

97. I did not ask if they are supposed, they are obviously not, but have you had any complaints or trouble about that?—We have certainly come across cases where articles which they have sold have appeared in the market, yes.

98. Do you have co-operation with the American authorities—Oh, very good, yes.

Chairman.] Will Members please turn now to page 4, the Accounts. I have no questions on the Accounts.

Mr. Blenkinsop.

99. Just a general question about staff. Could you just say whether there has been any reduction of staff or whether you yourself have been anxious to recruit further staff for Customs and Excise work?—Well, broadly speaking, the position is this: before the war our staff was about 15,000. By the end of the war it was below 10,000. Now it is back near the figure that it stood at before the war, but not quite at that figure. It is a little under the 15,000 that we had before the war. (Mr. Lloyd.) 14,849 at the end of the year before us.

100. That suggests, then, that you are not having any special difficulty in recruiting the staff that you need. Presumably they need some training and so on, before they are of much value to you?—(Sir William Croft.) Yes, We did have difficulty for some years after the war in getting people in quickly enough to cope with the greatly increased business, but I think we are pretty well on a level with the work now.

101. You would not say that the amount of duties and so on that you need to collect today require any further staff above what you required for pre-war days?—We should be glad to have some more. I think we could make good use of them. Certainly there are proposals made from time to

15 December, 1953.]

Sir WILLIAM CROFT,
K.C.B., K.B.E., C.I.E., C.V.O., and Mr. R. J. LLOYD, C.B.E.

[Continued.]

time which might be desirable but we have to resist them on the ground of insufficient staff, but I am not making any complaint about staff. I think, on the whole, taking everything into account, we have got what we are entitled to for the work we have to do.

102. You do not feel that you are losing revenue by not having either sufficient staff or staff of sufficient experience for the work?—I would not give a very confident answer to that question. A few years ago I took the view that we could collect more on purchase tax, particularly, with more staff. I think that was true two or three years ago. I am not sure that it is true now. I think we are just about right now.

Chairman.

103. Did the recent 10 per cent. cut apply to you?—It was not 10 per cent., though there certainly was a cut. I think we cut our staff by just over 100.

104. Has your staff gone up since then? Have you ceased recruitment?—Oh, no, we are taking in recruits to fill vacancies.

105. Apart from that, have you ceased to increase your numbers?—We are subject to a ceiling; whether the ceiling is just the same now as it was a year or two ago I am not sure. Can Mr. Lloyd tell us? (Mr. Lloyd.) It is substantially the same, I think something of the order of 40 or 50 posts variation from last year.

Mr. Oliver.

106. Just one point with regard to the Customs Co-operation Council. There is an expenditure of £36,495. What is that body?—(Sir William Croft.) Well, I can tell you

that because I was there a fortnight ago. The history of it is this: there was a good deal of discussion after the war in O.E.E.C. circles about the possibility of a European Customs Union. That, as you know, did not lead anywhere, but in the course of those discussions the various European Customs Authorities were brought together and it transpired that they found themselves able to agree on one or two important technical matters in regard to Customs administration; and it was thought that it would be advantageous if those agreements were arrived at and some effect given to them. They were agreements on the subject, in the first place, of what we call nomenclature, that is to say, the classification of articles in the tariff and, in the second place, the subject of valuation, that is to say, the basis on which you charge *ad valorem* duties. It was thought that if the European countries had a more or less uniform system of nomenclature and also valuation it would be serviceable in removing some of the restraints upon trade and also in facilitating negotiations for the reduction of tariffs. Conventions were arrived at on those two subjects and this body, the Customs Co-operation Council, was set up to carry them out and supervise their execution. The work is still in the initial stages. I think there are prospects that it may be valuable and useful but the exact degree of utility and value of them remains to be seen.

107. How many nations are involved?—All the O.E.E.C. countries; Turkey is there, Spain, Portugal, Germany, Austria and some of the overseas countries are beginning to take an interest. At a meeting which I attended a fortnight ago all the British Dominions were represented and seem to be taking a considerable amount of interest.

The witnesses withdrew.

Adjourned till Thursday, at 4 p.m.

THURSDAY, 17TH DECEMBER, 1953.

Members present:

Mr. BENSON in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.

Mr. David Jones.
Sir John Mellor.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. F. E. FIGGURES, a Treasury Officer of Accounts, and Mr. S. GOLDMAN, an Assistant Secretary, Treasury, called in and examined.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1952-53.

VOTE 2.

INLAND REVENUE.

Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., Chairman of the Board of Inland Revenue, called in and examined.

20216

D

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

[Continued.]

Chairman.

108. Will Members please turn to the Revenue Departments' Appropriation Accounts, page vi, Vote 2, paragraph 17 of the Comptroller and Auditor General's Report? I see, Sir Eric, that these figures exclude P.A.Y.E. What progress have you made towards recording the outstanding P.A.Y.E. assessments?—(Sir Eric Bamford.) We have considered, Sir, whether a balance account of P.A.Y.E. would be practicable. We are not at present satisfied that it would be sufficiently useful to offset the very great amount of work that is involved, and we could not tackle it in any case at the present, but we have taken special steps to keep in touch with the under-payments both by employers and by employees and that is as far as we can go at the moment.

109. Have you any real idea of what your true arrears are?—We estimate the arrears of employers at about £2 million and of employees at about £20 million which on a yield of £650 million odd is not really very heavy.

110. Do you find that there is any tendency on the part of employers to fail to make deduction of tax for overtime and bonus payments and seasonal labour wages?—Not to deduct tax?

111. Yes?—We have an audit, of course, which does bring out a certain number of cases and some of those are settled by penalties under the regulations and in other cases where the thing is really flagrant we prosecute.

112. I see that your balances ultimately due and actually due are decreasing year by year?—The position is improving, Sir.

113. How much further have you to go before you are satisfied?—At the present time the unsettled liabilities are about twice what they used to be pre-war but the amount actually due at the balancing date is very nearly the same as it was pre-war, not in figures, of course, but as a percentage of the total charge in the year, which is the only way we can really compare the two.

Colonel Crosthwaite-Eyre.

114. How many years does this figure outstanding go back? Can you give us the percentages outstanding, say, for one year, two years, three years and over five years respectively?—We have some break-up, but I do not know how far they go back. Perhaps I could just look?

Chairman.

115. I would just like a general figure?—They go back for a great number of years, I should imagine.

Colonel Crosthwaite-Eyre.] Perhaps if it is difficult we might have that information later?

Chairman.

116. Perhaps you would just send a paper in giving the information?—We have a break-up showing the age of these arrears and we could put in a paper, Sir.*

Colonel Crosthwaite-Eyre.] I think it would be useful to have those figures.

Chairman.

117. Now, paragraph 18. I see your insolvency figures tend to grow and they are about 50 per cent. of your amounts abandoned in this respect. Is there any reason for this steady increase in your losses due to insolvency?—I think it is partly accidental, but partly it is the result of a drive we have had to clear the big E.P.T. arrears which has involved some cases where we have had to remit on insolvency grounds.

118. There is no possibility of avoiding tax by insolvency?—I would not like to say that.

119. Have you any suspicion that insolvency is being used for that purpose?—I have never had anything suggested to me of that sort at all.

Mr. Blenkinsop.

120. Could I just ask on that point of insolvency how that figure does compare with previous years? I have not got that by me; have you any idea whether it is a considerable increase or not?—In 1951-52 the figure is £1,226,000 as compared with £1½ million, roughly, for 1952-53. It is not so greatly up.

Sir John Mellor.

121. I am not quite clear about "realisation of securities". How does that arise?—That arises mainly when we are in a creditor position and funding scrip is issued to all the creditors either as interest or capital of the debt and we have to take our proportion.

122. You mean, it stands below par?—It is taken into our books at face value and then there is a write-off when it is realised, usually below its value.

Colonel Crosthwaite-Eyre.

123. When you make composition settlements who settles the composition?—We do.

124. It is entirely up to you as to what composition you make?—Yes.

125. Could you tell me in each case generally where compositions are made, is it income tax, surtax, excess profits tax or other duties or all classes?—It may be any tax where we are in a position to get more by composition than by legal action.

126. When you are satisfied of that, and you are the sole judges of that?—We are the sole judges.

* Information supplied; not printed.

127. When you say "liability not enforceable," what does that phrase mean?—This is under "Miscellaneous"?

128. Yes, "liability not enforceable"?—That is mainly people who have gone abroad or out of the jurisdiction.

129. They still cannot return to this Country without paying up their liabilities?—Yes, but they mainly do not return. We note the fact with the appropriate authorities, that they are under question by us.

130. Is it then a fact, supposing somebody, for instance, goes to South Africa, shall we say to reside temporarily, that he cannot compound his outstanding debt with you?—These are two different items. The liability not enforceable has nothing to do with composition settlement. If anybody has compounded they are clear of us. That is a definite arrangement.

131. I am sorry, I have not got my question correctly phrased. If a person goes abroad it is quite true that his liability is not enforceable but if he does return then he is liable to proceedings; that is correct, is not it?—That is correct.

132. Therefore, does this "liability not enforceable" mean debts that will remain outstanding until the person concerned is dead or out of reach, that he will never return, or are they written off?—We write them off in this figure but we would revive them if the chance occurred.

133. If the opportunity occurred?—Yes.

Chairman.

134. Now, paragraph 19. I think you said last year that the work involved in the institution of E.P.L. had rather hindered you in your drive against fraud and evasion, or you were anticipating it. What is the position now? Did the extra work interfere seriously with this drive?—I do not think we can say it did, Sir, apart from the fact that we have got too much on our plate all round, anyway. The E.P.L. developed rather more slowly than we thought and the decision to end it in two years has resulted in a good deal less work being done this year than will be done next year, probably. The indications are that accountants are holding up to some extent on computations with the intention of settling two years in one.

135. With regard to having too much on your plate, what about the recruitment and training of your inspectors?—Recruitment is going as well as we could hope now. The difficulties of the early post-war years have really disappeared.

136. And training?—We took special action and got about three times the normal graduate intake a year ago and we are pretty happy in the position as it is likely to develop. At the moment we are still below the 2,000 figure of trained inspectors which we have mentioned as desirable.

20216

137. Is there any ceiling as there is with other Government Departments?—We have not been hindered by a ceiling in the inspectorate. We have had an overall ceiling in the Department but we cannot say we have ever been hampered on the side of the inspectorate by having a special ceiling allotted to them.

138. That implies that you have been hampered with other ranks?—No, I would not say that. It does not really imply that at all. I am afraid the movements in our staff are rather large, particularly on the valuation side. We have had to be careful and keep within reasonable limits, but in our size of Department the inspectorate does not account for very much manpower.

139. Are you getting in the quality of material that you require?—We were very pleased with the intake by this special examination and we are getting, we hope, our normal amount regularly every year of 50 graduates plus the trainees we get from the lower ranks.

140. I see that your special branch dealt with some 262 cases which on an average produced about £10,000 each. Is that unusually large?—I do not think so, no. The branch has increased in size. We have got about 91 people in the special branch now.

141. I was interested in the way your figures in that Table have increased. Your penalties have gone up by £2 million. Your total charges raised, which includes penalties, have gone up by £3½ million since 1951, which suggests that you are being very much stiffer in your penalties?—There has been no change of policy. It just depends on the type of case which comes up.

142. What is also interesting is that from 1951, although your charges have only gone up by £3½ million, that is, about 25 per cent., the number of cases has gone up by 3½ times. Does that mean you are not getting the very big cases but you are getting a multiplicity of small cases?—I suppose naturally there are a number of small cases. I could not sort them out between smaller and larger cases.

143. The growth of the three lines of figures has been at quite different rates?—Yes. Perhaps I should say it has been pointed out to me that the inclusion of the modified procedure cases in this Table has made a difference. That would increase the number of smaller cases dealt with by the local inspectorate. I had forgotten that for the moment.

144. I see in the concluding lines of the first paragraph a reference to non-disclosure of fees. That is quite an important problem, is not it?—Not numerically by a comparison with the total of our possible clients or the possible money, but it is a very tiresome problem, I agree.

D 2

17. December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

[Continued.]

145. You should take it not against your possible clients, but against the possible evaders?—I meant, the possible evaders.

146. You have no power to compel the payer of the fee to disclose it, have you?—No, we have not.

147. On the other hand, you have power to compel an employer to disclose wages or salaries?—Very true.

148. Why the difference?—That is a question of legislation, of course. To put these cases on the same footing would involve new legislation which, if taken in general terms and applied generally, would be very onerous and would mean returns of all sorts of fees like architects' and solicitors' fees and a great number of transactions on which really no trouble arises but which would be very vexing both to the general public and to ourselves if they were brought into the net. The real trouble with these fees comes much more in the region of the arts.

149. And professional fees; what about doctors' fees?—I would not specially earmark doctors' fees.

150. How many Government Departments supply you with the particulars of fees they pay or, to put it the other way, how many do not?—Do you mean the fees they pay?

151. The fees they pay, and do any Government Departments refuse to supply you with any information?—I should like if you do not mind, to answer this question in general terms. We do get some useful information occasionally from Government Departments.

152. On Government Departments I think we are entitled to take it in specific terms?—Government Departments get a lot of information for specific purposes, such as the Ministry of Agriculture, the Food Ministry when it was in its heyday, and so on, and they have proved rather unwilling to give to us, I admit. We had some discussion with Departments, I think, following the recommendations of our Under-Assessment Committee. But at the present time this source is really of no active interest to us. We have got as much as we can possibly cope with from bank interest returns which are proving extremely fruitful and I am really not prepared to say that even if we could get more from Government Departments we should want to take it in any form which involved work on our part.

153. But, one moment, there is the question of your convenience and the question of the principle involved in your answer. Your answer really boiled down comes to this: "Even if the Government Departments gave us the information which they had hitherto refused"—I think that is apparently the implication—"we could not deal with it"?—That is so, yes.

154. That merely means that you are having to neglect one source of tax collection because at the moment you have got a temporary push on with another source. Is not that so?—We are not neglecting one source of tax collection, we are neglecting one source of information which might or might not be valuable. We did go into discussions about two or three years ago with a number of Departments and I admit they were not easy. The principle that all Departments should come clean to the Revenue was not admitted by any means.

155. I think, perhaps, in view of the fact that you say you are busy in other directions, some future Public Accounts Committee will ask about it?—We dropped the thing; it did not seem to be getting anywhere, and when we found ourselves swamped with the bank interest returns we lost interest in the other form. It is a form of checking up. It is not necessarily taxable fees or anything we try to get from other Departments, it is to have another source of check on items in taxpayers' returns.

156. You mentioned artists. Does that mean theatrical artists, theatre and B.B.C. artists? Do the B.B.C. provide you with information?—No.

157. Do the theatres?—Some theatres, I think, do. Some agents, I think, probably give us information in the theatrical world.

158. Have you asked the B.B.C. for information?—We have had discussions with the B.B.C., yes.

159. Have you asked them for it?—Yes.

160. They have refused?—Yes.

161. Have you come across cases where payment is requested by notes and not by cheque?—Frequently.

162. How do you handle them?—It very often does not lead us anywhere. You cannot prove anything by that. I remember a specific case where we were told that a particular hotel was always getting paid in notes. We put someone on to it and nobody could pin anything on them.

Colonel *Crosthwaite-Eyre*.

163. You, Mr. Chairman, were asking about fees. Is there any legal definition of a fee?—It is a very wide one, I think, that is the trouble.

164. What I was going to ask you is, is not it correct that you would find it impossible to define a fee for income tax purposes?—That is very nearly true. We have looked at the possibility of defining it and we could have a definition but it would, as you say, be extremely wide.

165. Whereas under the Companies Act directors' salaries and emoluments is laid down and everybody knows what is meant,

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

[Continued.]

to try and produce some similar definition for a fee would be impossible, would not it?—Very difficult, I agree.

166. I think also it would be true, as you said to the Chairman, that if you were to make up a definition which would be watertight you would catch so many transactions within that which you do not want to catch that you would destroy the very reason for making out the definition?—Yes, in the end you might be led to take very wide powers which you only wanted to exercise within the region of, say, film actors, authors, and so on.

167. Whereas if you take the wide powers you would be bound to exercise them?—Not necessarily. It depends on the terms on which you took them.

168. The definition would be so wide that it would almost cease to be a definition, would not it?—I admit all these difficulties about it; that is why it has never been done, I suppose.

169. The Chairman did ask you about various Government Departments which did not divulge the fees. Would it be fair to say that to a certain extent Government Departments did not do so because they felt the information they gave covered far more than you wanted? I am following on from my previous question?—My recollection of these negotiations is rather dim, I am afraid. I have not looked them up and I do not think they usually related to fees paid by Government Departments. Some did, of course, such as dentists, doctors and so on, but in the case of other Government Departments it was contracts or various other things rather than actual fees paid by the Department.

170. The words "fee" can cover so many instances of payment that it might sometimes be something of a confidential or personal nature which it would be wrong either for an employer or a Government Department to divulge?—I do not know the reasons why this difficulty has occurred and in fact I do not think one could generalise about them. Some Departments, if I remember, were willing to let us have the information if everybody else did and if it were made statutory and others said that their clients would be frightened and they would not get the information.

171. But it is true that at the moment you have no power and indeed no right to ask for the disclosure of any fee?—I think we have a right to ask other Departments to give us information which they are willing to render.

172. Supposing I myself were in the service of a Government Department and I received a fee, would that Department have the right to disclose that fee to you without my permission?—I think it depends on the

terms of the arrangements. I would not see anything very improper in it.

Colonel *Crosthwaite-Eyre*.] I will not pursue this.

Sir *John Mellor*.

173. But where someone is employed are not any amounts of money paid to that employee in the course of the employment available to you, if you wish to proceed sufficiently far with your enquiries, from the income tax returns of the employer?—Employments are perfectly all right, there is no trouble about them. Employments in the B.B.C. are all covered, of course. It is the casual fee which is the trouble.

174. If you wished to pursue the matter sufficiently far would not you find shown in the accounts of the employer also fees which had been paid, because after all that is part of the expenses which would be deducted before arriving at the taxable profit?—You would not find them in enough detail.

175. It is not in the return in the first instance, but if you wished to ask for that return to be justified by further details would not you discover all the information you could want about the payments made by that employer by way of fee or salary?—We were advised that we have not got the right to require these things to be disclosed in detail.

176. You have not?—No.

Colonel *Crosthwaite-Eyre*.

177. Not if they are passed by the accountants, I think I am right in saying?—We have legislation which covers commissions, which are very near to these payments, but for the reasons which have been brought out in the examination this payment of fees has always appeared, presumably, too difficult to cover.

178. In the case of the Ministry of Agriculture I forget for the moment whether you said they were willing or not very willing?—I was not saying they were willing or unwilling. I was giving them as an example of the sort of Department which might have the information we wanted.

179. In the ordinary course of events is not it considered not proper for one Government Department which receives information for a particular reason to disclose it to another for an entirely different purpose? For instance, you would not dream for a moment, of disclosing to another Government Department any information which your Department received?—No, we maintain our confidentiality, and if Departments take the line that their information is confidential I agree we should not press the matter.

D 3

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

[Continued.]

Mr. *Blenkinsop*.

180. But if you agree that in fact there is no clear dividing line between fees and other emoluments, would you not agree that there is no very good reason why, at any rate, a particular part of what may be paid out in fees should not be disclosed to you?—In principle we think it is perfectly reasonable that fees which are paid without deduction of tax should be disclosed to us but it is the Parliamentary machinery which is the difficulty.

181. Have any proposals recently been made with regard to legislation?—By whom?

182. By yourselves?—We have considered it from time to time but it is a matter of policy on the part of Ministers whether they decide to include in the Finance Bill something of this sort.

183. Have you made any fresh representations to employing bodies recently on this matter to urge them to disclose voluntarily?—We have a number of special arrangements with some of the classes concerned, particularly in the theatrical and film profession. We would like more information and we have endeavoured to extend the ambit of our sources of information but we have so far failed.

184. It is my information that you have secured rather more support from educational bodies, universities and other bodies who are in the habit of paying fees of this sort, and who now do give you the full information you ask for which they previously had not done. Do you know whether that is true?—I was not aware of that.

185. Do you think you could provide for us some further information? I think it is a matter of some interest to the Committee in that there does appear to be a field here which to some extent is disclosed to you and to some extent is not. I think it might help the Committee to know what the sort of proper grounds of action are if you could give us some further information as to the attitude of Government Departments and other bodies, for that matter?—That does put me in a difficulty. It means that every time we negotiate with somebody we have got to inform on them if they do not agree with us. It really is very awkward and I would feel it extraordinarily difficult, unless, of course, the Committee order me to do so, to give details of our negotiations with Government Departments and other bodies. I admit that there is a gap in the law here. The privilege of paying fees without deduction of tax should in principle involve a liability to declare them, if only we could define the field. I do not think it is a Government Department field; the real trouble in these cases is mainly in the

entertainment field. You will recall the cases of bankruptcy where, for one reason or another, owing to the slowness of our procedure and the number of addresses at which they live, the pressure of law has not caught up with people in the theatrical world until they have spent all the money they have earned in their heyday until in their declining years we make them bankrupt, which is not very pleasant for anybody. But there is the gap, but I do suggest to you, Sir, that there is really nothing more that could fairly be demanded of us on this. It is a question of policy, do you want to take powers or do you want to suggest that legislation should be taken in very wide terms covering fees as a whole—it is possible, I think, though very difficult to do so—with the knowledge that we must either have power only to impose that obligation on a limited number of professions which are of particular interest to us in this connection or that the business world and the general public are going to have a vast amount of work quite unnecessarily thrust upon them and a vast amount of work thrust upon us which we do not want either. That is really the dilemma. I do not believe any information would help you much and I suggest it would put us in a very difficult position with those people who have been good enough to help us.

186. Would not you agree that this leaves the position in an extraordinarily unfair state, perhaps, where you get the information voluntary provided by some bodies and not by others?—I agree.

187. With the result, which you cannot judge at all accurately, that some people are properly brought into the net and some people are left out altogether; and all that I am anxious to find out is whether there is any reasonable excuse put forward by those bodies, and I am not necessarily picking out the Government Departments as such, but those bodies who refuse to provide information, which they have a right to do, as against those organisations that we know who do provide you with information?—The organisations that do provide it have provided it with good will through a long association with friendly inspectors of taxes, and the others who do not provide it are perfectly within their rights. They say: "This will be a great nuisance to us and you cannot force us to. We do not like you particularly", or whatever it is, "and we are not going to give it to you".

188. I must say on this basis it is perhaps not so much information which we want, but it does seem to me to disclose a quite extraordinary situation and one which ought to be further considered?—I can assure you, Sir, it is constantly under consideration. The dilemma remains.

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G. ·

[Continued.]

Mr. *Blenkinsop*.] It is a matter we on this Committee ought to consider among ourselves very much more thoroughly and I hope there will be an opportunity so to do.

Sir *John Mellor*.

189. I am not quite clear about the extent of the gap in the law to which you refer. In the case of directors their fees are taxed at source and they are treated as self-employed persons. I have never quite understood the reason for that, but there it is. Why is it that, in the case of the fees earned by theatrical people, and so on, they are not at any rate liable in the same way to be taxed at source?—No.

190. How does that arise under the law as it stands?—It would require legislation to apply P.A.Y.E. to the acting profession.

191. You mean it is specially by existing legislation, in the case of directors, that they have been made subject to taxation on their fees at source?—I imagine the law covers them as an employment.

192. Is that limited to directors? What I wanted to get at is, how far does this gap extend? We have the case of directors whose fees are taxed at source. Are there any other fees which are taxed at source?—Not the fees of which I am speaking. *Ex hypothesi* these are not taxable at source. The recipients are not employees and are assessed under Schedule D.

193. I wanted to know what fees you are dealing with, how far these fees are not taxable at source and to what extent they are not taxable at source?—These are payments for services, that is the only definition I can give you.

Colonel *Crosthwaite-Eyre*.

194. Is it not true that it is really any irregular payment made at irregular intervals that does not come under P.A.Y.E. in the sense of regular employment or under the Companies Act so far as directors' emoluments and salaries go?—That I think is broadly correct, yes.

Sir *John Mellor*.

195. You are referring, then, to casual payments, really?—Yes, it is payment, for example, to a solicitor or to an architect for services.

Colonel *Crosthwaite-Eyre*.

196. Or a golf professional?—These particular payments to theatrical artists, variety artists, and radio artists all fall into this category. It is the entertainment field which is the real difficulty.

197. But where actors are paid a salary then, of course, it would be subject to P.A.Y.E.?—Then it would be subject to P.A.Y.E.

20216

Chairman.

198. I will not press you to answer this question, but have not you been rather unhappy in this cross-examination on this particular point?—Not at all, Sir. I administer the law. You are probing what should be the law.

Mr. *Blenkinsop*.

199. I see from paragraph 20, of course, that there is a very striking increase in the number of cases and, of course, a striking increase in the total charges raised. I take it that these are cases to some extent thrown up by the right you now have under the 1951 Act to obtain information about bank interest? Even though they are not directly bank interest cases they are cases thrown up by this information?—These are mainly bank interest cases. The vast increase is certainly nearly all due to the bank interest cases.

200. I take it I am right in assuming that it is not merely the information about the bank interest itself which is valuable to you here but that this gives you a lead in many cases into other interesting cases of great variety?—Yes, it has been extremely helpful to us.

Chairman.

201. The second and third lines of paragraph 21 give a list of organisations involved. It excludes industrial and provident societies, does not it?—Yes, industrial and provident societies were effectively covered until 1952 by the legal provision which required them to return all their loan interest in excess of £5. The limit on share interest was £200 at that time. In 1952 the maximum shareholding was raised to £500 and it became just a possibility that there might be interest on loan plus shareholding in excess of £15 which was not notified to us.

202. Have you estimated how much revenue that would involve?—I have no idea what it would involve. We considered whether some new provision should be taken as a matter of tidiness but we did not regard it as of any importance.

203. I see from paragraph 22 that some 330,000 cases of under-assessment and non-assessment came to light. These are mainly small incomes, I presume. How many of these people are likely not to have received an income tax form, in other words, to what extent is it likely to be the Department's failure?—I could not guess at that, Sir.

204. Do all people subject to P.A.Y.E. and people who fill in income tax forms have to make any declaration as to their untaxed income?—The forms all mention savings bank interest.

205. There is a mention of that?—All forms mention that.

D 4

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

[Continued.]

Mr. Blenkinsop.

206. Can you give us any information as to the extent to which you are now concerning yourself with perhaps some of the larger bank accounts as against your concentration at first on Post Office Savings Bank returns?—You mean the returns that we receive from the banks comparable with the ones we receive from the Post Office?

207. Yes, I was just wondering whether you could say whether you are devoting, perhaps, more of your attention than you originally did to the Joint Stock Banks returns as against your original concentration—check me if I am wrong—on the Post Office Savings Bank's returns?—No, I think they have all been examined concurrently as they have come in.

208. I got the impression rather that at first you were giving your first attention to the Post Office Savings Bank. Is that not right?—That is not within my knowledge. I do not think so. It may be the way it is worded but I do not think it means a thing. All these returns have been coming into the tax offices and they have all been dealt with as one matter.

209. So there is no question of your taking one lot in front of another?—I do not think so at all.

210. Now, how far back do you go in trying to secure payment of arrears, and have you any sort of general understanding that you do not go back beyond a certain date?—It depends on the circumstances. If there is fraud we would hold ourselves entitled to go back beyond the six years but I think the vast majority of the Savings Bank cases have just been dealt with by restitution over six years.

211. Would you agree there have been a good number of complaints involving quite small investments where it has been alleged that you have gone back even as far as 1922, and what sort of attitude do you generally take to cases of that sort?—I should suspect a complainant of that sort very strongly.

212. There is, as far as you are concerned, we know, no statutory bar, but you do not apply any particular period of time?—As a matter of policy we have dealt with these small cases expeditiously and with as much reason and fairness as we can to get them off the books because there is no real malice in them. I do not think they will have been bitten at all unfairly. If there are any cases where we have gone back as far as 1922, as I say, I should think there must have been something pretty seriously wrong.

213. Is it your expectation in future to use this invaluable power to proceed not automatically with every case that comes before you but really to approach cases where there is some expectation that there

may be some improper completion of forms?—Are you suggesting a policy for me or are you asking me what is my policy?

214. I am just asking you?—I would prefer not to tie myself on policy for the future.

215. Would it be fair to ask you in view of the pressure that there has been on your staff in regard to this work which has been, I think, very successful, that in future it might be desirable—shall I put it no higher than that—not to undertake an examination of every case but only of those in which you thought there was some possibility of securing a result?—I could not answer that question. It depends on how the machinery is worked and as long as there is one case in four where interest has not been declared I think we should pursue them and oblige the people to pay in fairness to other taxpayers.

216. I can take it that the main pressure of this work on your staff, will, in any case, presumably be slackening off over the next two or three years?—It must necessarily slacken off on the Post Office side once we have examined this big corpus of arrears. We shall not require the Post Office to declare more than their new cases coming up, I imagine.

217. And gradually you will be overcoming the backlog of other cases too, presumably?—We shall be overcoming the backlog, yes.

218. You agree, presumably, this has not only been of value in cases so far as the actual interest on accounts is concerned but as far as concerns information in other cases you have been able to follow up too?—It has been immensely valuable in bringing to light real fraud, not only a carelessness about declaring small interest for income tax.

Chairman.

219. In fact it has brought into question the capital itself in many cases?—That is so, it has disclosed capital wealth which has got to be explained.

Sir John Mellor.

220. I did not quite follow this: I think Mr. Blenkinsop said you were not barred by statute from going back over any length of time, and I think you assented to that. I was under the impression you could go back six years and no more?—I said we could go back six years in the ordinary case. I do not think we are barred where there is fraud.

Chairman.

221. May we now take paragraphs 23 to 26, Building Societies. How much tax is involved in the arrangements with building societies, Sir Eric?—The total income tax for 1952-53, as we have provisionally estimated it, is £13½ million.

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

[Continued.]

222. How many taxpayers are involved?—The number of investors in building societies is about 3.1 million, I think.

223. It is not a very large sum then for each investor?—Very small.

224. Do you make a new investigation of the statistics every year?—No, that is not really possible. We make this investigation every four years. It is a great deal of work and a great deal of trouble not only to us and the building societies but to the public to whom we address our inquiries.

225. Does the figure fixed last for four years or do you argue with the building society yearly as to the amount?—The composite rate, of course, is fixed every year.

226. How do you know, for example, that the lists that the building society supply you with are an accurate sample?—They return to us all investors of £1,000 or more and a 5 per cent. sample of investors with less than £1,000. We are satisfied that it is a fair sample and that the sample is large enough to give proper statistical results.

227. You are quite satisfied with the method of sampling?—I am informed so by our statistical branch.

228. After you have got your sample and calculated your tax rate then certain adjustments are made, are they not, which are subject to negotiation between you and the building society?—There are perhaps four categories of argument which go on about the average rate which is arrived at by our investigation.

229. You arrive, first of all, at a figure by your statistical information?—Yes.

230. And your latest agreement compound rate is 5s. 2d.?—Yes, for 1952-53.

231. What was the amount of the rate arrived at by the statistical investigation?—I am afraid I have not got that here. My recollection is that it was somewhere about the mean of 6d. either way; we were arguing for 5s. 8d. and they were arguing for 6d. less than the rate finally arrived at.

232. Why do you not take the statistical rate, why do you bargain subsequently?—It would be very nice for everybody if one could get a reliable statistical rate but one cannot because there are a great number of individuals, I think 13 per cent. in the last investigation, who appear on the lists about whom we could not get particulars, so that there is this unknown element in the list of cases covered by the investigation. The building societies say: "Well, obviously these are chaps who have no income tax liability, that is why you cannot find them," and we say it is not only the case that we cannot find them, some of them do not reply and some of them change their ad-

resses and some of the forms may have got lost in the tax offices. There are all sorts of causes and it is anybody's guess who is right in this.

233. Thirteen per cent.; it is rather a high figure. If you cannot find them how is it the building societies find them?—We find them on their list. We cannot find them as taxpayers.

234. I take it the list goes to your local tax offices?—The list goes to the local tax offices, then we have to find these taxpayers, and a lot of them we cannot find as taxpayers, and if you correspond with them they do not reply. I regret to say that this is an uncongenial task and a certain number of forms seem to disappear. We cannot get nearer than this and I do not think we ever shall.

235. On paragraph 27 I believe the building societies claim that they are entitled to a reduction because it helps you as an income tax collecting organisation to collect your tax and therefore they are entitled to share in what they save you. Is that a correct interpretation of their claim?—Yes, we have received over a number of years, of course, all sorts of claims by the building societies with reasons why our figure is too large and why it should be abated. There is a good deal of horse-dealing which goes on on this over the last penny or two. The building societies claim that there are two counts which should be included as a credit to them; they are savings which we make because we do not have to repay to a large number of small taxpayers tax which would have been deducted by the society, and similarly with roundings. I think it is fair to say that while this arrangement was based on an extra-statutory concession we could not say that that claim was out of court. Nothing really was out of court. We never explicitly conceded it. I think it had some effect on the negotiation because it made us, perhaps, not press something quite so hard on the other side, but it is very difficult to evaluate this thing. It was carried on for many years and was claimed again after the statutory arrangement. Everybody was familiar with it and nobody challenged it until the Comptroller and Auditor General spotted it and raised a query on it; and I must admit that there is not much equity in this claim.

236. None at all, I should have thought?—I do not see any, I agree, and since the point has been made to us we have been to our solicitor and he advises us that the grounds on which the societies put forward this claim cannot be maintained under the relevant paragraph. So we shall inform the building societies that the claim must be left out next time.

237. Are you satisfied that you do through all this negotiation and horse-dealing, or whatever you call it, arrive at

the amount of the tax which, but for this arrangement, you would have been entitled to?—I think within a penny or two either way, as far as one can say in a matter which is finally a matter of opinion. A penny at the present time means £100,000 and we might be that much out either way. But by and large, of course, taking into account the savings, the immense amount of work that the building societies save, the immense amount of work that we save, it obviously pays both of us hand over fist.

Chairman.] Now, paragraph 27. I have no questions.

Mr. David Jones.

238. I should like to ask one or two questions on paragraphs 27 and 28. How many international organisations enjoy this exemption, can you tell us?—We are not a principal Department and our only concern, I am afraid, is to implement what has been agreed by some other Department, either with or without the proper legislative sanction.

239. So you would not know how many bodies you have agreed with?—I know of three but there may be others. I have only got three on my brief, that is all I know. (*Sir Frank Tribe.*) There are at least ten, I think. (*Sir Eric Bamford.*) I do not know.

240. Do you know of any who have applied for it and not had it granted to them?—I know of one case where we have argued very hotly that United Kingdom nationals should not get it. (*Sir Frank Tribe.*) I might say that the Universal Postal Union applied for it and actually had a Draft Order in Council laid in July, 1950, but it was withdrawn in October, 1950, following strong criticism in both Houses. The view was that this organisation had been in existence for 75 years without having had this privilege, and why should they suddenly have it after all that time.

241. Does the U.P.U. get it now in spite of that decision?—No, the House turned it down.

242. So, they do not get it?—(*Sir Eric Bamford.*) I believe not.

243. Are there any cases where exemption had been granted before the Order in Council had been made?—I think, as the Comptroller and Auditor General says, that has been the case. We are not the principal Department, and we are not responsible for the general policy.

244. I agree you are not responsible for the policy, but you carry it out?—That is what I was going to say, that we carry out the policy. When the principal Department has employed people on terms which are based on tax-free arrangements we, after making all the necessary representations, as part of the Government

which has committed itself are forced to implement the arrangement since otherwise there would be bad faith. We are very reluctant to make these arrangements but we do not see what else we can do.

245. That would apply to cases, would not it, where they cannot get it at all? What I am asking about is whether there are any cases where tax exemption had been granted prior to an Order in Council being made?—There are several cases of that.

246. Why was this done?—Because the relevant Department failed to lay the Order and the organisation was in being and had employees who had been promised exemption.

247. Am I to understand from that that it is the custom of Government Departments to make promises of this kind in advance of Parliamentary sanction and then the Inland Revenue has to carry out the promises of the Department?—I am not the responsible Department.

248. Who authorised the granting of tax exemption to N.A.T.O. officials before the necessary Order in Council was made?—I am not quite sure who is responsible for N.A.T.O. It established its first headquarters and started to employ staff in London as from 1st July, 1951, and the formal agreement was not signed until 20th September, 1951. I imagine that comes under the Foreign Office but I am not perfectly sure.

249. I would not know. So, it is fact that the N.A.T.O. officials were granted tax exemptions before the Order was laid?—That is so. (*Sir Frank Tribe.*) The Order has not yet been laid.

Colonel Crosthwaite-Eyre.

250. After two years?—(*Sir Eric Bamford.*) It was a formal agreement which should have been—

Mr. David Jones.

251. Which required an Order?—Which required an Order to be laid later. That is the thing which was signed on September, 1951, but the Parliamentary Order has not yet been laid. I think the Foreign Office have apologised in both Houses of Parliament for the delay in laying these Orders.

252. Do you know of any other cases where the necessary Orders have not been made?—I think the O.E.E.C. is another case. The Order in Council did not come into operation until 13th October, 1949, and was not retrospective but an agreement was made before the date of that Order and that provided that a few people should be exempt from tax; and after strong representations by the Foreign Office we implemented that arrangement as in other cases.

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

[Continued.]

253. I do not know whether you can or whether you would care to answer the next question, but I am going to ask it: what would happen in the case of the N.A.T.O. officials if Parliament were to refuse to sanction the Order in Council?—Can I wait and see, Sir?

254. May I ask the Treasury: have you any views about this?—(Mr. *Goldman*.) We have no views other than those which have already been expressed. I think generally we are anxious (a) that these concessions should be limited within the narrowest confines and (b) that any concessions of this kind should be covered by statutory authority without delay.

Colonel Crosthwaite-Eyre.

255. I am not clear on this. What power have you, Sir Eric, and under what legislation, to waive your responsibilities for collecting tax?—We have none.

256. Then how is it that, just because one Government Department is dealing with another on some arrangement which has no statutory basis, you found yourself able to waive the collection of tax?—We just do it because it is common sense.

257. Supposing a private employer did this, you would just lift your eyebrows and collect the tax?—We are part of the Government.

258. How does it happen that a Government Department is in this privileged position?—We are part of the Government and there is something which is called vaguely the dispensing power.

259. I wanted to ask you about that in a moment. You have no legal right whatever to do this?—No legal right at all.

260. Do you consult the Treasury before you do this?—We might or we might not. We would not normally consult the Treasury but if there were a case setting a policy it would go to the Chancellor, naturally.

261. Here you have got a case, as the previous questioner has just said, where for two years people have been receiving, as I understand it, at your entire discretion tax-free emoluments without any statutory authority?—Yes.

262. But you are satisfied that the Inland Revenue have power to do it?—We are satisfied that we could do it.

263. No, may I ask you the question, have you the power to do it?—Well, we do it.

264. May I repeat my question—?—There is not any power; there is no legal power for something which is extra-statutory.

265. I want to ask you now: you said you might be able to cover this by the dispensing power?—That is what is called the dispensing power, which I think means that you do not obey the law.

266. Is it entirely in your own hands?—Subject to reporting to Parliament and this Committee.

267. You can in fact dispense any of these taxes without reference to anybody except this Committee?—We do not, of course.

268. Well, you just have for two years?—We only do it in a handful of small cases like this, where it would make a nonsense of our international position if we did not.

269. When you say it would make a nonsense, surely it is much more important to tell the sponsoring department not to make a nonsense of your position?—Well, we have told them that for two years. This really is a very difficult thing to persecute us on because we have made the strongest representations about this matter and we dislike it just as much as anybody else does.

270. I hope you do not think I am persecuting you, but I am finding as an accountant of public money that this is a most difficult position where apparently any sponsoring public Department can leave you in the impossible position of either repudiating the arrangement of the sponsoring Department or disregarding the provisions of the law with no power for doing so except some vague dispensation. Is that a fair statement?—I should like to look at it before I answer.

271. And this may go on at any length and you have no power to bring the sponsoring Department to heel?—We have no power to order any Department to do anything. We could, of course, withdraw from this business. We could withdraw the exemption and force action, I suppose.

272. But theoretically these officials of N.A.T.O. could go on receiving tax-free emoluments without any permission from Parliament indefinitely?—They have gone to Paris and there is hardly anybody now under this thing. However, I agree in point of principle it does not matter whether it is 3 or 300.

Colonel Crosthwaite-Eyre.] I would remind you of the Judges' Salaries Bill which a great many people in this House took considerable exception to. It raises the same point from another side of the tax-free income.

Sir John Mellor.] Might I just interrupt for a moment to ask the Chairman if it would not be proper to have the Foreign Office here at some time to explain this?

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

[Continued.]

As Colonel Crosthwaite-Eyre has said, Sir Eric is in the impossible position of either repudiating the agreement made by another Department or else breaking the law. As the other Department are the Foreign Office I think they should come here and explain why they put this pressure on Sir Eric.

Chairman.

273. Is it always the Foreign Office?—(Sir Frank Tribe.) There is the World Health Organisation with which the Ministry of Health are concerned.

Mr. David Jones.

274. Could I extend what Sir John has just said? Let us have all the officials of all the Departments who have done this with Sir Eric, too?—(Sir Eric Bamford.) Oh, no, leave me out, please.

Chairman.] That is rather a tall order.

Colonel Crosthwaite-Eyre.] I think it is a most dangerous precedent if this can in fact occur.

Chairman.] On this point there is no reason, if either Sir John or Colonel Crosthwaite-Eyre wish to cross-examine the Foreign Office when they are here on this point, why it should not be raised? If you would like it, I will see that it is on the Agenda.

Sir John Mellor.] Thank you.

Colonel Crosthwaite-Eyre.] Could we ask Sir Frank to let us have the complete list of the people with the amount involved and the numbers involved and the range of the time involved?

Mr. David Jones.] And the Departments concerned.

Colonel Crosthwaite-Eyre.] And the Departments concerned.

Chairman.

275. I think we had better see where this is landing us. How many Departments, Sir Eric, have delayed in getting statutory powers?—(Sir Eric Bamford.) The only cases I know, I am afraid, are the three cases of N.A.T.O., International Wheat Council and O.E.E.C.

Chairman.

276. Which are the Departments concerned in those?—I think the Foreign Office and the Ministry of Food are the two Departments concerned there. I can check that up and let Sir Frank know.

Chairman.] We will have this information and we can consider what to do with it when we get it.

Colonel Crosthwaite-Eyre.] I am perfectly satisfied.

Chairman.

277. You will let Sir Frank have the information?—I will; not as a Paper for the Committee?

278. No?—Just as a letter?

279. Yes, and soon if you can, because we are discussing our programme?—Yes, I will produce that straight away.*

Chairman.] Will Members turn to page 8, the Accounts. I have no questions on the Accounts.

Mr. Blenkinsop.

280. On page 9 of the Accounts on Salaries, &c., the Valuation Office, there is a fairly considerable saving here on salaries which you explain at the foot of the figures on page 9 as "Due mainly to the number of accounts for revaluation of special properties received in the year being less than was expected" to the extent of over £1 million. That was a saving on, I believe, a total expected expenditure of £1½ million, is that right, so that you only spent in fact something like £500,000 as against the expected £1½ million?—That is about it, I think.

281. Was this due to the change in valuation policy?—I think almost entirely to the decision to postpone the valuation. The firms that were doing these special valuations obviously did not want to produce out-of-date valuations so postponed the work and postponed putting in fees as long as they could.

282. So it was postponed because it would provide useless information?—Not useless, but it would be obviously much better if it were nearer up-to-date at the time.

283. Is it the position that the work is now going forward? Are you expecting a further considerable diversion from your estimate figures in the succeeding year or not?—These special valuations are being made both for the purposes of the valuation list, the revaluation, and there is some work being done on the current list. So, that expenditure will go on year by year until the job is completed.

284. Before the Act was passed providing the new basis for valuation was some of this work being done in anticipation of the Act being passed?—Are you referring to the new Act which changed the basis of the 1948 valuation?

285. Yes?—That is entirely different from these special valuations by outside people. Some work was being done inside the Department when the first attempt to produce valuations on the 1948 Act basis for house

* Appendix 5.

17 December, 1953.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G.

(Continued.)

property had produced a rather chaotic result. Work was continued by the staff available on the basis of 1939 rentals which would have been needed in any event whatever Parliament determined. This was to a large extent exploratory to see what would work and produce a fair valuation.

286. So that the work now is going forward?—The work is going forward now as expected.

287. Have you any special difficulties in recruiting staff for this work?—Valuers are a scarce commodity but we can get enough people to carry on as things are.

288. You would not say you had had any special difficulty with this special type of valuation work?—No, we have had a run-down, you see, on the other side of the office, the ordinary valuation staff, so that we are in a much better position on the rating side now.

289. You do not think staff problems are holding up your work in this field at all?—No, we are not out of the wood, there are difficult areas, but in general, apart from these areas where it may perhaps be touch and go, very difficult urban areas, over the country as a whole, the work is going quite speedily.

The witnesses withdrew.

Adjourned till Tuesday, 2nd February, 1954, at 4 p.m.

TUESDAY, 2ND FEBRUARY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosswaite-Eyre.
Mr. Hoy.

Mr. David Jones
Sir John Mellor.
Mr. Oliver.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1952-53.

VOTE 3.

POST OFFICE.

Sir ALEXANDER LITTLE, K.C.B., [Director-General], Dr. W. G. RADLEY, Kt., C.B.E., Engineer in Chief, Mr. K. ANDERSON, C.B.E., Comptroller and Accountant General, and Mr. L. D. HARKESS, Director of Contracts, Post Office, called in and examined.

Chairman.

290. Will Members please turn to the Revenue Department's Appropriation Accounts, to page ix, paragraphs 29 to 33 of the Comptroller and Auditor General's Report? Sir Alexander, on this question of your bulk agreements with the manufacturers of various equipment, why is this non-competitive basis adopted for tendering?—(Sir Alexander Little.) The bulk agreements, Sir, have got a long history behind them and there are several reasons why we went in for bulk agreements. The first approach to a bulk supply agreement goes as far back as 1923 and then it was a matter of getting together with the telephone manufacturers in this country because we wanted

the advantages of standardisation. If you are to have an efficient and cheaply maintained telephone service standardisation is very desirable and that was the origin of the first move towards a bulk supply agreement. Then, later on, another reason came in with regard to subscribers' apparatus. There we were faced with a ring. That is the long and the short of that one. It also, of course, had the advantages of standardisation in that field, too. Then, finally, in the matter of the cable agreement which we went in for, there it was rather a matter of rationalising supply. There were too many firms engaged in the business at that time and we came to an agreement with them that there should be

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,

[Continued.

Dr. W. G. RADLEY, (Kt., C.B.E.), Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

a certain amount of rationalisation on their side and that we on our side would give them steady orders. I think that covers the reasons for the starting of the bulk supply agreements.

291. How much equipment did you purchase under these agreements in the current year, 1952-53?—About £31 million.

292. What is the usual number of manufacturers involved in the production?—Well, they differ, Sir in the different agreements. In the exchange equipment agreement there are five; there are three more in the telephone subscribers' apparatus agreement; there are five in the battery agreement, seven in the cable agreement and four in the loading coils agreement; and then in the telephone cord agreements which were terminated in December, 1952, there were eight.

293. What is the total number of manufacturers? I do not want the total of the figures you have given me because there may be duplicates there. I want the total number of firms you are concerned with. You can give me that later?—Yes.*

294. How far do these agreements preclude you from purchasing elsewhere, if any do?—Of course the main purpose of the agreement is that we should not purchase elsewhere, but we have escape clauses which allow us to purchase elsewhere under certain conditions. The first is that if the manufacturers are not able to meet our delivery date we can go anywhere we please. Then, if an idea comes out which embodies some new principle or method of working, we can go outside the agreement. Then, finally, if we want to encourage export we can give an order outside the agreement.

295. So that, so far as price is concerned, you are tied to this group of manufacturers?—So far as price is concerned, yes.

296. I see the Comptroller and Auditor General says that the manufacturers allocate orders among themselves. On what basis?—They simply fix it up among themselves. We think, generally speaking, it is on the basis of capacity and, of course, there is a kind of understanding among themselves as to what percentage of orders shall go to the different manufacturers.

297. Did you buy anything from independent firms last year?—I think I am right in saying that we have not. (Mr. Harkess.) Last year we bought some from independents under the telephone cord agreement which has since been determined.

* Note by Witness: There are in all sixteen firms.

(Sir Alexander Little.) Mr. Chairman, perhaps you would allow me to go back on one of my earlier answers there when you asked to what extent we bought outside the agreement. I omitted there a very important point, that we have in certain agreements put aside a percentage of orders which shall be allotted outside the agreement; and in the case of the telephone cord agreement I think that it was up to 22½ per cent. (Mr. Harkess.) Yes, 22½ per cent. (Sir Alexander Little.) It was up to 22½ per cent. before that agreement was terminated.

298. So by your agreement you are bound as to 78 per cent. to this group?—To the bulk supply firms.

299. Supposing you are dissatisfied with the price?—Well, I think the short answer to that, Sir, is that we are not dissatisfied with the price; that we are able by a process of hard bargaining, and based on cost investigation, to arrive at what we regard as a reasonably satisfactory price.

300. Now with regard to cost investigation, what is your basis? Presumably you can only take the most efficient firm in the ring as your cost basis?—Well, we depart from that to a certain extent. We certainly take the most efficient firm and we also take representative firms and indeed we are always extending the sphere of cost investigation; and in some of the agreements which we are in process of negotiating at present I may say that we cover the whole field, practically. (Mr. Harkess.) In the recent cable agreement, Sir, we have costed five out of the seven firms who are parties to that agreement.

301. The Comptroller and Auditor General's paragraph 30 says that you normally cost two production methods for each item of supply?—(Sir Alexander Little.) Yes, at one time we did, but I would like to bring this out, that this business of cost investigation is a continually developing process and I regard it as a success on our part that we have been able to extend our cost investigation as far as we have done.

302. Have you the right under your agreement to cost any firm for any item?—(Mr. Harkess.) Yes, Sir.

303. If you are not allowed to buy outside how do you know that even the most efficient firm of your group is really efficient?—(Sir Alexander Little.) If I may, I would like Dr. Radley to give the answer. (Dr. Radley.) I am sorry, I did not catch the last part of your question?

304. If you are not allowed to buy outside, how do you know that the most efficient firm which presumably is your standard is really efficient?—Well, Sir, first of

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

[Continued.]

all we rely on our technical costing group which reports on the process of production in force at the firms from which we are buying. That group we can regard as effective in that it includes five members who are professionally qualified—members of the Institute of Production Engineers—and seven who had extensive industrial experience before they entered the costing group. That group also visits a large number of factories making other equipment which is purchased by the Post Office, which comes outside the bulk supply agreements, and it becomes generally conversant with up-to-date production processes.

305. When did you last buy Post Office equipment from abroad?—We have bought odd items but never anything substantial for quite a long time.

306. I remember, going back many years on the Public Accounts Committee when Sir Henry Bunbury was in your place, Sir Alexander, that that question was asked by the then Chairman, Sir Arthur Michael Samuel, and Sir Henry replied that he had bought a considerable consignment of telephone cord abroad to the great advantage of the British manufacturers?—(Sir Alexander Little.) I am afraid this goes back beyond our experience.

307. Sir Henry explained that the advantage the British manufacturers got out of the foreign purchases was that they got such a shock that they set their house in order and started to make their cable efficiently. Have you checked on foreign prices as compared with ours?—(Dr. Radley.) When we first started purchasing automatic exchange equipment, Sir, which was in the pre-war years of the exchange equipment agreement, we did ascertain the prices which were being paid by the Continental administrations for similar equipment. We have endeavoured to make some corresponding price check since the war, but the results have not been really worth while because there are so many imponderables that make any price comparison between this Country and European manufacturers not very worth while.

308. What about cable?—We have some comparison on cable prices and we do know that a German manufacturer is substantially cheaper in some forms than ours, but we do not really know the reason. On a strict calculation of the first cost of the materials, and so on, going into the cable we are quite satisfied that there is not an unreasonable margin of profit with our own prices.

Chairman.] I am not concerned so much with the margin of profit as with the basic percentage cost. You say that on certain cables German manufacturers can beat the prices that you are paying?

Mr. Hoy.

309. "Is substantially cheaper" were the words you used?—Effectively, yes.

Chairman.

310. Yes. Do you investigate the methods of the German manufacturer to see why they are not applied in England?—No, Sir, the manufacturing methods used in Germany and elsewhere are basically the same as used in this country.

311. What is it, wages?—Well, one is led to the conclusion that it is either wages or hidden subsidies. (Sir Alexander Little.) If I might suggest it, Sir, I think we could claim that our own process administered very considerable shocks to our manufacturers. Many of them, you know, produce items under this agreement at very considerable loss to themselves and in the subscribers' agreement, if I might just cite this fact, if we take the 16 items in which direct comparison is possible between the 1947 and the 1951 costs, the higher cost producer of 1947 became the lower cost producer in 1951 in three cases.

312. Sir Alexander, it is not a question of the relative cost and the relative efficiency of your group?—I follow that, Sir.

313. When you have a group like this to which you are tied what is really important is the absolute efficiency of whatever firm you take as a standard?—Yes, I recognise that, and I agree with you, Sir, that this does not cover your point entirely, but with our knowledge of the technical processes and the aptitude of our best manufacturers we have some very considerable grounds for believing that they are efficient on those grounds and would stand comparison with their competitors almost anywhere.

314. I do not know whether you have read the Report of the Monopolies Commission on cable and telephone production? Do you realise that they found in the home trade that some firms were making 23.9 per cent. on their sales price and 44.9 per cent. on their capital involved, and that is on home sales, of which you are a very large component?—Yes, but I do not think those figures would apply to our field, and I would like to say we had a great deal to do with the Monopolies Commission and Mr. Harkess can speak to that. If I may, I would like to make three comments on their Report. The first was that they were not really able to suggest to the Post Office anything other than they were doing. For instance, in one agreement where we had a percentage on the side they said that they thought that we ought to increase that. We did that and the outcome of it was that that agreement was terminated and we were able

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,

[Continued.

Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

to get back on to a competitive basis. As regards telephone cables, they suggested that we should have some on the side; and with regard to switchboard cables, a small item, they suggested that we should take some steps, and the only steps that we thought they had in mind were the steps analogous to those which we were taking. The Monopolies Commission, Sir, if I may recall it, did go out of their way to say that the Post Office was an informed buyer with a highly experienced staff. In fact, we took their Report as in measured terms a commendation of the Post Office.

315. On the other hand, if you look at paragraph 31 of the Comptroller and Auditor General's Report we find in the last five lines that apparently you do not know the actual rates of profit made on Post Office orders and the firms themselves do not know because they do not keep adequate accounts?—We were regrettably unable to answer the Comptroller and Auditor General's question on that occasion, but we saw the force of what he was driving at and we have since made an attempt to get at the nearest approach to it that we could.

316. Are you in a position now to cost any firm you like on any order you like?—Yes.

317. There is no restriction whatever on costing?—There is no restriction at all on our facility for obtaining costs satisfactorily.

Mr. Oliver.

318. Did you say, Sir Alexander, in respect of your telephones that there was a monopoly?—Yes, on the telephone subscribers' apparatus, that is the telephones. There is a monopoly in the sense that we have a bulk supply agreement, but there is anything but a monopoly when the firms who are in our bulk supply agreement come to deal abroad and that, I think, is a very important point here, because of the telephone manufacturers' output in this country nearly 50 per cent.—it is actually about 48 per cent., it has been dropping in recent years—goes abroad and in that field there is the most rigorous cut-throat competition between them.

319. Are you able to check up the price they charge to their Continental customers?—I would like to say this with regard to the Commonwealth countries, the whole of them, and the Commonwealth countries are very keen buyers and range over the Continent, that they are quite happy to deal with these bulk supply agreement manufacturers of ours very much, in fact entirely, on our terms, they have so much confidence in us.

320. Do you know any country independent of the Commonwealth to whom

these supplies are made? Have you been able to check their prices with our prices or the price which they charge you?—I have not. May I ask Mr. Harkess to answer that? (Mr. Harkess.) We do know that quite a number of the eight manufacturers of telephone apparatus have penetrated into the South American market, presumably against the competition of Germans and Swedes, but we do not know precisely the price at which they have sold in that market.

321. Of course, that would be very helpful to check up a monopoly. You see, as you well know, you cannot check up a monopoly in the area in which the monopoly operates but you may be able to check up if you can get the prices they are selling their commodity at in a free market. That would be a reasonably substantial check, would it not?—(Sir Alexander Little.) Of course, very different considerations apply abroad. It is cut-throat competition and we do rest here, really, if I may repeat it, finally on our cost investigation and our belief that these manufacturers are not making more than what we regard as a very reasonable profit.

322-5. I appreciate that and I have listened to what one of your colleagues has said and I thought it was a very fair approach to the matter. One of the things I was interested in in this Report was that I wanted to ask you whether the firms tender at all. Do they submit a price for the things that you are requiring?—Perhaps Mr. Harkess could tell you the process of arriving at a price.

* * * * *

(Mr. Harkess.) Briefly, the process is that we select under our agreement a group of dominant items which represent about 80 to 90 per cent. of the total purchases to be made under the agreement and we send our cost accountants into the works, which we select from our knowledge of their efficiency, to cost those items in detail. We also put in our technical cost officers to see that those actual costs are efficient costs. They look at the processes, they look at the lay-out cards and they check one method against another and by that combination of accountancy costing and technical costing we are provided with details of the competitive costs of the firms we select. From that stage, Sir, the hard bargaining commences on the basis of our knowledge of costs of firms which we have selected ourselves, our aim being also to negotiate prices based on the most efficient manufacturers.

326. Do they themselves make a tender, do they present a figure and then you check that figure?—No, Sir, we take out the costs originally from their records.

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
[Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.]

[Continued.]

327. In other words, it is a negotiated schedule?—(Sir Alexander Little.) It is a negotiated schedule. What happens is, I think, that Mr. Harkess says: "I will pay you so much, so many pence for this item," and they hold up their hands in horror and say: "That is far too low" and the hard bargaining proceeds from that point.

328. I see. With regard to the firms you investigate, you only take two of a group, do you, according to this paragraph?—(Mr. Harkess.) That, up to the present, has been our practice, but our present aim is to extend considerably our field of investigation and we have carried that into being under the current cable agreement where on the last occasion we costed three of the seven firms and on this occasion we costed five of the seven firms, extending our knowledge of the trade as a whole.

329. The price that you commence your bargaining from is the price of the firms you have investigated? You cannot investigate them all, so some of the firms which you may not touch at all and cannot touch by your present method may well have the lower costs than those which you have investigated?—Well, on that point our technical cost officers and our accountants are in and out of the works of all these various manufacturers almost daily, so that we have a very good knowledge of their comparative efficiency; and the selection of firms for costing is made by us in the knowledge of their relative efficiency, but it is our desire to cover as wide a field of investigation as we can and for that reason we are now extending the number of firms dealt with under this agreement.

330. There is only one other point that I am interested in, and that is that none of these firms know the rate of profit that they have made. They know the rate of profit, I presume, that the company has made, that would be elementary, but they do not know how much they have touched the Post Office for?—(Sir Alexander Little.) We have addressed ourselves to the Comptroller and Auditor General's question to give him an answer to that very point. Our chief cost accountant, who really is very conversant with their accounting practices, said that none of the firms at the end of a period of agreement would be able to say just precisely what their profit was on any particular item. In fact he said that there were only perhaps two or three firms in the country whose costing was so efficient as to enable them to answer that question.

331. But the Post Office must be in some instances the major customer of some of these companies, must they not?—(Dr. Radley.) The Post Office takes up to about 50 per cent. of the output of some of the firms, but in most cases it is less than that.

The Post Office would take 50 per cent. of the output when the firm really made nothing else but telecommunication equipment. When you come to a firm like Plessey where there is a whole range of manufacture, including a vast amount of radio equipment, the Post Office only takes quite a small proportion of the total.

332. Of course I understand the difficulty in ascertaining the profit margin where you only take a small quantity of the total output but they ought to be able to give you a pretty good idea as to the profit that they are making out of the transaction, I should have thought, where your percentage is as high as 50 per cent.; but where it comes down to 5, 10 or 15 per cent., I agree, it is almost impossible?—(Mr. Harkess.) May I just add to what Dr. Radley just said on that, that though we may take in some cases up to some 50 per cent. of the firm's output, that 50 per cent. is taken under different bulk supply agreements and it is so very difficult to isolate the commercial results of one agreement as against the other. We were asked the question by the Comptroller and Auditor General if we knew the results under the telephone apparatus agreement, which is a different thing from asking us what the overall result is of a firm which is doing a large proportion of Post Office business.

Mr. Blenkinsop.

333. You told us, I think, Sir Alexander, that you terminated the telephone cords agreement that you had. Does that indicate that it is your desire to establish competitive tendering in other fields than the telephone cords?—(Sir Alexander Little.) We would always have competitive tendering if we could.

334. It is a matter of disentangling yourself from existing agreements? Is that the point?—Not entirely, and I ought to qualify my remark to this extent, that obviously where there are advantages to us of standardisation, one would not want to get into a competitive field there, but apart from that, competition, if we can have it, is what we would aim at.

335. Would it be your view that possibly you might even get lower prices, provided your detailed examination and check of a firm's accounts and production is sufficiently accurate, than you might get by competitive tendering?—(Mr. Harkess.) It all depends on the effectiveness of the competitive tendering. If it is keen competition we might get lower prices under competitive tendering than under a cost investigation. If it is not keen competition I should imagine the prices would be somewhat higher.

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,

[Continued.]

Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

Sir John Mellor.

336. I cannot quite follow why you are more likely to get standardisation by not requiring competitive tendering. I gather the principal reason is that you want to promote standardisation. The manufacturers have got to comply with your specification, have they not?—I think Dr. Radley had better take this point, if you do not mind.

337. Yes?—(Dr. Radley.) Might I speak first of all to the telephone exchange equipment agreement? As Sir Alexander mentioned earlier this afternoon, one of the primary reasons for entering into that agreement was the necessity for standardisation of the equipment. We do purchase under the exchange equipment agreement and under the subscriber's apparatus agreement about 30,000 different items. In the case of the exchange equipment they come from five firms, in the case of the subscriber's apparatus from eight. Now, our stores problem is complicated enough but it would be frankly impossible, if, for example, we could not replace the springs on a relay made, say, by Siemens by springs made by some other manufacturer. We have developed a very intimate and very useful machinery, Sir, for this technical co-ordination and standardisation, a machinery which operates as the British Telephone Technical Development Committee. All five manufacturers in the case of exchange equipment who are parties to the agreement and all eight in the case of the subscriber's apparatus agreement, are members of that Committee, and the principle is that whenever we wish to introduce any new item the task of developing that item and preparing drawings, and so on, is allocated to one of the five or the eight firms. When those drawings have been agreed by other manufacturers and approved by the Post Office all manufacturers make to the same drawings and specification. So that, directly the development is completed, all five or all eight are ready to go into manufacture at once.

338. I can well understand the use of having a Committee to agree upon the specification, but having got that agreed, why cannot you proceed to invite competitive tenders? You get your standardisation by arrangements which you have described but so far as price is concerned, cannot you then proceed to invite competitive tenders?—No, Sir, I think not, in that this machinery which we have set up and which we operate under the agreements involves each manufacturer putting into the common pool, as it were, his development effort. It would not, I submit, Sir, be fair for a development and a design which had been produced by co-operative effort between five firms and the Post Office to be handed to an outsider and the outsider asked to

make the item with all the know-how handed to him. (Sir Alexander Little.) I think, Sir, you have to delve back into history to get the real answer to your question, why do not you put your specification out to competitive tender. That would be all very nice when we had made up our minds about the system and were able to provide the specification, but in the early days, and Dr. Radley will supplement what I say here, when what we had to do was to decide what system we should go in for; and in order to settle that system we felt it best to do just what we did, that is, bring the manufacturers together. May I say that in America the manufacturing side of the business is actually a subsidiary of the operating side of the business.

339. Then the position really is—and am I putting this fairly—in order to get the best possible equipment you are dependent upon the advice of the manufacturers as to what you shall have?—We wanted to bring them together in the first instance to hammer out what was the best.

340. So the position is that, having invited a small number of large manufacturers to advise you in this way, you feel committed to placing the orders with them and not placing them outside by competitive tender?—Yes, that is a corollary of the historical development.

341. You mentioned in one case that there was a ring and in another case you mentioned that there were too many firms competing and you were anxious to secure rationalisation, and that was a reason for your policy. Could you give me a little more information as to the ring on the one hand and the too many firms competing on the other?—This is in the cable field, Sir. Mr. Harkess, I think, can deal with this better than I can. (Mr. Harkess.) Round about 1920 there were quite a number of cable firms who were banded together in association. There were one or two independents outside but the productive capacity of the industry for telephone cable was very much in excess of what the Post Office required. There was for some little time some competition between these firms but they thought the best thing was to make a proposition to the Post Office for recognition of them as an association and for some price fixing to be done. We pointed out to them that they had far too much plant for our requirement and that they would not be an efficient industry for our purpose until they closed down some of their surplus plant. As a result they formed themselves into about four different factories. As a result the prices came down very considerably; the reduction was quite great compared with what we had had before. In addition to that we had two independent firms and the prices that

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

[Continued.]

we were getting from the association and the independent firms marched very well together.

342. Thank you. There you are really concentrating upon trying to get lower prices. I mention that because it seemed from the previous answers, Sir Alexander, that you were rather concentrating upon not allowing manufacturers to get a large profit. Will you agree with me that the size of the profit the manufacturers get is really unimportant? The important thing is that you should get the equipment at the lowest reasonable prices?—(Sir Alexander Little.) Not entirely that we should get them at the lowest prices, what we want is a reliable article, and we feel that a reliable article is to be had if the manufacturer is making a reasonable profit.

343. Yes, I agree, quality, of course, is of first importance, but would you agree with me that whether the manufacturer makes a large profit or a small one is not really very important to you provided you are getting the quality at the right price?—True, Sir, but our estimate of the price, in a way, is to some extent tied up with the profit. I am quite sure that if we were not able to satisfy this Committee that the profits were reasonable, the Committee would criticise us and, I think, rightly. (Mr. Harkess.) May I add, Sir, that in our cost investigation that is our prime object, to get the actual costs of manufacture down. The profit comes later and we expect to keep that as low as possible, but our whole system is based on encouraging the manufacturers to improve their efficiency and in the hard bargaining that is taken account of.

Colonel Crosthwaite-Eyre.

344. When, Sir Alexander, developments and modifications are made resulting in patents, do the patents belong to the Post Office or to the manufacturer?—(Sir Alexander Little.) It depends. (Dr. Radley.) Manufacturers' patents are pooled in so far as manufacture for the Post Office is concerned.

345. By any tenderer to the Post Office?—Who is party to the agreement.

Chairman.] May we take paragraphs 34 to 36 of the Comptroller and Auditor General's Report? I have no questions.

Sir John Mellor.

346-7. Sir Alexander, can you explain how these very large frauds with regard to money orders were worked?—(Sir Alexander Little.) Yes, but I think Mr. Anderson could probably do it better.

* * * * *

(Mr. Anderson.) The story about how this was worked is really quite simple. When a money order is issued at an office the office not only gives the top copy to the purchaser but makes an under-copy which it sends with its accounts to the Central Accounting Department. The person involved in the Harrogate case, which is the big one mentioned here, did not send the under-copy with her accounts nor did she include the money as a receipt. Under the system of check which was forced on us by the war there was no way in which we could finally follow through to the point at which the money order had been cashed, and check that there was a counter-vailing receipt. In order to achieve that you must ensure that at your central accounting point the original order comes back, the original under-copy comes back and the two are set alongside, so that you know in every case that both transactions have been completed and accounted for. I do not know if that makes it sufficiently clear to you, but it is a relatively simple matter in essence.

348. I have not really got this clear in my mind. I think it would help me best if you could explain what check there was in existence before the war which would have prevented a fraud of that kind?—The check in effect, though not in the way it is worked, is precisely the one that we introduced again in 1952 and so caught this person. We have a central office into which flow all the money orders that are paid out and into which also flow the under-copies of all orders issued. We can therefore make absolutely sure that for every order that we pay the public £50, or whatever it may be, we have had a receipt of £50 at the issuing office. To do that you have to take something like 25 million pieces of paper or rather 50 million because you have one of each, and re-sort them to an order so that you can compare each with each. The reason why we were some time in picking up this after the war was simply that had we gone straight back to the pre-war system we should have had to put on at least another 100 people purely to do this sorting work at a cost of perhaps £50,000 a year. As it was, with the aid of the Organisation and Methods experts we were eventually able to get a system which only meant putting on another eight people at the centre. But the essence of it is bringing all these 25 million orders issued and 25 million under-copies into association and making quite sure that there are two every time. (Sir Alexander Little.) If I might add, Sir, before the war we did this in a quite simple way by making a 100 per cent. check of all our documents. With very little qualification that holds.

2 February, 1954.]

SIR ALEXANDER LITTLE, K.C.B.,

[Continued.

Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

349. With regard to postal orders, are there any relaxations still in force?—(Mr. Anderson.) Postal orders are much simpler because, of course, a money order when it starts life is a mere pad on to which somebody writes the sum of money, whereas postal orders go down to the sub-offices as do stamps as a piece of paper, the value of which is printed on it, and for which they pay us at the point of issue. So the same kind of complication cannot arise.

350. I do not know whether the Treasury would care to express any view upon these very large losses in dealing with money orders?—(Mr. Figgures.) I do not think so, Mr. Chairman. Obviously, we regret that the controls should not have been established early enough to prevent them but what we are concerned with is whether the controls are now efficient and we understand from the Post Office that they are satisfied.

Chairman.] On paragraphs 37 and 38 of the Comptroller and Auditor General's Report I have no questions.

Colonel Crosthwaite-Eyre.

351. When it says "Audit of the expenditure is at the discretion of the local committees", what does "discretion" imply?—(Mr. Anderson.) It implies that the question whether and in what form the local committees set up a system of audit has been left entirely to them without any direction from the Central Council. What the Central Council has required is that the Chairman and Vice-Chairman of these local committees should have been put in the position of trustees and must themselves take the responsibility of certifying the expenditure. I happen to be Chairman of one for my own Department and in my case the first thing I did was to invite the Committee to appoint an auditor from my own staff so that he keeps me and the Vice-Chairman straight, but as far as the Central Council goes what it requires is a certificate from the Chairman and Vice-Chairman.

352. So, in fact each local committee has to send a certificate signed by an auditor to the Central Council?—Signed by the Chairman and Vice-Chairman.

353. And prepared by an auditor?—No, the word "discretion" is used here because there is no absolute rule that they must have a particular form of audit.

Mr. David Jones.

354. Where did these proposals originate?—(Sir Alexander Little.) It goes back to 1949 and it originated with Ministers.

355. How did you assess the indirect savings of £242,000?—The indirect savings?

356. Yes, you mention direct savings and indirect savings?—Well, the indirect saving here is a very broad estimate, and you must not attach more importance to it than it really will stand. How we arrive at the indirects is in this way, if I may take the postal side: we feel that, arising out of productivity, unquestionably a great deal of the success which we have had over the last few years in aligning staff with traffic is to be laid to the credit of the greater co-operation which we have received from the staff arising out of productivity. Now, at headquarters we are able from the records which flow into the Accountant General's Department to assess in broad terms the increase in the traffic between one time and another. We know from experience that in order to deal with a rise in traffic of that sort we have to put on additional staff proportionate to it to a certain extent, on the postal side roughly two-thirds; that is based on experience in the past. The extent to which the staff has been put on to deal with the increased traffic falls short of that two-thirds we regard as being put to the credit of productivity.

357. I see. On page 26 of these Accounts there is a footnote: "The following awards for inventions, suggestions, &c., have been made to Post Office servants". I gather that your Accounts for many years have carried that. Is it unusual to make a lump sum payment in the way you have to the staff as a whole irrespective of their individual efforts?—Yes, of course that illustrates the difficulty of doing anything along the lines of productivity in the Post Office. If we could arrive at an incentive scheme proper just what you say would happen: the individual who produced more by his own efforts or through improved processes would receive an individual award but we have not been able to do that in the Post Office. There have been long discussions between our trade union colleagues on the Joint Production Council and ourselves to try and arrive at just that very thing, but we have been defeated by it.

358. Do you mean that you cannot find a yardstick to measure it by?—We cannot. One of the things in the Post Office, one of the disabilities that we start with is, of course, that we have not got a product.

359. No, quite. Are there any further awards of this nature proposed in the future?—I cannot answer that question, but I will tell you just where I stand. You will have gathered what really in a way is involved in this question of productivity in the Post Office, and I may say that I have been in on it from the start, and our trade union colleagues from the Joint Production Council showed the greatest statesmanship in their approach to this

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,

[Continued.

Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

problem. They did convey to us in the early days that if some results should flow from productivity, the staff would expect to have some share in the savings so made, and if said, certainly, if they could show substantial and sustained savings they would be entitled to make that claim. Well, in due course, we reached the point when we had to sit down and consider whether any, and if so what, claim could be advanced on behalf of the staff, and at that point after discussions I went along to the Treasury and the Treasury quite understandably said to me: "You have not got an incentive scheme proper here at all, but in recognition of the efforts that have been made in the Post Office towards greater productivity we will authorise an award on a quite arbitrary basis," and here is the award. This award, I should like to make clear, covers two years, and if you take the amount and set it against the number of staff involved it amounts to about 5s. to 6s. per head. So you see there is not a very great deal in it. None the less I have regarded a readiness on the part of the administration to make some payment in the minds of our trade union colleagues and the staff whom they represent as the acid test of the sincerity of the administration in coming to them and not simply saying to them "Give, give" and no take. When the Treasury allowed us this payment and said that it was on an arbitrary basis, they said that they were anxious that the Post Office should evolve a scheme which they could allow. Now, it is two years since that happened. My colleagues and I have been examining this in the meantime. We have not made any progress and I am just on the point of approaching the Treasury and saying: "We have done our best to meet your idea of what is a proper incentive scheme but we have failed".

360. Has any similar award been claimed in respect of the engineering staff?—The engineers set up their general productivity committees even before the rest of the Post Office, but to begin with they did not put in any claim. We are just on the point of reconstituting the committees on the engineering side and it is quite possible that they may make some such suggestion and it will have to be examined when it is made.

361. How much of the £90,000 distributed to local committees was to be used for productivity activities?—That rests entirely, Sir, with the Local Productivity Committees. You know, if you just think for a moment what this money is, it is money which has been earned by the staff for greater productivity. Therefore, it is right that they should have the greatest freedom that they can have in the disposal of it and it falls entirely within the discretion of local committees as to what

they shall do. I myself hope, but I can do no more than hope, that they will find ways and means of underlining productivity suggestions by individuals, but it rests entirely with them.

362. Do you mean by "productivity activities" that the local Committees should make monetary awards to individuals?—On occasion if they thought it was desirable, yes.

363. Now, I would like to put one question to the Treasury, if I may: have there been any comparable awards to staff of other Departments?—(Mr. *Figures*.) No.

364. Or are you expecting any repercussions from this in other Departments?—On the second point, obviously we always are afraid of repercussions Mr. Chairman.

Chairman.] Will Members now turn to the Accounts themselves, pages 13 to 26? I have no questions.

Sir John Mellor.

365. On pages 19 and 20, referring again to postal orders, fraud or irregular action in connection with postal orders is on page 19, seven cases involving £843, and then the losses by default, theft, fire, etc., are referred to on page 20. It does not specify how much of that is due to default, so I will confine myself to what appears on page 19. With regard to the seven cases involving £843, it seems to me that a lot of postal orders must have been involved in each case and I wanted to ask you what methods you have for detecting counterfeit postal orders?—(Mr. *Anderson*.) May I perhaps just say that by far the greater part of the losses of the postal orders brought to book here are thefts by Post Office servants, not anything going wrong with the order itself. There are comparatively few cases where we find that the order is tampered with or otherwise fraudulently treated. As regards detecting forgery, which is not a very profitable line, any way, in the case of the small postal orders, our experience is that practically no attempt is made and that so crude that it is normally intercepted at the counter where the person brings them along or at some other point of inspection. Now, all postal orders come back to the centre and to varying extents and by different methods go through processes of check. Again, as I say, in so far as they are paid over the counter, the counter clerk inspects them before paying out value. A very large volume goes through the banks. The banks also look at them carefully. When the banks hand them over to us there is a further test check. In other words, at a variety of points one has a sufficient number of people watching for us to feel reasonably satisfied that no forgery that you could speak of is in fact going on in that field.

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,

[Continued.

Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

366. Do you know what number of the total postal orders issued during a given period is cashed?—What number?

367. Do you know what number are not cashed, if you like? Is there any check, in respect of a given period of time of the postal orders issued during that period, as to how many are in due course cashed?—Nowadays we cannot say accurately how many orders are what we call void, that is to say, will never be presented or are time expired. Before the war something like £100,000 worth were written off every year on that account. This is another of those marginal cases where we should have to employ, perhaps, between five and ten people to restore that actual marginal accounting check. What we are trying to do with the aid of our technical statistical adviser is to get a simple statistical sampling method whereby we can check what is void. But in relation to the total issues which are now running to the order of over £200 million a year we expect at all times to have something like a pool of £8 million outstanding in the pipeline, as it were, and beyond that there must be some quite small fraction of £1 million which we shall never see again. I am not quite sure whether I have answered your question, but it gets as near as I can.

368. You say that most of the losses of postal orders were due to theft by employees of the Post Office. Now, having regard to the positions of responsibility in handling money and postal orders, and so on, do you carefully investigate the records of people before they are employed?—(Sir Alexander Little.) Yes. I may answer that question without qualification. Before anybody is taken on to the establishment, we require him to give us an account of his previous history over the past five years

and two references, and we take up those references and consult any other employers whom we think fit.

369. Do you employ any people whom you know have been convicted of any offence of fraud?—No.

Mr. Oliver.

370. Where are shown in this account the losses in raids on your vehicles in the street, such as we have had, for instance, yesterday?—In Subhead H.2.

Chairman.

371. On page 20?—Page 20, yes.

372. This £202,957 on page 20, Subhead H.1, is your total internal loss by theft, mistake and errors generally, is it?—That is right, Sir.

373. I see your total cash turnover is in the neighbourhood of £3,360,000,000?—That is correct.

374. I think, perhaps, even the Public Account Committee might agree that the ratio is not unsatisfactory?—Thank you. (Mr. Anderson.) The ratio, Sir, is .0054 per cent. of transactions. (Sir Alexander Little.) Might I, Sir, as regards Subhead H.2, where a dead set is being made against us at the moment, add a point on that? If you look at the losses of registered parcels and registered letters there, you will see that that is £14,000 and £56,000, a total of £70,000, and we reckon we carry registered mail of ordinary public registration of the order of £750 million a year, and £1 in £10,000 is what we lose.

Chairman.] I have admitted that the ratio is not unsatisfactory, but that must not be taken as a precedent.

POST OFFICE COMMERCIAL ACCOUNTS, 1952-1953.

Chairman.

375. Will members turn to the Post Office Commercial Accounts, the Comptroller and Auditor General's Report, page 53? Sir Alexander, the interest on capital is apparently £14½ million. What percentage interest on capital does that represent?—(Mr. Anderson.) I do not think I have a separate computation showing what it is in relation to anything other than capital. (Sir Alexander Little.) Would you like me to put it in?

376. Sir Frank, are you able to help us?—(Sir Frank Tribe.) On page 17, Mr. Chairman, it is given as 3.8 per cent. (Sir Alexander Little.) Thank you, yes. (Mr. Anderson.) That is the charge on the telephone and accommodation accounts. It is slightly less on the telegraph, slightly more

on the postal, and the average overall is 3.78.

377. So with your surplus, what might be termed in commercial language "profit", works out at about 5 per cent. on the capital?—(Sir Alexander Little.) If suppose that is about right. (Mr. Anderson.) Yes, very roughly speaking.

378. How came it that your estimate that you gave of a net deficit of £1,700,000 was so wide of the mark? You gave £1,700,000 net deficit and the actual net surplus in the result was £4,900,000. Why were you so wide of the mark?—Why did it change from a net deficit of £1.7 million to £4.9 million surplus?

379. If you like to phrase it in that way, yes?—Of course, you realise, Sir, we had to make that estimate at a certain point

2 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
Dr. W. G. RADLEY, Kt., C.B.E., Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKESS.

[Continued.]

of time and we were not able to anticipate tariff increases. It was tariff increases which turned the deficit into a surplus, and we were not able to anticipate them. In fact, they had not then been decided upon.

Colonel *Crosthwaite-Eyre*.

380. Who negotiates this agreement on behalf of the Post Office with the B.B.C.?—(Sir *Alexander Little*.) Oh, the administration. You do not mean individuals, do you?

381. No?—It is the two administrations.

382. And the Postmaster-General signs it himself, does he?—It finally requires his authority, but it is generally done on the official level.

383. How long has the present agreement been in force?—Eighteen months.

384. It is varied, then—over what, two years or three years?—It is subject to review. If my recollection serves me, the present one is subject to review in 1955. (Mr. *Anderson*.) Certain portions of it, but the agreement otherwise runs for the duration of the charter.

385. What step, then, is taken to see that his percentage adequately meets expenditure incurred by the Post Office?—(Sir *Alexander Little*.) On that, of course, we have got to make the best estimate we can. I would, before going into that, just like to mention—I do not know whether it would be reassuring—that, although the deficits are more than the surpluses during the years which the Comptroller and Auditor General

has studied, over the whole currency of the account, which goes back to 1922, the Post Office is in surplus to the extent of £440,000. What we have to do, of course, is to see how our expenses are running, and they run under two heads: one is the management itself of the licences, and the other is the investigation of interference. We make our best shot at what our expenses are going to be, tot it up against what we think our income will be at the current level and expected level of licences, and so arrive at a figure.

386. Are you satisfied that your present rate is sufficient for the next two years?—The present rate, if things go according to our anticipations, should be on the right side.

387. Have you any actual power to pay by way of a deficit a subvention to the B.B.C., (because that is what it comes to, is not it? If you do not recover your costs, you are giving money to the B.B.C. which Parliament has not authorised?—To a very small extent, but of course the Treasury would expect us not to show a loss here.

388. The Treasury must be like Sister Anne, "Do you see any clouds coming", because you have managed to make a deficit in four years out of five, in the last four. Are the Treasury still hopeful?—You must not forget that overall we are in surplus.

389. Over twenty years. You were in surplus to the extent of £½ million five years ago?—(Mr. *Anderson*.) Before the war. (Sir *Alexander Little*.) This account should balance, really.

POST OFFICE SAVINGS BANKS ACCOUNT, 1952.

Chairman.

390. Now will members turn to the White Paper, Post Office Savings Banks? (Sir *Alexander*, I think this is the one account in which a Department holds Government securities as investments and does not give the market value as well as the nominal value. Is there any reason why you do not?—(Mr. *Anderson*.) Mr. Chairman, may I suggest that that portion of the account is not our responsibility, but that of the National Debt Office.

391. The Post Office Savings Bank do not take any responsibility for this?—We take responsibility for those portions which the Postmaster-General and I have signed, that is to say, the liabilities side of the account. The assets we have no say in whatsoever. They are entirely administered by the National Debt Office.

Chairman.] So, I think, are the investments of most Departments, but I have never yet known a Department which completely washed its hands of its assets.

Sir John Mellor.

392. Is the distinction this, that in the case of the Post Office, the Government guarantees fulfilment of its obligations and it does not rest upon a fund in any sense, whereas in some other departments there is a specific fund which, at least in the first instance, has to bear the charges?—I think you are right there. The 2½ per cent. is certainly guaranteed by the Government, whether there is anything in the fund or not. In fact, there is enough money, as you see from the account. (Sir *Alexander Little*.) If I might point out, in paragraph 6 of the foreword you will there see: "It is also prescribed in the Post Office Savings Banks Act, 1861, that if at any time the Fund shall be insufficient to meet the lawful claims of all depositors, the Treasury may issue the amount of the deficiency out of the Consolidated Fund".

Sir John Mellor.] So, all these investments do not really count for very much.

2 February, 1954.]
Dr. W. G. RADLEY, Kt., C.B.E.,

Sir ALEXANDER LITTLE, K.C.B.,
Mr. K. ANDERSON, C.B.E., and Mr. L. D. HARKISS.

[Continued.]

Chairman.

393. Might I just ask the Treasury: despite the guarantee, is there any reason why the information should not be given? This is, as I say, I think, a unique account in that it is not given?—(Mr. *Figures*.) May I look this up, Mr. Chairman? I am

afraid I have no idea what the answer is.* (Sir *Frank Tribe*.) The Crick Committee on Government Accounts thought that this statement, like others, should be shown at cost price, nominal value and market value.

POST OFFICE SAVINGS BANKS FUND ACCOUNT.

Chairman.

394. Will members kindly turn to the Post Office Savings Banks Fund account, this single sheet of paper? This also is a Treasury matter: on page 2 why have expenses risen from £6,700,000 to £7,700,000 can you tell us?—(Mr. *Figures*.) I am afraid I cannot, Mr. Chairman. (Mr. *Anderson*.) I could answer that, if you wish, because that is within our compass, it being largely the expenses of the Savings Bank Department of the Post Office. The major reason is salaries and wages, pay claims which have affected all our accounts; stationery and printing are very much up, local office costs, and in this particular year there were particularly large arrears of rent for certain offices. The total was up, as you say, by just over £1 million, but the greater part of that was rising costs.

395. I see. What happens eventually to the excess of interest earned by the Post Office Savings Bank Fund, practically £1½ million?—I think it remains in the Exchequer. (Mr. *Figures*.) I think it remains

in the Fund. (Sir *Frank Tribe*.) Perhaps I may answer that question. It is brought into the Exchequer and the amount is shown annually in the Finance Accounts of the United Kingdom.

396. So when it is paid into the Exchequer it is lost?—No, it is in safe custody, Sir. It cannot be taken out without my approval, then.

(Colonel *Crosthwaite-Eyre*.) Do you think we could have this Savings Banks Fund Account slightly more legibly set out next year? It needs practically a microscope to decipher the figures.

Chairman.

397. Everybody seems to be rejecting responsibility. I suppose we would have to bring the Stationery Office before us for that. I think possibly it might be printed on two sheets, instead of one?—(Sir *Alexander Little*.) We will see what we can do.

(Mr. *David Jones*.) If you make it two pages instead of one, it will probably cost fourpence instead of twopence!

The witnesses withdrew.

Adjourned till Tuesday next, at 4 p.m.

TUESDAY, 9TH FEBRUARY, 1954.

Members present:

Mr. Benson in the Chair,

Mr. Blenkinsop.
Mr. Hoy.
Sir John Mellor.
Mr. Oliver.

Mr. Enoch Powell.
Mr. Steele.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGURES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).
CLASS VII.

VOTE 12.

WORKS AND BUILDINGS IN IRELAND.

STATEMENT OF EXCESS, 1952-53.

* Appendix 4.

9 February, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O., Permanent Secretary, Ministry of Works, called in and examined.

Chairman.

398. Will Members turn to pages 457 and 458 of the Civil Appropriation Accounts, 1952-53, Class VII, Vote 12, Works and Buildings in Ireland? Sir Harold, can you explain shortly how this excess occurred?—(Sir Harold Emmerson.) It is made up of a number of items, as you will see from the statement in the last column, but the main cause of the excess is the excess expenditure on furniture for reserved services in Northern Ireland. That is the biggest item. As you will see from the subheads marked I.1 and I.2, the excess was quite considerable. Indeed, the total of expenditure was nearly double the amount of the grant. I should perhaps explain that in the case of Northern Ireland and the Republic of Ireland we use what I may describe as agents, that is, in the case of Northern Ireland the Ministry of Finance, and in the case of the Republic of Ireland the Office of Public Works in Dublin.

399. Does that mean you use the Eire Ministry of Works as your agent?—Yes, as our agents.

400. You have no direct representative?—No direct representative, but we are of course in close touch with them, and our officers visit Dublin periodically. It is considered the most convenient arrangement. It is perhaps not very logical, though nothing connected with Ireland does ever seem to be logical, and this service anyhow works, and works very satisfactorily. On the reason for this excess, especially in respect of furniture, I may say that the Ministry of Finance, who have, of course, their own Works Branch—they have not a separate Ministry of Works in Northern Ireland, it is part of the Ministry of Finance—submitted an estimate at Estimate time of what would be needed to meet the furniture requirement of the various services for which we are responsible. That estimate was very severely cut at the time. They did endeavour to keep within the estimate, as appeared in the Vote, but they were under very strong pressure from Departments, particularly the Post Office, the Inland Revenue and, as is mentioned in the footnote here, the Customs Border Control. I believe a number of post offices were taken over; there was a re-classification of post offices, and we became responsible for certain offices. They simply went too far in meeting these requests, being under very strong pressure to do so, and hoped that on the total Vote there would be no excess. When we considered the question of a Supplementary Estimate on the Vote as a whole towards the end of the calendar year, it appeared on Liability Statements that there was really no risk of excess. In fact we incurred this excess, which I

would point out is just under one per cent. of the total Vote.

401. You say that there was very little risk of an excess. Did you realise that there was any risk?—I should say on works services that there is almost always a risk of underspending or overspending, because of the nature of the service, but it did not seem at the time of the Liability Statements that the risk was sufficient to justify asking for a Supplementary.

402. What is the nature of your control over the two Irish agents? Is it satisfactory?—Yes. This experience has shown certain weaknesses which we have now, I think, remedied, but I would say it is really more in the nature of a partnership than a control. We are dealing with another Government Department, and, just as we in the Ministry of Works do work for, say, the Ministry of Supply which they carry on their Vote and they rely on us to provide an economical service, so in this case we rely on the Ministry of Finance of Northern Ireland in particular to do the work economically and efficiently; we have not detailed control of the way in which the work is done, and I think it would be wrong to suggest it. If it came to that, it would be probably better that we should set up our own organisation and do it ourselves.

403. In the last six years, Sir Harold, your Department has had a rather unfortunate history on this question of excess Votes. In fact, I think you have the worst record of any Department. Is there any fundamental difficulty or weakness, so far as you know, in your method of control? I realise that you have a very difficult proposition with expenditure in different parts of the world, but on the assumption that you have a difficult task, you ought to have a better control machinery than has the Department that has less difficulty. What is the fundamental weakness?—It would need rather a long statement to go into all the difficulties, but the main difficulty is, of course, the nature of the service. We have to make an estimate or a guess up to eighteen months ahead of the time when the money will be spent. This is difficult in respect of new works and work of construction. That forms the basis of the Estimate. Within the financial year, the work may or may not be done; circumstances may change; the Department for whom we are doing the work may have changed its requirements or its policy. Then we are dependent on going out to tender and getting a price for a job and the price, of course, may differ from the original estimate; there may be unforeseen circumstances. Then we are dependent on supplies of materials and labour though we are getting over that difficulty now. We are dependent on the weather and then,

9 February, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

finally, we are dependent on the contractor putting in his bills and getting the bills paid within the financial year. All those are factors which do influence the final result. Those factors are not present to the same extent in respect of certain services, where we can estimate more closely and where I think an examination of the accounts would show that we have kept within and certainly very near the estimate. I am speaking now of services like maintenance and repairs of buildings, where we can fix a programme well ahead and regulate it, subject, of course, again, to unforeseen requirements by Departments. But I think everyone with experience of the building industry recognises how difficult it is to estimate all those factors. Also we are, as a Department, providing a common service. We are in that special difficulty that a proposal to build, which may be quite firm at the time the Estimates are drawn up in, say, last December for the financial year ending March, 1955, may be withdrawn from the programme because of some decision over which we ourselves have no control. Of course, it may be balanced by something else which is introduced into the programme and which was not foreseen at the time.

404. In 1950 you said you proposed to take certain remedial steps to increase your control. Has anything been done?—Yes, a great deal has been done. I did give the Committee a summary of some of the steps we were taking, I think, two years ago. It has been very largely a question of getting back to the pre-war system of finance and control, after the halcyon days of the Vote of Credit when these considerations were not regarded as so important, the main emphasis then being on getting the work done. We now have a very much bigger organisation than in pre-war days, and we have had the problem of training staff and adjusting procedures to meet new conditions. A procedure or a system which is efficient for one service, say, the building of an employment exchange, is found to be quite inappropriate for building, say, Aldermaston or Harwell or the Aeronautical Research Station at Bedford. We have had to adjust the system and train the people. I think we now have got to the position where we are satisfied that the procedure—the system—is sound, but of course we are and always shall be dependent on the staff to operate the system. So I think it is a question of training and experience, bearing in mind that the people who are really spending the money or who are in direct and immediate control of the money are the professional staff.

405. Has the Treasury anything to say about such financial reorganisation of control as has taken place in the Ministry of Works?—(Mr. Figgures.) Oh, yes, we have been consulted continually, right up to the

latest developments. We share what I am sure are the Committee's hopes that the financial control will be adequate for the volume of work now on the Ministry.

Mr. Hoy.

406. Sir Harold, you say that your Department is more liable than others to be a little out in your Estimate because of the peculiar nature of the work, building?—(Sir Harold Emmerson.) Yes.

407. But these deficits on all these sub-heads are not for the actual buildings, but for furniture and furnishings?—In this particular case, yes.

408. Every item is, if you go through the whole of this account?—Are you speaking now of the whole of the sub-heads?

409. Let us confine ourselves to this first one, if you like, the large one. You have two items there which are furniture and fittings?—Yes.

410. Which account for an excess of £8,000?—Yes.

411. I should have thought that it would not be difficult to come nearer the Estimate when you were dealing with fixed commodities?—No, I would agree, certainly. I have explained the rather special circumstances in the case of Ireland.

412. Yes, but I do not know that I find the explanation very full and deep. Here is an excess on things which should be the least difficult of estimation. Would not you agree with that?—I would, yes, certainly.

413. Does this description "furniture" mean furniture in the accepted sense, or is it some particular type of furnishing?—It would include equipment of certain kinds. I recollect one such item, comptometer tables which were supplied. In other words, it is equipment for an office which is covered by the term "furniture".

414. That makes it all the more difficult to understand why the Estimate should be so far out, because if you will look through the whole of these items under "Imperial Services", "Reserved Services" and, over the page again, under Subhead N.1, you find that they are all in excess. Is there any reason why that should be so?—In the case of the furniture at Dublin, as I understand it, the office was wrong as regards the date on which the new Chancery had to be furnished. The Chancery was moved, and the cost of the furnishing, which of course had been approved, fell in a different period from that in which it was anticipated. In the other case, I can only repeat what I said earlier as regards Northern Ireland, that they were under this very strong pressure to meet these requirements and, when we had the discussion with them at the time of the Liability Statements to consider

9 February, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

whether a Supplementary Estimate should be submitted, the view was taken that we should keep within the total Vote. Unfortunately, that estimate of the situation was not fulfilled.

415. You could have only hoped to keep within the total Vote by saving on the most speculative side of your job, and that is the building itself?—Yes.

416. Surely one would regard that as pretty doubtful estimating, would one not?—I am sorry, that is an expression of opinion, but I can only repeat that what I might call the original asking figure as to what was needed for these services was cut, as events proved, too drastically. I think from the point of view of the people on the spot knowing the requirement there, one must have some regard to the needs of the people working in these offices; and if they were satisfied, as they were, that this equipment should be supplied, it is very difficult to criticise them for supplying it. As events have proved, what might have been better was to have asked for a Supplementary, particularly for this service.

417. I should have thought they wanted permission before they overspent. There are many offices, surely, who would like to have a certain type of furniture or better furnishings, but they just would not get them because they would like to have them. It does not prove that it is necessary, surely?—Yes.

418. Now may I ask one question on Reserved Services, Subhead G? I see there was a saving of £1,997. The explanation is that the "proposal to erect a new Inland Revenue office at Portadown did not mature." What sum was included in the Estimate for building this particular office?—I could not say that without the details of the make-up of the Estimate. I could very easily find out and let the Committee know.

419. I would like to have it?—Certainly.*

Mr. West.

420. Sir Harold, you said that the Estimate on these matters which are now being queried was severely cut?—Yes.

421. Could you give the Committee some idea of what the original Estimate was?—

* Note by Witness: As is shown on page 108 of Class VII Estimates for that year, a figure of £5,000 was included. The saving on subhead G was about £2,000. The difference between the two items was due to additional expenditure mainly on Post Offices and Customs offices, and was spread over several jobs costing more than £100.

I am speaking now of the furniture item under Subhead I.1. My recollection is that in the view of the Ministry of Finance, Northern Ireland, the requirement for that service was about £18,000.

422. Why was it severely cut?—Well, all original estimates are.

423. On what grounds, that they were not necessary or on grounds of economy?—No, on grounds of economy.

424. They knew that the Estimate was cut on the grounds of economy, obviously?—Oh yes, but I think they just found it—forgive me for saying it—very difficult to resist what they regarded as reasonable demands or requirements of the various Departments for whom they were providing the service.

425. Did they then come to you and ask for permission?—Oh yes.

426. And you gave permission?—We, in agreement with the Treasury, agreed that they should. We urged on them the importance of keeping within the Estimates, and, as I say, when we went through the Liability Statement we felt that it would be possible to avoid an excess Vote.

427. Did you decide to grant permission for the excess expenditure on furniture because of the need of additional furniture, or because you thought that you could save on robbing Peter to pay Paul?—No, it was a decision taken on the need, in their view, and, on the representations they had, the pressing need for the furniture. But it was felt that, having regard to the known savings that we expected to make on other items, the total Vote would not be exceeded.

428. When you sanctioned the increased expenditure on the furniture, the grounds of economy on that aspect of the Estimate had no weight with you?—Oh, yes. I am sorry if I have misled you. The grounds for economy were still there, otherwise the Ministry of Finance would have incurred the full payment which, in their original Estimate, was for about £18,000; it would have cost £18,000. The need for economy was pressing all the way through.

429. I am sorry if I am a bit obtuse about this. You see, as I understand it, all the Estimates in respect of all their works have been pruned by you?—Yes.

430. And sanction had been given for those works which were regarded as essential?—Yes.

431. If you intended to play off the excess expenditure on furniture as against some other item of the Estimate, then either your estimating or your pruning of the

9 February, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

Estimate of the other item had been at fault at the beginning, or there is some other explanation for it, is there?—I thought I had already made it plain, in my view, that the original Estimate on furniture was pruned too severely. When we came to consider the situation at the time of the Liability Statements and at the time we were considering Supplementary Estimates we should have applied for a Supplementary in respect of furniture had it not been that we knew that we should be underspent or not spending to the limit on the new works; in other words, certain works which at the time of the original Estimate had been regarded as essential were not being proceeded with. This footnote refers to delays in starting work, but, had that work proceeded and had the original Estimate been maintained at the time of the Liability Statement, then of course we should have had to have asked for a Supplementary Estimate, not because we were throwing economy aside, but simply on the needs which we recognised as reasonable.

432. You said in reply to the Chairman, with regard to control over the Irish agents, that it had revealed some weaknesses which had now been remedied?—Yes.

433. Could you tell us what remedies have been applied?—We felt we were perhaps not in sufficiently close touch with them in the course of the year on the way in which the expenditure was going, and so we agreed with the Ministry of Finance, following a discussion with them over here, that we shall when we are making the cuts give them a better opportunity of expressing a view. Their view, quite frankly, on the original cut was that it was quite unrealistic. That, I think, is the first step. In other words, we hope that the Estimate, in agreement with them, will be more realistic. Then they have undertaken to report at once if they think that there is going to be an exceeding on any subhead. They will not make any assumptions about variation between the various subheads. Also there is a rather complicated arrangement with the Ministry of Agriculture in Northern Ireland, who do work for the Ministry of Food, and complicated accounting procedure. We shall be kept informed of the expenditure undertaken by the Ministry of Agriculture for the Ministry of Food, so that we shall have a closer knowledge of the way in which the costs are going.

434. When you said that their comment was that the cuts were quite unrealistic, was that your opinion, too?—Not at the time. We felt at the time, in view of the economies we were ourselves having to make in this country, that this was the right rate of economy to apply in Northern Ireland, but I think there is no doubt that some of the Northern Ireland services had

either been neglected or had rather suffered by being so far distant from our own services in this country. I know the Chairman of the Board of Customs has himself made representations to me about the state of the Customs Control Offices following a visit which he paid. He said the Offices on the Northern Ireland side were inferior to those on the Southern side.

Mr. Steele.

435. Sir Harold, I understand that the Ministry of Works supply all the furniture to the local offices of the Ministry of Labour, the Ministry of National Insurance, the Post Office, and so on?—It depends on the nature of the offices. The Ministry of Labour, Northern Ireland, is a Department of the Northern Ireland Government, and we should not supply furniture and equipment for the Ministry of Labour in Northern Ireland.

436. You do in this country?—Oh, certainly, but in Northern Ireland, it is not an Imperial Service. The Ministry of Labour in this country does not extend to Northern Ireland. The Northern Ireland Government have their own Ministry of Labour and they are responsible for meeting their requirements of furniture. On the other hand, there are certain services, Customs is one and Inland Revenue is another, which are Imperial Services and where we are responsible in both countries. In other words, when we have our own offices, we are the responsible service.

437. I take it, then, that you supply a lot of furniture both in this country and in Northern Ireland and I take it that the offices in this country have a certain standard so far as office accommodation and office furniture is concerned?—Yes.

438. That is the position?—That is so, yes.

439. So, on that basis of a certain standard, it should be quite a simple job to make an estimate as to the proper amount to be spent on an office for furnishings?—If it was a new office, yes. Of course, when you say "a standard", that is a standard which really applies to the furnishing of a new office. A great deal of this expenditure would be on replacements of furniture. Where an office is moved from one building to another the opportunity is usually taken to bring the furniture up to the standard. But it would be quite wrong to suppose that every office in this country is up to a certain standard.

440. Do you keep the furniture in stock and replace it?—It is for the most part supplied direct by the manufacturers. It goes direct to the user. There is a considerable amount of furniture in store awaiting delivery to the user either for

9 February, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

new buildings or for replacement, but as far as possible we try to avoid putting furniture into store; it is very bulky and takes up a lot of room, and the aim is to get the furniture delivered direct to the user.

441. Is the furniture which is going into these offices in Northern Ireland coming from your stock or store or is it being supplied by manufacturers in Northern Ireland?—A good deal of it would be supplied by manufacturers in Northern Ireland. We should ourselves send special items, for instance, the Inland Revenue—that is the Income Tax—offices have certain equipment which has been designed to assist in their work and certain items of that kind would be sent to Northern Ireland by our own Supplies Division and, of course, would be charged in preparing this Vote.

442. Is the position this, that the excess cost involved here is not the extra cost for a quantity of furniture, but of the extra furniture which was supplied?—This would be furniture supplied, largely by way of replacement. So many of these are offices, particularly Post Offices and Inland Revenue buildings, which are in urgent need of re-equipment, and, of course, had not had anything done to them for many years. It is really replacement as much as anything.

Sir John Mellor.

443. I understood you to say that in the Republic of Ireland the Republican Ministry of Works acted as your agents, is that right?—Yes, that is so.

444. Do you reciprocate by providing a similar service in this country for the Republican Ministry of Works?—No, I do not think we do.

445. Or do they charge you for the services, do you remember?—We pay them a percentage fee which is fixed annually. For the year of account the percentage was the same as we charge when we do agency work, namely, 12½ per cent. That is a figure which is reviewed annually and agreed by the Treasury.

446. You charge other Departments in this Country 12½ per cent., do you say?—If we provide a service on a repayment basis we charge a fee, and it happens that the same arrangement applies in reverse in the Republic of Ireland in respect of these services and it happens that the percentage for the year of account, 1952-53, was 12½ per cent.

447. 12½ per cent. on what?—On the total value of the service.

448. On the total amount expended?—On the total amount expended, yes.

449. So far as our internal arrangements are concerned in the United Kingdom I take it that is rather a book-keeping matter? It is all Exchequer money?—Where it is Exchequer money, yes. There are cases, of course, comparatively few now, where we do provide a service for a non-Government organisation, but they are comparatively few. Generally speaking it is a book-keeping matter between Departments.

450. But where it is in the Republic of Ireland it is not a book-keeping matter, it is a payment to the Republic for these services?—Yes.

451. Do you think it is a satisfactory basis to pay them 12½ per cent. on the amount of money expended?—We think so, for the service that they render. The alternative would be to have our own works organisation, which would mean either our people going over there more frequently or having people stationed in Dublin.

452. Where is the incentive to economise, because apart from the 12½ per cent., the Republic gains by the amount of United Kingdom money expended there?—I should be surprised if they regard that as an incentive. They have certain duties and work to do on this, which is done by the Government officials in Dublin.

453. Then why should you have a percentage basis? Would not a fixed fee be more proper in such circumstances as this?—I do not know whether a fixed fee has been considered in relation to these services. The usual basis for a fee where work is done for another Department is a percentage.

454. Yes, where it is another Department in the same country, I can understand that, but where it is an agent overseas, are there any other cases where you employ a Department of a foreign Government to perform these services?—No, I cannot think of any. I am reminded that in the case of Northern Ireland—

455. No, I am not talking of Northern Ireland. I am talking of a Government outside the British Empire?—No, I do not know of any other case. We do, of course, employ architects abroad, but there the payment is based on the professional scale.

456. Yes, other than architects, where you employ agents who are responsible for expenditure, are they all remunerated on a percentage basis?—I do not know of any apart from the professional cases I have mentioned, the architects. This is the only case I know of an agency on behalf of the Ministry of Works in what you describe as a foreign country. I do not know whether consideration ever has been given to the idea of a fixed fee. Of course, the services in respect of which

9 February, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

this work is done for us are rather special and we do attach importance—certainly as far as we are concerned and I am sure the Departments themselves attach importance—to the continuance of this arrangement. The main work is in connection with disabled men's pensions, the pension appeal work, where the pensions paid are, of course, British pensions. Then a hospital, the hospital at Leopardstown Park, is a big building. I think I am right in saying it is the only building of real importance other than the Embassy and the Chancery, and it is part of that service for the Ministry of Pensions.

457. As you say the expenditure is mainly concerned with the payment of pensions in respect of British services, would not it be more appropriate that it should be administered by a British representative?—That I think is rather outside my field. We are doing this work first of all for the Embassy and then secondly for the Ministry of Pensions and we, or perhaps the Treasury, might possibly consider whether there is some better basis than the percentage. From the point of view of the service given we have been entirely satisfied with the work done in our behalf by the Office of Public Works.

Mr. *Blenkinsop*.

458. Could you tell me if you keep any running accounts or any check on your expenditure against these Votes? For example, could you say at all, have you any check now in your Department as to how your expenditure is running against, for example, this Vote at the end of last year, or January of this year?—This Vote is not a good example because in respect of our own Votes for the work we do, of course, we have a running account. Month by month we have a full statement of expenditure prepared by the Accounts Division, and according to the way in which the expenditure is going so we try to regulate further commitments. In the case of these Votes we have in the past largely left it to the two Departments concerned to control the rate of expenditure, they acting as our agents, but as I said earlier we have now arranged that we shall ourselves be kept more closely informed of the way in which the expenditure is going.

Sir Harold Emmerson withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS I.

VOTE 4.

TREASURY AND SUBORDINATE DEPARTMENTS.

459. So you would hope that you would be able to bring this particular Vote into line with your general practice?—Very much into line with our general practice in the case of our own services, our own work in this country.

460. Have you yet achieved that, in point of fact?—I am told we do now have a monthly account from both Northern Ireland and Dublin.

461. So, as a point of interest, you would be able to?—So, we have put it now on the same basis as our English commitments,

462. I notice under Subhead L with regard to the Republic of Ireland, concerning the expenditure in connection with Leopardstown Park, that the excess expenditure is due to the fact that some expenditure which was expected to be met in the previous year actually fell into this year we have under consideration?—That is so.

463. It is not, therefore, an unexpected expenditure in any way but, indeed, you in fact must have known at the commencement of the year that we are now considering, unless you completely lacked information from Dublin?—The work was done, but it was expected that the bills would be paid in the previous year. There is this overlap; the Estimate is made in December for the ensuing financial year with three months of the current financial year to go, and it would be expected that certain expenditure due to be met between December and March would have been met in the financial year and, therefore, no provision need be made for it in the following year. In fact, that did not happen.

464. I quite follow that the provision might not have been made in the actual original estimate, but surely this information would be available very easily in the currency of the year and unless you thought you were going to make savings elsewhere to make up for it it should be one of the items which you were thinking of as possibly needing some supplementary estimate?—Yes, that would be so, certainly.

465. You did not do that because you were expecting some saving elsewhere?—We did expect, on the Vote as a whole, to break even.

9 February, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B.

[Continued.]

TREASURY MINUTE ON PARAGRAPHS 2-9 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir HERBERT BRITAIN, K.B.E., C.B., a Second Secretary, Treasury, called in and examined.

Chairman.

466. It gives me very great pleasure indeed to welcome you back to the Public Accounts Committee, Sir Herbert. I think Sir John and myself are the only two who remember you, and in that case I think I may tell the Committee that Sir Herbert was one of the most distinguished Treasury Officers of Accounts who ever sat with this Committee?—(Sir Herbert Britain.) Thank you very much for those unduly generous words, Sir.

467. May we now turn to the Civil Appropriation Accounts, to paragraph 5 of the Comptroller and Auditor General's Report? I see that the percentage ratio of surrender to grant was 2.9 on an average in 1952-53, which was just over half of the previous year and one-third of the year before, which looks rather satisfactory. Do you regard that 2.9 per cent. as a normal figure that you will be able to work to in future?—I think the Table below shows that it has varied. I would not like to say that any particular figure is a normal figure there. I should think it is probably a little bit below, on an average.

468. Your predecessor, Sir Wilfrid Eady, once suggested to us that he thought you would be able to work down to 2.5 as an average. Perhaps he was optimistic?—I think that would be very, very fine estimating indeed.

469. I should like to address one or two questions to you on your method of estimating. Sir Alexander Little, Accounting Officer of the Post Office, last week told us he made no provision in his Estimate for possible increases either in staff or in wages on the general grounds, I think, that if you put in an estimate for increased wages it is rather an encouragement to demand. That raises quite a number of problems as to how far you include in estimates possibilities and probabilities. For example, let us take not merely wages but a theoretical item. Assuming that there is a fifty-fifty chance only that it will be needed, would you include that or exclude it? What extent of certainty do you require before you include expenditure in an estimate?—I think it would be very hard to lay down a strict rule about it, Sir, so much would depend on the circumstances of the case. For instance, one which is very much in our minds is estimating for food and agricultural subsidies. In that particular case I think the rule is that we should just adopt the current position, for instance, the current prices, because in the first place it is

very difficult to make guesses as to how world prices are going to go in the future. On the other hand we do not want to be making any obvious guesses at, say, the results of a price review which will take place this month or next month. So, in that particular case there is a bias definitely, I think, in favour of taking the present facts and basing our estimate on them.

470. Then staff requirements, up or down; do you take any account of possible trends? That is really the question, what account do you take of potential trends?—I think that would depend very largely on the policy at the time. For instance, if it were the policy at the time to restrict staff as much as possible and perhaps not to fill vacancies, and so on, there would be a definite tendency on the Department to err on the side of not including provision for expansion, and so forth. It is very difficult, if I may say so, for one to speak on behalf of so many Departments that are placed in such differing circumstances.

471. I was rather wondering whether the Treasury had a policy, whether there was a common policy. For example, is there a different policy with regard to industrial and non-industrial staffs in estimating the very different particular requirements?—It may be easier with industrial staffs because you have got a sort of lump sum provision there for them in the Estimates which is a different matter from setting it out in detail in the staff subheads of the Vote.

Mr. Blenkinsop.

472. It was rather my impression that there was a general understanding that no provision would be made for the contingency of pay increases, for example, in connection with pay negotiations which were already taking place but not yet settled. That, I think, is general practice, is it not?—I think that is most likely to be adopted by all the Departments. For one reason, they do not know what the result is going to be and secondly they do not want to give any impression of what they think it is going to be.

473. As a general understanding, you would be willing to consider Supplementary Estimates from Departments to cover those sorts of eventualities?—Certainly. If I may say so, I think this links up a little bit with the subject of one or two later paragraphs that we will be coming to on this question of surpluses in the Estimates, that one would like to err on the side of not including anything which is not really

9 February, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B.

[Continued.]

very definite and rather taking supplementaries, if necessary, later in the year.

Chairman.

474. Yes. On that point a few years ago, you remember, Sir Stafford Cripps said he was not prepared to contemplate any supplementaries. I presume that that is not the present day policy, that the Chancellor tries to curtail supplementaries?—Undoubtedly, but we obviously cannot avoid them. Policy may change or unforeseen factors arise, but we do at the very outset each year impress on Departments that they must not expect supplementaries as of right, so to speak, and that they have to show ample justification for them.

475. Now, may we turn to the Treasury Minute on the Second Report of last year's Committee? You remember, Sir Herbert, that there was rather a drastic change announced by the Committee in its attitude towards excess Votes?—Yes.

476. I think, if I may summarise this rather Eighteenth Century prose in which we announced the change, it is saying that what we really wanted Departments to aim at was accuracy. I am not quite sure what your comment means in your first paragraph, the last sentence but one: "My Lords appreciate the readiness of the Committee to take a less serious view than that hitherto taken where an excess results from the taking of a reasonable risk of overspending, as an alternative to a 'safe' supplementary". If by "a safe supplementary" you mean an excessive supplementary, I think the Committee would agree with that, but, on the other hand, I do not think the Committee ever made any suggestion that where an excess was likely their decision would absolve the Departments from taking a supplementary. They must not under the decision of last year's Committee—at least, this is how I interpret it—avoid taking a supplementary if that supplementary in their best judgment appears to be necessary. You would agree with that?—Entirely, Sir, I absolutely accept that. This is directed to the case where there is a balance between risking an excess Vote and taking an excessive supplementary.

477. Yes?—But if an excess is foreseen at a time when there is still time to take a supplementary in the House, obviously it should be taken.

478. That is agreed?—Certainly.

479. I know Governments and Government Departments do not like to be bothered with supplementaries?—Yes.

480. It is a very natural thing. It means Parliamentary time and it is a nuisance and, of course, it means that they have got to stand up to criticism. I do hope you

understand that there was nothing in our Second Report that suggested that the Committee would look even with a kindly eye on avoiding a supplementary if and where it was necessary?—I fully appreciate that.

481. Will Members now turn to the Comptroller and Auditor General's Report, paragraphs 14 and 15, on page viii of the Civil Appropriation Accounts, 1952-53? Sir Herbert, was there any special reason for a sudden change in this method of remuneration of the Bank of England?—No, Sir. We had reached a period in 1952 when the expenses for which we had been reimbursing the Bank over the last three or four years had got to a moderately stable level, between £1,200,000 and £1,400,000, and it was felt that that was an occasion when we might look at the method of reimbursing the Bank. In the course of doing so it was generally agreed by all concerned that if we could fix a figure, a fixed fee which would only be variable if there were substantial variations of the circumstances, that would give the Bank of England a sort of target to aim at and give them some incentive to economise on processes and methods of handling this quite big amount of business. In the light of the current costs and in the light of the figure for the previous four or five years this figure which is mentioned by the Comptroller and Auditor General, £1,300,000, was agreed, but I think this question of a target and incentive to the Bank was the thing that was most prominent in our minds because as appears from the figures in his Report it was appreciably lower than the figure which we should have expected to pay from that time onwards.

482. How far is the Treasury aware of the day to day methods and details of the work in this control, is it a closed book to you or have you a finger in the pie, so to speak?—We do see a good deal of it, if I may speak now from my experience on the oversea side where one was in almost daily contact with the bank either on individual cases of exchange control or on the policy behind them. That brings us very closely into touch with the way the Bank handle these things, their relations with the commercial banks and their relations with the private citizens, and so on, so we do have a fair idea of the machinery by which they operate the control.

483. I suppose the costs were certified by the Bank's own accountants? There was no external accountancy there, so that unless you had this contact which you speak of you were rather in the hands of the bank?—Well, of course, we were on the details. We have not enough detailed knowledge to go behind the figures they have suggested and that has never been so since the control was instituted. We have always, as I think in a number

9 February, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B.

[Continued.]

of other instances, accepted the certificate of the Bank's auditors.

484. I see that the Comptroller and Auditor General is to be kept informed. What does that mean, that he will receive the certificate of the Bank's auditors or anything further?—When a fee is fixed we shall have two sets of figures available to us: one will be a statement by the auditors of the actual expenses in the year just closing and the other will be an estimate by the Bank of what they expect to be the expenditure in the year just beginning, and it will be in the light of those that we shall have to decide whether there is any appreciable change in the circumstances which will warrant a change in the fee. Those particulars, of course, will be open to the Comptroller and Auditor General.

485. What would you regard as a substantial variation, 10 per cent., 15 per cent., or 20 per cent.?—I do not know, only experience will show. We have not had the problem, of course, yet. I should not like to commit myself to a figure, if I may not.

486. Like the Post Office on their future demands for wages?—Yes.

Sir John Mellor.

487. What is the Bank's expense in administering exchange control? Is there any expense apart from payment of salaries?—Salaries are the biggest portion of it, but there is the share, for instance, of the overheads in the Bank and a certain amount of printing and stationery and so on. It is the usual salaries, accommodation, rates, printing, travelling expenses and so on.

488. Even allowing quite a large amount for those items it would seem that the figure of £1,300,000 makes provision for an enormous number of people to be paid very large salaries?—There are about 1,300 people engaged on this work and in addition to the salaries, as I say, there is provision for their pension liability while they are serving on this work, stationery, telephones, rent and rates, the maintenance of the premises, and so on. The rest are rather small items.

489. There has been no calculation at all by you as to how much of the figure of £1,300,000 represents actual expense to the Bank? Has it been costed at all? Do you allow for the Bank to make a certain profit out of that? How did you arrive at this figure of £1,300,000?—The Bank of England have always given us a breakdown of their expenses and we have seen year by year that so much has been for salaries, as a direct cost for salaries, so much has been a calculated allowance

20216

for pensions, so much has been a calculated allowance for these overheads, and so on.

490. Could you give us a summary of the most recent breakdown into main headings?—I have not got the breakdown for the moment out of the £1,300,000, but the Comptroller and Auditor General, for instance, refers to an estimated figure of £1,400,000 which would have been the cost in the year 1952-53. Out of that £1,400,000, something over £900,000 was salaries.

Sir John Mellor.] It would be helpful if we could have that.

Chairman.

491. Will you put in a paper showing a more detailed breakdown than you have given us?—Yes, if the Committee wishes. I am not absolutely certain about printing and circulating the full details, that is all, but, certainly, perhaps I may circulate one to the Committee.*

Chairman.] I do not think we shall insist on it being printed. As a matter of fact, we receive a very large number of Reports which are not printed. The Committee decides later on which to print and which not, and we will keep in mind your request.

Mr. Blenkinsop.

492. I take it that of this 1,300 people the great majority of them will be doing some office work as well, of course, as the other work of the Bank of England? They are not working entirely on this particular job? They may very well be doing other kinds of work in the Bank?—I should think that that would apply to the minority. Most of them would be whole-time employed on this.

Mr. Enoch Powell.

493. Are you satisfied that no profit or advantage accrues to the Bank of England by the administration of exchange control? I have in mind that it is asserted that many other countries make a handsome profit on their exchange control by the difference between rates at which currency is bought and sold. I take it that that does not occur in the case of the Bank of England, that no advantage of any kind accrues to them?—I would not like to say that the Bank of England does not make any profit on exchange transactions, but all I could say on that—of course they are handling large amounts both for themselves and for the Government—is that exchange policy is not altogether settled by them, it is agreed with the Government; so, the Government know exactly what policy the Bank of England are administering.

* Information supplied; not printed.

E

9 February, 1954.]

Sir HERBERT BRITTAIN, K.B.E., C.B.

[Continued.]

494. Is allowance for the profits made, to which you have just referred, taken into account in estimating this fee?—Oh, no. There are two separate things.

Chairman.

495. May I just intervene? The bulk of the exchange control profits, if there are profits, goes to the Exchange Equalisation Account, I take it?—I was just going to say that I think there are two quite distinct matters here. All we are dealing with here is the actual control of public and private transactions in exchange, saying whether they are permissible or not, and what people may do with their securities and their sterling and so on. The other matter you are talking about is the actual handling of foreign currencies in the market, and that is nothing to do with this at all.

Mr. Enoch Powell.

496. Then there is no countervailing profit of any kind?—Well, as the Chairman has just said, there is a good deal of profit on exchange in the Exchange Equalisation Account which this Committee sees on a separate occasion.

497. But in respect of exchange control?—There is no exchange profit in that sense, no.

Mr. Oliver.

498. I see the fee is to be reviewed annually, is that right?—Yes.

499. If perchance there has been any generosity or lack of it for the current period I expect the Annual Review would show it up and all the details would be open to your inspection?—Yes, we shall get these statements showing what the actual expenditure in the past has been in a year, for instance, when we fixed £1,300,000, and it may be that the expenditure will be above or below it.

500. And that will be very excellent evidence to guide you?—Certainly, yes.

Chairman.] Now, page ix, paragraph 16 of the Comptroller and Auditor General's Report. I have no questions on this paragraph.

Mr. Blenkinsop.

501. Just as a matter of interest, is this Advisory Committee often consulted?—Oh, yes, indeed. Last year they examined about 5,000 cases.

502. As many as that?—Yes.

503. What sort of number of Committee do you have there, just roughly?—They work to a large extent on case work by little panels of two or three, that sort of thing. There are six chest physicians, one heart physician and one physician for

children's troubles, that is eight, and a chairman, nine.

Mr. Hoy.

504. How do they examine the cases? Do they just accept reports which are sent in by the applicant's doctor?—Yes, they work on information submitted by the doctor. If they are in doubt, of course, on that evidence they will bring in a specialist.

505. I see the expenses are up considerably, are they not from £3,990 to £5,584? What is the reason for that?—It arose out of the fact that in 1952-53 the number of cases coming before them was considerably greater than in 1951-52. That involved both an increase in the actual fees paid to these specialists and also an increase in the clerical work and the staff.

506. Are they paid so much per case?—Yes.

507. How much?—They are paid three guineas for each case which is referred to them on paper for advice and five guineas if they have to attend a meeting.

508. Each case?—Yes.

509. Supposing they went to a meeting at which there were five cases?—It is five guineas for attending a meeting, I understand, but a good deal of it is done on paper.

510. How many cases did you say there were altogether on paper?—5,000.

511. You say they get three guineas?—Yes.

512. I do not see how this squares. Are these expenses that we see something entirely different from the fees, is that it?—No, those include the fees. I admit there is something not very obvious here. May I look at that, Mr. Chairman, and let you know?

513. Yes, you look at it. Obviously, if there are 5,000 cases and they get three guineas a case, it would be somewhere in the region of 15,000 guineas, and that is excluding any that they went to meetings for. I think you had better look at it again, perhaps?—I will, certainly, thank you.*

* *Note by witness:* Very many of the applications are dealt with by the Chairman and Secretary within broad directives established by the Committee. Only those cases which do not fall within these general instructions are submitted to the members of the Committee, and it is only therefore in respect of these latter cases that fees have to be paid. Of the expenses of the Exchange Control Medical Advisory Committee—£5,548 for the year 1952-53—rather less than £2,000 was for fees.

Sir Herbert Brittain withdrew.

9 February, 1954.]

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1952-53.

STATEMENT OF EXCESS, 1952-53.

*On this Account no questions were asked.**Adjourned till Tuesday next, at 4 p.m.*

TUESDAY, 16TH FEBRUARY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Hoy.
Mr. Niall Macpherson.

Mr. Oliver.
Mr. Steele.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. F. E. FIGGURES and Mrs. D. C. L. JOHNSTONE,
an Assistant Secretary, Treasury, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS IV.

VOTE 12.

BROADCASTING.

BRITISH BROADCASTING CORPORATION ANNUAL REPORT AND
ACCOUNTS, 1952-53.

Licence and Agreement, dated 12th June, 1952, between H.M. Postmaster-General and
the British Broadcasting Corporation (Cmd. 8579).

New Charter of Incorporation granted to the British Broadcasting Corporation
(Cmd. 8605).

Sir ALEXANDER LITTLE, K.C.B., and Mr. K. ANDERSON, C.B.E., called in and further
examined. Lieut.-General Sir IAN JACOB, K.B.E., C.B., Director-General, and Mr.
J. G. L. FRANCIS, Chief Accountant, British Broadcasting Corporation, and Mr.
R. H. K. MARETT, O.B.E., Head of the Information Policy Department, Foreign
Office, called in and examined.

Chairman.

514. Sir Ian, I believe this is the first
time you have appeared before us?—(Sir
Ian Jacob.) Yes, Sir.

20216

515. Will Members turn to the Civil
Appropriation Accounts (Classes I-VIII),
page 227, Class IV, Vote 12, Broadcasting?
We have got rather complicated Accounts

E 2

16 February, 1954.] Sir ALEXANDER LITTLE, K.C.B., [Continued.
Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.]

in front of us and I propose to take questions on the Post Office Vote first, and then when we have finished that, to take the B.B.C. Report. Sir Alexander, I presume you will answer for the Post Office?—(Sir Alexander Little.) Yes, Sir.

516. And you, Sir Ian, will answer questions on the B.B.C. Report?—(Sir Ian Jacob.) Yes.

517. Sir Alexander, how do you arrive at that £11½ million and also the £4,750,000?—(Sir Alexander Little.) The first is the Grant for the Home Services and the other is the Grant-in-Aid for the External Services. With regard to the Grant, what we have to do is to estimate as closely as we can, making the best forecast in our power, what is likely to be the licence revenue for the year in question. Then we deduct from that the percentage which has been agreed for the Post Office Management Account, and deducting that from what we think will be the gross licence revenue, we arrive at the net licence revenue. From that is deducted the Treasury contribution, which at the present moment is 15 per cent., and the residue represents the amount for which we proceed then to get first Treasury approval and later approval by Parliament of the Estimate. That is how that figure of £11½ million is arrived at.

518. You increased that amount, I think, by £1,100,000. Is the outturn suggesting that that was fairly accurate?—Yes, I think so. In the end, of course, Sir, as you will realise, we are charged to hand over the licence revenue as quickly as we can to the B.B.C., always within the Estimate, and sometimes it happens when licences are going up that the Estimate does not entirely cover what might have been paid to the B.B.C. out of the licences had we made a completely correct Estimate. But it comes within a quite reasonable amount.

519. You said a moment ago that you hand over a percentage, which is, I think, 85 per cent. of the net revenue, to the B.B.C.?—Yes.

520. When you increased your charge from 7½ to 8½ per cent. did the 85 per cent. remain the same?—It remained the same, yes. Mr. Anderson reminds me that it is outside the year of account that it has gone up from 7½ per cent. to 8½ per cent. The 8½ per cent. runs, I think I am right in saying, from April, 1953.

521. There was an increase of 1 per cent., but what happened to the net revenue was that that changed as a result of the deduction of 8½ per cent.?—No, because it worked this way: the 7½ per cent. ruled during the year 1952-53 and the 8½ per cent. comes into force from the 1st April, 1953,

so it will rule from the year 1953-54. The 85 per cent. came into force from 1st January, 1952, and will remain at 85 per cent. until the Government change it.

522. Have you anything to say, Sir Frank?—(Sir Frank Tribe.) The Estimate which was presented to Parliament in respect of 1952-53 said definitely that the Grant was a sum equal to 85 per cent. of the net revenue from broadcast receiving licences. In the 1953-54 Estimates there is no statement describing how the figure is arrived at. I understand that it is, in fact, 86 per cent. In fact, it has been raised by 1 per cent., presumably as compensation for the larger deduction which the Post Office take in respect of their management, which was raised from 7½ per cent. to 8½ per cent., but works out rather funnily. It means actually that the B.B.C. get more by reason of this change than they got previously. The Agreement between the Post Office and the B.B.C., on which all this is based, says definitely: "during the period ending on the thirtieth day of June, one thousand nine hundred and fifty-five"—a period not yet ended—"a sum equal to eighty-five per centum of the net licence revenue," shall be paid over, though it does give the Treasury in a subsidiary paragraph powers to vary that if necessary. When the figure of the Post Office cost was raised from 7½ per cent. to 8½ per cent., the B.B.C. instead of contributing something towards the cost have, in fact, made a profit out of the change. (Sir Alexander Little.) Perhaps Mr. Anderson may answer?—(Mr. Anderson.) Yes, may I comment on that? The Treasury did, in fact, direct that an additional 1 per cent. should be paid to the B.B.C., using the power in the licence to which Sir Frank has referred, and the reason for doing that was, in fact, to avoid the B.B.C.'s effective proportion dropping on account of the rise in our expenses. In other words, the Treasury were prepared to carry that rise in expenses. (Sir Frank Tribe.) Yes, what I was pointing out was that the Exchequer has lost over this.

523. Yes. On page 61 of the B.B.C.'s Annual Report there is a figure for Grant-in-Aid for Civil Defence expenditure of £76,000, Sir Alexander. Does that figure appear in your Accounts?—(Sir Alexander Little.) It is a Grant which is going to be made to the B.B.C. by the Treasury, and provision for it will appear for the first time in our 1954-55 Estimate.

Mr. Oliver.

524. I see that in the B.B.C. Report the licence fees of £1 and £2 amount to £14,874,191, but £11,500,000 of this, I see, is made as a Grant. Do you think, Sir Alexander, that there is much evasion in

16 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
 Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
 Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

[Continued.]

getting in the fees from the public?—That is a very difficult subject, Sir, and one which has exercised us a lot. On the sound side, we feel that on the whole there is not a very great deal of evasion. We feel we have now come to the hard core of hardened offenders on the one hand whom we are always picking up; on the other there is some scope for expansion on the sound side; we feel that when new housing estates come along, members of families who have been living, perhaps, with their parents where they have been able to enjoy broadcasting under the licences taken out by their parents, when they move have, of course, to take out a licence on their own account, and sometimes there is a little ignorance shown therein, but we do not think that evasion figures very much on the sound side. But with regard to television, we have not really satisfied ourselves yet that there is not a certain amount of evasion. We do try to analyse the figures of production and the figures of television licences. We get monthly from the Ministry of Supply figures of production, and we get from the trade figures of distribution; they are some months in arrear, but, of course, there are a great many distributors and agents and we have not yet satisfied ourselves that we really know what is in the pipe-line. But by and large, though we think there may still be a lot of innocent evasion on the side of television, we are not yet satisfied that we have got to the bottom of that problem.

525. What are the principal means you have of detecting, other than the detector van?—That is our principal means and the detector van is really very effective for its purpose.

526. Is it effective technically, or is it effective psychologically?—No, definitely it really does spot where there is a television set. That I can say quite honestly.

527. Who decides what External Services are to be undertaken and what is to be spent on them?—There, in ordinary times, what we have is a working party. On the External Services it is a matter for certain Departments, who are called the Prescribing Departments, to say what they want the B.B.C. to do in the way of broadcasts from the External Services. Then the B.B.C. furnish us with an estimate of what is the cost, and that estimate of cost is examined by the working party, which comprises the Treasury, the B.B.C., ourselves and the Prescribing Departments, and then in ordinary times the ordinary procedure is gone through to get Parliamentary approval for a Grant-in-Aid to that extent. But, of course, recently policy has come into it rather more than for a few years previously, and to day, I think, we have rather to work within a total figure which is prescribed for

us, and the question really is of meeting the services which the Prescribing Departments would like to have within that figure.

528. Do the Prescribing Departments make any contribution to the thing that they require?—Except through the Grant-in-Aid, if you mean expenditure?

529. Yes?—I think I am right in saying no. But Mr. Marett would confirm or correct that. (Mr. Marett.) That is so, Sir.

530. They request, but the Departments make no provision?—It is on our own Vote, yes.

531. What proportion of the expenditure, Sir Alexander, will go for monitoring purposes?—(Sir Alexander Little.) At the present moment I cannot answer that question, but in the current Estimate we are setting it out under the three heads of Broadcasting, Monitoring, and Civil Defence.

532. To whom is this service primarily of use?—To the country as a whole, and I am sure Mr. Marett would expand that. (Mr. Marett.) If I may say, the Foreign Office is a primary user, of the External Service, but also the Commonwealth Relations Office and the Colonial Office have a major interest in it.

Mr. Niall Macpherson.

533. I would like to ask a question regarding the expenses of collection, interference investigation, and so on. I wonder if Sir Alexander could tell us how those expenses are divided between the various services?—(Sir Alexander Little.) Those expenses are covered by our Management Account and it is really rather a matter for the Post Office to estimate what expenditure it will require under those heads, and then the money necessary is provided by our 7½ per cent., the 7½ per cent. which we levy on the gross licence income.

534. Is the 7½ per cent. in accordance with the Estimate of your Grant more than sufficient to cover your outgoings?—In the last year or two it has been rather less than necessary, but as I explained when I gave evidence on the Post Office Accounts, over the currency of broadcasting we are something a little short of half a million pounds on the right side.

535. Could you just expand that a little?—If you take simply the post-war years, the Comptroller and Auditor General pointed out in his Report on my own Commercial Account that we are in deficit, but if you go further back, that is if you go back to the start of broadcasting about 1922, the Post Office has levied on broadcasting licences nearly £½ million more than it has spent on collection and dealing with evasion and interference.

20216

E 3

16 February, 1954.] Sir ALEXANDER LITTLE, K.C.B., [Continued.
 MR. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
 MR. J. G. L. FRANCIS, and MR. R. H. K. MARETT, O.B.E.

536. What was the deduction, then, for increasing the charge by 1 per cent. at the present time?—I was rather criticised about this when I appeared in my own person, if I might so put it, and I had great sympathy with my critic in that, perhaps, some of our surplus was rather a long time ago now.

537. How much of that is due to collection? Would you agree with this general proposition, that where you are doing more business, getting more licence revenue from the same number of establishments, you should be able to cut down the relative cost of collection?—Yes. Of course, we are always trying to cut down our costs but they keep mounting, and I may say that in the year 1952-53 the cost of collection was up by about £64,000 on the previous year, and that is very largely to be attributed to the fact partly that there were more licences to collect, but also due to the fact of pay increases and increases in the postage and printing, and that sort of thing.

538. Is it simple to isolate the cost of collection of licences?—We do for our own purposes. This really comes, you know, on my own Account, and I think if you were to refer to the Subsidiary Trading Account, No. VIII A, the Broadcast Receiving Licences Management Account, you would see there that they could be to a certain extent separated.

Mr. *Blenkinsop*.

539. Just one or two points on this 85 per cent.; I am not too clear about it. I am quite aware that it is shown in the copy of the Licence and Agreement that this figure of 85 per cent. was decided upon by the Treasury as the proportion of the net licence revenue to be retained by the B.B.C., in effect, but I am not clear as to how that percentage was arrived at. Could you just say something about that, and if it has been found possible by the Treasury to review it, what has been the practice in earlier years with regard to revenue to the B.B.C. from total licence revenue?—Here, Sir, if I might put it, the function as I see it of the Post Office in this matter is to be the friend of the B.B.C., a friend at Court, as it were, and if you would turn to the Licence, Section 17 (2), you will see from that that it is open to the Corporation to make representations to the Postmaster-General that the amount put at its disposal is not sufficient to enable it to provide the services which it is setting out to provide. Some time back—I think it was in about 1950, from the 1st April, 1950, to the 31st December, 1951—the Post Office did prevail on the Treasury to allow the B.B.C. a full 100 per cent. in order that the B.B.C. might be in a position to carry

out the services which it thought it ought to do. Then later on this matter was revised and it really was a policy decision that the B.B.C. resources should be reduced by that amount of 15 per cent. From there on I think you have got to trace it through the state of the B.B.C. finances. Sir Ian will be able to say more about this than I, but they still have a certain working reserve.

540. Could I ask the Treasury if it would be fair to describe this as a general policy decision having only a tenuous connection with the actual expenditure or proposed expenditure of the B.B.C.?—(Mrs. *Johnstone*.) Not in the least. May I first say that it was not a Treasury decision; it was a Government decision. May I next say it was based on such calculations as we were able to make of the B.B.C.'s needs, the B.B.C.'s resources and the reserves they had built up, and so on. The fact that it came out to 85 per cent. of the licence revenue was the end of the sum and not the beginning. It was not an arbitrary percentage chosen in advance.

541. It is suggested in this Treasury Minute that the figure of 85 per cent. stands for three years, after which there is to be a review. But I understand that you have, in fact, to a small extent, reviewed it in connection with the costs of the Post Office in collection, and so on. Does that mean that you are, in fact, prepared to break this figure of 85 per cent. within the three year period?—We have, as you say, reviewed it with the aim of leaving the B.B.C. as closely as possible where they were before the Post Office costs went up. They have, in fact, been a little better off, but not very much. We were not setting out to make them much better off. That was a sort of minor review within the three years and was not in any way intended to take the place of the review which was promised at the end of the three years.

542. I suppose it was accepted by the Treasury that the actual licences are paid by those who are licence holders for a specific purpose and are not intended by those who pay their licences as a contribution to general revenue?—A licence is a licence to listen to broadcasts generally, not merely to B.B.C. broadcasts. (Sir *Frank Tribe*.) I might say that before the war the Exchequer used to take a much higher proportion of the licence revenue.

[Mr. *Blenkinsop*.] I am concerned at the moment with what is being paid now.

Mr. *Steel*.

543. In regard to licences generally, do you have any difficulty at all regarding the issue of licences to blind people? Do you get plenty of support from the various

16 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

[Continued.]

organisations?—(Sir Alexander Little.) There is no difficulty about that at all, and the numbers are about 60,000.

544. You get full reports, and is it well received and appreciated?—Full co-operation.

Colonel Crosthwaite-Eyre.

545. May I, as your critic, return to this question of the deficit on collecting licences? You will remember that you agreed with me when I asked you the question on your own Account that this was an unauthorised subvention to the B.B.C.?—No, Sir. I said it might have that flavour, but there was certainly no such intention about it, and I think my phrase was that I would not be allowed to go along for very long in that direction if it was my intention.

546. Well, you have done it four years out of five?—I think, if I may say, these comments cancel out.

547. What is your idea of a long time?—Perhaps I might put it in this way: that we have with the B.B.C.'s concurrence put that percentage up to $8\frac{1}{2}$ per cent., and over the currency of that period of about two years we expect to be on the right side.

548. On a year to year basis, or to cover the recent deficit?—Not to cover the recent deficit, but let me repeat, there is, in fact, no deficit.

549. I am not certain that I altogether agree with going right back over all that period to find a surplus?—Well, where do you draw the line?

Colonel Crosthwaite-Eyre.] As I understand it, Mr. Chairman, we draw the line each year. Do not we on this particular matter?

Chairman.] This Committee does.

Colonel Crosthwaite-Eyre.

550. And a surplus or a deficit should be considered in the year in which it occurs?—I submit, Sir, that if we are to take this question, I am entitled to cry in aid the surpluses which we have made in the past.

551. Have you any Parliamentary authority to carry forward a loss?—Yes. I suppose a surplus would work out in this way: that when we have a surplus otherwise, it is covered by that surplus and, of course, if it were to lead, as it never would do, being only quite a small matter in the Post Office Accounts, to an Excess Vote, we should have to take the consequences of that.

552. Do you feel quite happy that the fact that you are collecting these licences

at less than they cost you, does not need any special Parliamentary permission?—I feel so.

553. You view it purely as an inter-departmental responsibility between you and the B.B.C.?—It is really my responsibility. I have to persuade the B.B.C. if I think I require more money from them, but the responsibility is solely mine.

554. Would not you be able at any stage to tell the B.B.C. to go and collect their own revenue?—This is not B.B.C. revenue; as I think I said in 1951, this is telegraph revenue. (Sir Frank Tribe.) It is fixed, I might say, upon agreement, at such percentage as after consultation with the Corporation the Postmaster-General shall consider adequate to cover any expenses which will be incurred by him, or on his behalf, in relation to the broadcasting system. It is the Postmaster-General who fixes the percentage.

Colonel Crosthwaite-Eyre.] So it is his responsibility, thank you.

Chairman.

555. Now, perhaps we may start questioning you, Sir Ian. Will Members now turn more completely to the B.B.C. Report? I will try as far as possible, Sir Ian, to keep your questioning in the order of pages, although one does rather dodge about. On page 54, in the second paragraph headed "General," I see that you point out that your income was $\pounds\frac{1}{2}$ million less than in the previous year. You did not limit your expenditure at all?—(Sir Ian Jacob.) No, Sir, because we had been building up a reserve in the years after the war to meet the capital expenditure that we would have to incur, because we could not spend it then under the capital expenditure restriction. We were then given this less income in this year by the reversion from the 100 per cent. to the 85 per cent. and we judged that it was better to continue to carry out our services and to expand those that should be expanded until either we found that we were not going to get any increased revenue, in which case there was still time to draw in our horns, or if we were going to get the increased revenue, the process could have continued.

556. Your reserves have dropped from $\pounds 8$ million to approximately $\pounds 2$ million?—No, I do not think that is quite right.

557. What exactly is the position, then? Perhaps you would give us what was the maximum amount of your reserves and what are they at the present time? I want it in round figures?—About $\pounds 5$ million I think was the maximum and it has now

16 February, 1954.] Sir ALEXANDER LITTLE, K.C.B., [Continued.
Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

come down at the end of the year to just under £2 million.

558. But not in the year of account?—In the year of account the reserves of capital are just over £2 million.

559. £2,200,000?—Yes.

560. What is your policy in financing capital expenditure? I believe you have done it all out of revenue hitherto?—Yes, that is true.

561. Though the Beveridge Report on the matter recommended that some of your capital expenditure might be met by borrowing and recommended also that £10 million might be a reasonable sum for the B.B.C. to borrow, and I believe that the Government has confirmed that. I believe there is no mention of that fact in your Report. Are you proposing to borrow on capital expenditure or are you proposing still to finance your capital expenditure out of revenue?—We are proposing to continue, if possible, to finance out of revenue. The way we look at it is this: first of all one has to consider which is the most economical course, and all our calculations seem to show that overall you save money by doing it this way rather than by borrowing.

562. Obviously you do not have to pay interest if you do it this way. Is that where you mean the saving is?—There is much more comes into it than that, I think, but it is partly a question of interest rates. The full calculation took into account on the one hand the savings of income tax and on the other interest and sinking fund. It seems to us to work out over a longish period at about 15 per cent. cheaper in expenditure to do it this way than to borrow.

563. You mean, irrespective of the payment of interest?—Not irrespective; taking how much money the Corporation would spend, shall we say, on a 10-year programme, what would it cost the Corporation to do the job, it comes out, as I say, on the closest calculation we can make, at a cheaper job in the ten years by doing it this way than by borrowing, but, of course, there are other arguments that come into it as well. For example, I think that we are in this matter more in line with, shall we say, the Navy, or something of that kind, than a commercial concern which is putting up a factory which is going then to produce goods. Our capital expenditure is not something where you suddenly have a concrete programme lasting a short time and then it stops. It is a continuous process right the way through and it is very largely a question of plant which, of

course, becomes obsolete and due for replacement and in hardly any sense is it capital expenditure which is being incurred in order to produce new revenue.

564. The Navy, of course, has not got a revenue and surely the improvement of your services would bring you in more revenue, or would it not?—We are talking about capital expenditure?

565. Yes, the capital expenditure for the improvement of your services surely has brought you in more revenue as, for example, the provision of television?—As I say, there are certain parts of the capital expenditure which may be said to bring in more revenue; for example, if you build more television stations covering a greater area it does, but on the other hand if you spend £1 million on altering the plant in the studios, or something of that kind, it makes no difference at all to revenue.

566. What you are really saying is that you do not get an equivalent return as a result of improving your quality, broadly speaking?—Not the quality of your equipment.

567. Of an existing service?—To take another perhaps easier example, take the introduction of very high frequency broadcasting. That is a capital programme which over a long period means that one kind of transmitter will replace another. That does not have any effect on the number of licences.

568. No. How much capital expenditure do you visualise at the present moment as likely within a reasonable time?—We drew up a plan for about 10 years to see roughly how things might go, and the total capital expenditure of that seemed to amount to rather over £30 million.

569. Evenly spread?—Yes, fairly evenly spread.

570. That is £3 million a year?—Yes, roughly, and it did not altogether seem sensible to borrow up to £10 million in those sorts of circumstances.

571. So you are proposing to meet the whole of this £30 million out of revenue?—Yes.

572. And supposing you do not get any increase in revenue, what then?—Well, if there is no increase in revenue one has to think again, of course. We have got the power to borrow. We know the revenue we shall be getting and we shall have to consider how to meet the situation.

573. Mr. Figgures, has the Treasury any view on this?—(Mr. Figgures.) I think it is fair to say, Mr. Chairman, that we have

16 February, 1954.] Sir ALEXANDER LITTLE, K.C.B., [Continued.
Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

an open mind on it, but we think it is rather difficult. The power to borrow was included in the Royal Charter after having been recommended by the Broadcasting Committee of 1949, but when we come to consider how it could be implemented we are not at all sure what the answer would be.

574. When you say it is rather difficult, do you mean the problem is difficult or the B.B.C. is difficult?—No, the problem is difficult. I think it is fair to say we have not been faced with a positive request from the B.B.C. to borrow; therefore our examination of the question has been hypothetical. There are certain circumstances which we have to take account of, such as, for example, that the B.B.C. has formally a life until 1962. It is difficult to issue a security with a longer life than the life of the institution issuing the security.

575. That is perfectly true, but that is surely a technical point? The B.B.C. has a theoretical life until 1962, but that merely means that if the B.B.C. as the B.B.C. dies in 1962 some other institution, even if it be a branch of a Government Department, would have to take it over?—That raises a quite different problem. Under what power would a Government Department take over an obligation? There is no such power.

576. I do not want to challenge you on that, but I have a feeling that the Government and Departments have taken over financial obligations and I think they have come before this Committee?—Yes, it is one thing to take them over in 1962 but it is another thing to give to an investor being offered a prospectus now an undertaking that you will take them over.

577. There are such things as guaranteed loans?—Yes. By using certain powers under other quite separate Acts it might be possible, but it is not at all an easy problem.

578. Now, Sir Ian, will you turn to page 60? I see "Income tax on surplus for year, £270,000." How do you come to be assessed for income tax? You are not a trading concern?—(Sir Ian Jacob.) No, Sir. But nevertheless we pay income tax. This is a rather technical explanation which I would not attempt to get exactly accurate, but in layman's terms it is like this, that anything we do not spend from our revenue in the year on revenue expenditure is assessed for tax; in other words if we spend it on capital or if we do not spend it on revenue it is assessed for income tax.

579. If you spend it on capital it is assessed for income tax?—Yes, subject, of course, to certain allowances which reduce the incidence of it.

580. I must say, seeing that your excess of expenditure over income was some £60,000, which includes both capital and revenue, and you have been spending within recent years some £3 million on capital, I find the calculation rather complicated?—Well, so do I, as a matter of fact, but I am afraid that that is how it works out.

581. Mr. Figgures, why is the B.B.C. assessed in this curious way for income tax? Here is a grant. It is not profit, it is a grant from a Government Department for the performance of a function and if they do not perform that function to the full extent of the grant then you assess them to income tax. How do you justify that?—(Mr. Figgures.) Well, initially, Mr. Chairman, may I say, of course, the Treasury does not assess them to income tax, it is a matter for the Revenue.

582. I see?—Secondly, I think I could perhaps explain how it is that they become liable to tax for this amount even though there is the excess of expenditure over income. It is quite simply that capital expenditure is not allowable as a revenue expenditure.

583. No, that I realise, but what I want to get at is why the surplus of expenditure on revenue account is taxable when they are not a trading concern and when their total income is a grant from the Government?—The short answer to that, Mr. Chairman, is that if the Revenue consider the income of a body is taxable they do not distinguish between one source of revenue and another unless an Act of Parliament tells them to do so. The Revenue consider that under existing law the B.B.C. is taxable and if it is desired to give the B.B.C. exemption from income tax it would be necessary to make statutory provision so to do.

584. Sir Ian, I suggest you see if you cannot get out of this on the grounds that you are a charity?—That one has been tried, Mr. Chairman.

585. On another point, Mr. Figgures, to what extent do the Board of Inland Revenue, so far as you know, disallow depreciation by the B.B.C.?—I imagine, but I am speaking subject to correction, that the Inland Revenue would apply to the B.B.C. precisely the same rules for depreciation as they would apply to everybody else. It is perfectly common in commerce and industry for depreciation allowances to be made by the firm at a higher rate than the Inland Revenue allows. Depreciation above what the Inland Revenue allows has, in the ordinary course of events, to be made out of taxed profits, and that is what is happening in the B.B.C. case, I have no doubt.

16 February, 1954.] Sir ALEXANDER LITTLE, K.C.B., [Continued.
 Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
 Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

586. Now, on page 62, under "External Services," which amount I presume is incurred purely on behalf of the Government, there is an income tax assessment of £25,000. Is that also on the same grounds that you did not spend quite so much?—(Sir Ian Jacob.) On revenue expenditure, yes. They tax us in exactly the same way.

587. Now may I jump to something quite different? You have the expenditure of a very great deal of money in your hands. What steps do you take to see that the money is economically spent?—We have an exceedingly close system of rates of expenditure.

588. Does that apply, for instance, to artists?—It does to the people who control artists, to the people who have to put on programmes. Of course, what you actually pay artists is a matter of negotiation with the Unions and similar negotiations to settle rates of pay, but what I mean is that somebody who is responsible for a given field of output has a very definite fixed rate which he is not allowed to exceed; and the same applies to the whole range of revenue expenditure throughout the Corporation, so that one can budget accurately and assess the results as you go along. Then, all projects for capital expenditure or all proposals for alterations in rates have to be put forward in a standard manner to a body which is set up under my control for the purpose of keeping a grip and, of course, anything over a certain amount has to go to the Board of Governors. In this way a very tight and careful control is kept on expenditure of every kind.

589. Have you a continuous internal audit?—Yes.

590. What size is your audit staff, approximately?—There is, of course, the external audit.

591. That is a different thing?—Our own staff on the job number five but, of course, the external auditor is with us all the time, too.

592. Yes, the external auditor's job is rather different, is not it? Your internal audit is, or ought to be, much more of an efficiency audit and an economy audit than your external audit. Your external audit concerns primarily whether you have spent your money honestly, so to speak?—I think it would be fair to say, if we are looking to internal audit in the strict sense as I have defined it with five people, it is the same kind of job. There are other agencies and organisations inside the Corporation which are reviewing what is actually happening. For example, one of our largest items of expenditure is staff pay and salaries. Well, one has naturally to keep a very close watch on the organisation

of the staff and we have a very considerable department, an Organisation and Methods Department, on that job. In regard to that five, that is merely a question of looking to see whether the money has been spent in accordance with what is authorised.

593. Yes, I was not meaning that. By an internal audit I was thinking of a continuous check of expenditure as expenditure?—Oh, yes.

594. You have a staff doing that?—Yes, indeed.

595. How far do your external auditors help you in that matter of efficiency audit? Do you ever get any comments?—Not that I am aware of. Certainly not as far as I know do they take any interest beyond the point as to whether or not something is spent in accordance with what is authorised.

596. Now, one other matter. On page 64 you have £570,000 approximately for performing rights?—Yes.

597. You have £118,000 for news royalties?—Yes.

598. For television you have also something, and for external broadcasts you have £135,000; that is, about £800,000 altogether, including the news royalties?—Yes.

599. Then, in your first item, copyright, recording and reproduction fees, to what extent do copyright, recording and reproduction fees parallel performing rights?—Well, there are various successive rights in any particular operation. The figure for performing rights which is put down here, as you say, at £800,000, is paid to the Performing Right Society, which is the society which looks after the interests of music publishers and the writers of music. That is a payment we make, it is negotiated, of course, with them, and it is just the same as for any other body which performs music and pays also. It may not be at the same rate, but it is negotiated with them and it covers the use in our programmes of music which is under their control. The next thing you get, of course, is copyrights which are separate. They are copyrights in written matter. With regard to recording fees, you then get up against a different set of rights, the rights of the gramophone companies, Phonographic Performances Ltd., and we have a negotiated fee with them, and with those recording and reproduction fees there is a second aspect of it, namely, if you, shall we say, engage someone to do a broadcast on a given service and if that broadcast is recorded and repeated on other services, there are successive fees to be paid to the same person. So there are all these various highly hedged about and exact rights on the whole field.

16 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
 Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
 Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

[Continued.]

600. The Performing Right Society takes the £560,000, I believe, on this service alone. What percentage of their income does that represent?—I have not the faintest idea, I am afraid. I have not seen their accounts.

601. Have you any idea what the B.B.C. paid them, say, 20 years ago?—Yes. What we pay them has been assessed up to the present at so much a licence.

602. 5 per cent. of your licence?—It was 1s. Before that I think it was 7d. It went up to 1s. 2d. and we now have a new agreement which I think is 1s. 5d.,* but the principles on which it is based have always been somewhat in dispute as between us and them, because it is very difficult to equate what happens in broadcasting to what happens, shall we say, in a theatre or a concert hall. They have been inclined to say that it should vary according to the revenue of the Corporation and we have said, on the contrary, we think it should vary according to the amount of music that appears in the programme. I would not like to argue the case here and now; it is a complicated question, but quite obviously in a theatre there are two elements which come into it, one is the size of the theatre and the other is what they charge for the seats and it is an argument as to how you apply that to the case of broadcasting.

603. So really it comes down to this, that there is no real basis for hard bargaining?—That is right.

604. And what is your sanction?—Well, I suppose ultimately it would be not to use their stuff and bring broadcasting to an end for a bit.

Chairman.] Would it?

Mr. Hoy.

605. It might bring the Performing Right Society to an end?—It might. It is like any of these institutions.

Chairman.

606. I do not know how long copyrights go back, but there is quite a lot of music written before the Performing Right Society came into existence?—Yes, there is, but when you think that about 50 per cent. of the B.B.C.'s entire output is music, of which they control, I do not know the exact amount, but it is probably 80 per cent., it is quite a lot.

Mr. Oliver.

607. When you speak of a licence, what does it embrace, one item of music or a batch?—No, we pay them, shall we say, 1s. 5d. per receiving licence current in the

country. There are 13 million receiving licences, so we pay them 13 million times 1s. 5d. It is that sort of figure.

Chairman.

608. It has gone up to 1s. 5d. now, has it?—I beg your pardon, it is 1s. 3d. now.

Mr. Hoy.

609. Could we have the various stages again? It has now risen to 1s. 3d. Could we have what it started from and the date, and now it has reached 1s. 3d.?—Before the war it was 7d. There was an arbitration in 1938, I think it was, before I joined the B.B.C., as a result of which it was settled at 7d. a licence. The licence was then 10s., of course.

610. Yes, but then you would have to take into account that there were so many fewer licences?—Exactly, that is quite true.

611. Why was there a change from arbitration?—Well, arbitration only comes into effect if you cannot get agreement and there is this to be said on their side; you can argue that the number of licences has gone up and, therefore, the income from 7d. per licence goes up. That takes account of, shall we say, an increase in the size of the audience you can accommodate in your theatre, but they say, well, that is all very well, but there is another element which comes into this, the rate of payment for any person for a given job and the rate for work nowadays is much greater than it was and, therefore, quite apart from the fact that you are performing this to a larger number of people, basically the fee to the author of the music and to the publisher should be itself raised, which is a strong argument for having a higher figure per licence quite separately from having the natural increase due to the increase in the size of your audience.

612. It does seem pretty steep that you have got to pay them £11,000 per week for doing this job?—Yes, certainly.

613. Does not it appear to be pretty steep to you?—Well, I think it is always difficult to say in negotiations of this kind.

614. Do you think they are as hard as the Treasury?—On the whole I think we get on well with both, but I am not sure that any writers of music are obviously rolling in money as a result.

615. It is true that even the writers, perhaps even the performers, may not be rolling in money but this money has got to roll into somebody's pocket?—What I am saying is that I have nothing to show that as a result of what they are charging us the composer of the music and the people

* See Question 608.

16 February, 1954.] Sir ALEXANDER LITTLE, K.C.B., [Continued.
Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

who benefit by the Performing Right Society are in fact getting more than a fair return on their work.

616. But then you do not know, because you say you do not, what the income of the Performing Right Society is nor how the money is spent?—No.

617. Have you thought of making enquiries?—One can only judge by the people we are in contact with. We do not know also how that money adds up per performer. Of course, it varies from man to man. They have to do all the tremendous calculations as to whose work is used and the rate of pay for each man. I have no doubt each man negotiates with the Performing Right Society.

Mr. Oliver.

618. Do you know whether the Performing Right Society have laid down and accepted some scale other than that to which you refer, namely, size of audience and the cost of seating? Do you know whether they subscribe to a fixed rule between one performance and another of comparable kinds?—I do not actually know, but I should imagine that that would be so; that is to say, where you get a rough comparability the fee would be about the same.

Mr. Hoy.

619. May I go to page 52, "Expenditure on Television"? It is intended that television should eventually stand on its own feet financially?—Yes.

620. How soon do you think that will be?—If the estimates now made turn out roughly correct, it depends then on how much the television licence remains at. Originally we calculated this out about four years ago and we came to this conclusion, that, on the basis of the existing licence then, when there were about six million television licences current it would stand on its own feet. If there is an increase in the television licence then, I think, that moment will arrive probably at an earlier date, when there are about five million, and they are then on paper entirely self-supporting.

621. What would be the present economic licence fee for a television set?—At this moment, what we should have to have?

622. Certainly?—We reckon that it certainly ought to be £3 instead of £2. That does not mean it would be self-supporting but it would mean, if you had £3 instead of £2, it would in our view become self-supporting when there are about five million sets, which would probably be in about two to three years' time.

623. You are budgeting, of course, for the Treasury continuing to take 15 per cent. off you, are you?—Yes, budgeting on the costs and our contribution to the Treasury. We do not know yet, of course, what is going to happen.

Mr. West.

624. I see that the investments are down in the year 1953 from what they were in 1952?—Yes.

625. But I see that the tax which is deducted from the income from these investments is up. I am looking at page 60: "Income tax deducted from investment interest", £22,000 in 1952 and tax deducted from investment interest in 1953, £30,000 odd. Can you explain that?—May I ask Mr. Francis? (Mr. Francis.) It is partly because, if you look at the opposite side of the appropriation account, you will find our investment income is up. We have £82,000 in this year as opposed to £76,000 in the previous year.

626. I see, yes?—Another feature is, I think, that we exchanged some of our investments. We realised some investments and purchased others during the year and in some cases the investments were sold cum dividend so that tax did not come into account.

627. There has been a change in your investments in the year of account?—Yes.

628. Both the investments for capital purposes are down now and also the investments for other purposes are down too?—Yes.

629. So that next year your income from investments will be down considerably, will it?—Yes, it should be.

630. It will figure in next year's accounts?—(Sir Ian Jacob.) That is right.

Colonel Crosthwaite-Eyre.

631. Could I turn for one moment to this capital expenditure programme that the Chairman was talking to you about? If your reserves are only sufficient to last until next April, which is only roughly 14 months now, you will have to make some plans pretty soon as to your future financing, will you not?—Yes, but one would assume, I think, without undue optimism that we should know within the next week or two. It is quite true that we must know very soon what the future is going to hold for us and I have every reason to believe that we shall know very soon because the end of the financial year is approaching when some decision will have to be taken; so that I should hope that in the course of the next week or two we shall in fact know what is going to happen.

16 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B., [Continued.
 Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
 Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

632. Your powers, I see, of investment are very broad under the Charter?—Yes.

633. But there is one curious restriction, that you have got to exclude from any loan or any charge you make to secure a loan, any charge upon the external services?—Yes.

634. Is that easy to do?—Yes, the assets are separated.

635. They are completely separate?—Yes.

636. So it would be possible without any difficulty merely to make a charge on what is owned by yourselves?—Yes.

637. Could I ask you one or two questions on the balance sheet? A small one first: why have you given up holding Tax Reserve Certificates?—Well, that is, I think, very largely a question of the amount of tax we are liable to pay.

638. It is a technical question on investments?—I would rather Mr. Francis gave you the accurate answer. (Mr. Francis.) The answer is this, that in 1952 the rate of interest generally on deposit was one-half per cent. and interest rates were low. Tax Reserve Certificates then gave a net yield of .75 per cent. but in 1953 the bank rate had gone up and the general level of interest was much higher and at the time we would have purchased Tax Reserve Certificates the interest was still three-quarters per cent. net, whereas we were getting 2½ per cent. on loans with local authorities and in other directions. So it was not worth our while at that time to purchase Tax Reserve Certificates.

639. On the other hand if you had kept the Tax Reserve Certificates for two years they would be fully matured?—We should have had to make a new purchase around that time, March, 1952. At the time it was not attractive to buy them.

640. Could I ask you why some of your securities are shown valued at cost and some at market value?—The securities shown at par were two investments in Government Stocks, Exchequer 1955's and War Loan, 1954-56, which were purchased three or four years previously and they were written down to par. The investment at £701,109 and a further amount shown under current assets were Serial Funding Loan, 1953, which we purchased during this period at a small discount and we hope to realise that discount during the year.

641. So you have, except in the first case, always taken your purchase price irrespective of the present market value?—Yes, I think it is also fair to say this, that the £1,500,000 was purchased when interest

rates were very low and we purchased slightly above par whereas in the year under review we were able to purchase at a discount, and you will see the market value here is slightly in excess of the value shown.

642. Yes. Are the securities you have purchased all short-term securities?—Yes. The Government securities are the longest we have, 1955 or 1956.

643. That is the policy, is it, of the B.B.C. to keep the money in short-dated securities?—(Sir Ian Jacob.) Because, you see, very likely we will have to make use of this, or we might have had to, in which case one does not want to take the risk of a long term.

644. You have complete freedom of investment?—Yes.

645. You could invest in industrial ordinaries, if you wanted to?—We are not restricted at all, I think. Of course, we are very closely advised by two separate organisations who go in for this kind of thing as to exactly what we shall do at any given moment, what our policy shall be, but the object of the policy is to make quite certain that if we have to realise the investments as we probably shall have to we shall not lose money on them. It is a much more short-term than a long-term investment plan.

Chairman.

646. When you say two organisations, do you use the National Debt Commissioners?—No, they are private organisations.

Colonel Crosthwaite-Eyre.

647. You were talking of the desirability, in fact your determination, to finance capital development out of income receipts?—Yes.

648. Would not it be possibly a good thing, without obviously infringing your powers, to think of other sources of investments so as to increase the interest you would receive?—You mean to leave money invested and borrow for capital?

649. No, I was thinking of investing certain of your funds in first-class preference shares or debentures, or even ordinaries, if you have that power?—Well, the difficulty, I think, is simply this, that on a year to year basis, as we are more or less on a year to year financial basis, and the maximum you will see is fixed for three years ahead, you can never be sure that you may not want that money fairly soon, and I think that the policy we have to follow with our investments is to make sure that you are not going to suffer considerable depreciation, even though in the long term it might be

16 February, 1954.] Sir ALEXANDER LITTLE, K.C.B., [Continued.
Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

made up, because you may want that money. It seems the soundest policy on the whole.

650. There is another small point: if you would look at page 63 it appears that the interest on bank deposits amounted for the External Services to £5,187?—Yes.

651. On the other hand, going back to page 59, where I have just come from, it shows that the opening and closing balances were £25,000 and £40,000 respectively?—Yes.

652. Where does the difference come in?—It comes in in this way: we keep a record of the weekly balances of the Grant-in-Aid fund. It is paid by the Post Office to us in instalments, and we give this interest according to the weekly balances. Obviously when you come to the end of the financial year the payments are adjusted to make it come out, as far as possible, exactly in accordance with what Parliament has authorised and therefore the final balance drops down, but in the course of the year it may go up as high in any one week as, say, £400,000. It varies according to the incidence of the expenditure and generally speaking the Post Office pay us regularly, you see.

Mr. Steele.

653. During the year under review there were established Broadcasting Councils for Scotland and Wales?—Yes.

654. Which was an entirely new departure?—Yes.

655. Have these cost you some extra expense?—Oh, trifling. You see the only extra expenditure caused by the establishment of those Councils is the expenses of the Council when it meets, the appointment of a secretary to the Council and a few odd things of that kind. Anything else that arises from their work in the way of proposals for bettering their service, or anything of that kind, would be taken up in the normal way and appear in its appropriate place as a Corporation expenditure. For improving any programmes, we either give them the money or we do not. I do not think that there is an extra expense attributable to there being a Council.

656. Has this Council any power over the staff, have they any power over determining how money should be spent or has anything passed into their hands of that character at all?—They have power over that part of the staff, whose primary task is conducting the Scottish or the Welsh Home Service, as the case may be, and, in fact, for example, a number, I think perhaps 30 or 40, of the staff in Scotland are what is known as Council Staff. They are, in fact, just like anybody else in the B.B.C. in that

the B.B.C. engages them on behalf of the Council but the Council has complete power to appoint or to discharge, and that is all actually specified in the Charter. On the question of money it is impossible, of course, to give them a completely separate budget, it is all in the Corporation budget, but on the Scottish Home Service, for example, the programme allowance which is set aside for that service is, in fact, administered under their control so that they can do what they like and they can then make representations if they want more and, as you know, their Chairman is on the Board of Governors.

657. Now would you turn to page 61? There is an item there regarding publications?—Yes.

658. I wonder if you could tell me the reason for the net revenue from publications going down from last year?—It is, of course, always a slightly variable sum. It is a large business and in this particular case the variation was mainly due to the price of paper and of printing going up in the period. It is a fluctuation, of course, of £130,000 on a turnover of about £4 million or £5 million. It is a very small thing one way or another in a trading account of that kind, but there is nothing very particular. There was a slight fall in the average circulation of the "Radio Times" over the year, a fall of about 30,000 or 40,000 copies a week, but that again is a slightly fluctuating business. This year again it is up. A fluctuation in the results of the publications of the order of £130,000 is not at all surprising in a field where, for example, £1 a ton on paper makes a difference of £45,000.

659. What is the circulation of the "Radio Times"?—It is just on 8 million a week.

Chairman.

660. Does that mean it has gone up again?—Yes, it is very nearly 8 million.

661. You were at 8,100,000, that was your peak in 1950?—Yes.

662. It is increasing again?—It is very nearly up to that now.

Mr. Steele.

663. You have a separate issue for each region? Yes.

664. Do you find that various regions differ in the take-up of the "Radio Times"?—Oh, yes, tremendously. Our constant effort, of course, is to get the "Radio Times" distributed everywhere where it is required so it is a double job, it is trying to get people to buy it and secondly making certain that the thing is there, and sometimes one and sometimes the other is

16 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,

[Continued

Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,

Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

the difficulty. I would say that on the whole it does remarkably well everywhere.

665. When did you last raise the price of it?—We raised the price about two years ago, or a bit over two years ago.

666. What does an increase of 1d. make it? A penny is about £1 million.

667. What about the advertisement revenue, could that be raised at all?—The rates in the "Radio Times" are higher than in any other paper in the world at the present moment.

668. Do you find a curtailment of advertising in it in the sense that you have not enough paper due to paper restrictions?—Yes, it is not a question now of paper restriction with the "Radio Times", it is a question of what you can do on the machines. Doing, as we are, 8 million copies a week, there simply are not any other machines that will handle it. It is done for us by Waterlow's and there is a limitation to the number of pages per issue you can have on the present machines, and that is a limitation, therefore, on the editorial and advertisement sides of the paper.

669. What about "The Listener". Do you lose on "The Listener"?—"The Listener" has a long history. When it started we came to an understanding, more or less, with the publishing world that we would not make a profit on "The Listener" because we are not in the publishing business. The object of "The Listener" was to enable the public to read the best of the talks that they had missed, and so on, and, therefore, our effort with "The Listener" is to break even.

670. Now on the question of pamphlets that are distributed to schools, I understand there are about 5 million of them?—Yes.

671. Are they distributed without charge, or what happens?—No, there again we try just to cover the cost.

672. Do you manage to cover the cost?—Yes, just.

673. I was wondering, if there was any loss in this, would it be covered in the sale receipts of your other publications?—Oh, yes, if we made a loss, of course, it would be.

674. But you assure me that it does wash its own face, as it were?—Yes, it does, it just about keeps level.

Mr. Blenkinsop.

675. Could I just go back, first of all, to this question of tax on unspent balances for a moment and just ask the Treasury,

although I appreciate they are not directly responsible for this problem, if they would agree that there is any parallel here with a body like, perhaps, the Arts Council or some body of that sort, where grants are provided out of Government revenue and where, as far as I am aware, no tax arises?—(Mr. Figgures.) (Mr. Chairman, I can see a difference myself but I do not know whether I should put it forward, because it is really a guess. If you would like an answer to that question I will get one for you from the Revenue. I think that would be much safer. Taxation questions are extremely delicate.

676. If you could provide some information as to how far it is fair to compare this practice in relation to the B.B.C. with the practice in relation to other bodies that receive grants, but are not trading in the ordinary sense of the term, I would be very grateful?—Yes.*

677. Now, with regard to the last subparagraph on page 55 of the Report, Sir Ian, you do say here, as indeed we know, that the Corporation desires to proceed with its developments and that questions have already been raised with you about how that is to be financed. Do I understand the position is that you would hope first of all that the Treasury would make money available to enable you to do this without use of your borrowing powers? That is the first point?—(Sir Ian Jacob.) That is right.

678. In addition to the question of borrowing, I take it that you have also in mind the possibility of an increase in licence fees?—Yes. Of course, that is not for us to say, but that is obviously a factor.

679. Could you give any view as to whether you would expect there to be any decline in the number of licences and the number of licence holders if you were, for example, to raise the licence money by 50 per cent.?—I do not know that I can give any better answer than you on that. I think Sir Alexander Little would agree that once a person has got a licence it is a little difficult for him to escape from going on having it. There is a certain tally kept on that. It is very hard to say, but I would have thought, on the whole, that, provided the public think the increase reasonable, which I think they would, that they will be prepared to pay it.

680. One other detailed point on the Accounts themselves, on pages 60 and 62. It is really in relation to the special contribution to new staff pension schemes?—Yes.

681. Is there any particular reason why that should be shown separately in the

* Appendix 2.

16 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,

[Continued.

Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,

Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

Account? It is rather an odd item to see appearing?—It is not, of course, the normal contribution. We have a contributory pension scheme to which the staff contribute and we contribute. This is not our side of that. This is a special contribution required on actuarial valuation of the fund to make certain that it is, in fact, covering its obligations. There are the people who have joined since the fund started and who may be ante-dated, and there are a number of things. Then again you get an increase in salaries or wages and that means that the final obligations on the fund are going to grow without contributions up to that point having made provision for it. So, there are payments which have to be made to the pension fund from time to time to make certain that it is actuarially completely sound, and it is those special kinds of payments which are put down separately.

682. I see if you look at page 60 as against page 62 that, whereas on the Home and Television Services there is a contribution of some £10,000 in the year under review in the case of the Home Service, it is some £50,000 with regard to the External Services?—Yes.

683. Is there any sort of special reason for that?—Yes. The special reason for that is this: whereas the Corporation was pretty well completely up to date with its payments to the fund the External Services were lagging somewhat behind, because as you can imagine, under a tight financial squeeze a figure of that kind can be flexible because it need not all be paid off in one particular year so long as one keeps a reasonable cover over the fund. That is the kind of thing which can be squeezed down and then when you find you have got the money you catch up again. That is roughly how that goes.

684. So it was due, if you like, to a Treasury squeeze on the External Services at that time?—I would not say that. I would say it was due to the fact that, under a financial squeeze at the beginning of the year, cuts were made. When the end of the year came it was found there was some money in hand which then could be applied to this purpose.

685. I see. Therefore it has no relationship to the number of staff employed on the one Service as against the other?—No.

686. I assume, as far as staff is concerned, that the number employed on the External Services, of course, is a very small proportion of the other?—That is right. No, it has no relationship to them at all. I think the total liability we have had to pay in this manner is something like £800,000 and it has been gradually cleared off.

Mr. Oliver.

687. I deduced from an observation you made in answer to Mr. Blenkinsop that you could not guess whether fees will be increased or not, is that right?—Well, I said it was not for us to decide. Naturally we say our estimates show that we require certain financial reserves. There are only two ways of getting those reserves, one is by licence fees and the other is the alternative method we have mentioned, that is, doing some borrowing of capital. As to whether there shall be an increase in licences, that is for the Government to say.

688. You would be taken into consideration in that?—Oh, naturally the Post Office do work with us in these matters.

689. The Post Office, the B.B.C. and the Treasury?—Yes, but ultimately it is a Government decision.

690. The final decision must rest with the Government?—Yes, that is exactly what does happen.

691. Although the part you play would be very influential in so far as the type of programme you put on certainly determines the expenditure, does not it?—It certainly determines some of the expenditure.

692. The major portion of the expenditure?—No, I would not say the major portion because, after all, in an expenditure of this kind the major portion, I would say, is salaries and wages and engineering generally, including capital expenditure inevitably, but, of course, the expenditure is still very large for programmes.

693. You must, I take it, go forward or you must go backward; you cannot stand still in this job?—It is very difficult to stand still, yes.

694. So in the course of the next year or so there must be considerable development taking place whatever happens?—Certainly, yes.

695. You estimate it at approximately £3 million a year?—Yes.

696. Now in that case some decision would have to be come to, say, in this next year, and that decision must be in favour of some additional expenditure?—Yes, certainly, that is quite right.

697. Because I gather you will exhaust yourself in the next year?—We probably shall.

698. On your present income and expenditure?—Yes, that is right.

699. Only one other point, and I must refer to it now because I was out of order

16 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
 Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
 Mr. J. G. L. FRANCIS, and Mr. R. H. K. MARETT, O.B.E.

[Continued.]

when I was talking to you about it before, and that is in respect of the Performing Right Society?—Yes.

700. Privately I am interested in what you have to say about this because I have had previous contacts with this body. When you have more people taking out licences, the greater is your contribution to this body?—Yes.

701. It does not depend, then, on the content of the programme?—Well, they would say that there are both elements, but the only practical way of fixing the contribution is in some way like so much per licence, because if you have to take every single work and assess it in some way it is an impracticable job and so as we have always negotiated with them on the original basis, let us fix so much per licence.

702. In your fixing of so much per licence, if the licence were increased considerably, that is, the number of licences was increased, would that mean that you would have to pay more per licence or less per licence?—If the licence itself were increased?

703. The number of licences?—The figure would remain the same but they would get more by simply multiplying the figure by the additional licences.

704. Nor would they reduce that figure?—No, nor would they reduce it. There is a point, of course, about television, that they claim that there should be some additional payment per television licence, and we claim that that should not be so, because you cannot be watching television and hearing sound simultaneously, or not very easily. They did not give way, as it were, and we did not press it, but that was the kind of thing. We have not, perhaps, finally settled these issues on matters of principle; as I said before it is a matter of negotiation.

705. I appreciate that. I think that would apply to all persons who come into contact with the Performing Right Society. It is a question of "How much can you afford to pay?" Does not that seem to be the ruling principle?—Well, I do not want to be thought to be casting stones at the Performing Right Society, but they certainly are not backward in getting what they think they ought to have, anyway.

706. This House did protect the Performing Right Society and rightly so because people have a right to have their works protected, but when a protection is granted, of course, it can be taken too far?—Yes.

Mr. Steele.

707. Have you ever tried to estimate how much this would cost by trying to base it

on some other method?—We have, of course, in negotiations gone into cost per hour of music and so on and I would say that, while we think that we are certainly paying too much, I do not think one can say that it was rapacious or anything of that sort. I would say it is certainly a pretty sizeable chunk of money that they get from us.

Mr. Oliver.

708. You have no means of judging the quality of the stuff covered by this Society, have you?—It is, I suppose, actually, but it certainly is theoretically, paid out according to the performance. We have to keep complete records of all the music that is performed.

709. "Is You Is Or Is You Ain't Ma Baby" would carry probably quite as much by way of royalty as something more edifying?—Yes, and when you get back to the real classics they are very often not in control anyway.

Mr. Oliver.] No, I appreciate that.

Chairman.

710. I would just like to revert to the question of the "Radio Times". You say the size of the "Radio Times" is limited by the size of the machines?—Yes.

711. It is done by Waterlow's for you?—Yes.

712. Have you considered machines that would enable you to put out a larger "Radio Times" enabling you to take further advertisements?—Yes, certainly, and now we are, at present, engaged in the process of taking steps to that end but, of course, it is a long business. It is very big machinery.

713. Presumably it is, yes?—Very big machinery. You cannot do it rapidly.

714. Is the whole of the "Radio Times" printed in one centre?—Yes.

715. Not split up?—No.

716. How many different "Radio Times" do you produce?—8 million a week.

717-8. No, how many different editions?—One per region, that is, seven. It is printing continuously, you see. On economic grounds that is the best way it can be done in that you are making use of your machinery practically continuously. The Press day is Thursday of the week before last, so to speak; that is to say, this Thursday will be the absolutely last day on which anything can change in the "Radio Times" for the week after next.

* * * * *

16 February, 1954.]

Sir ALEXANDER LITTLE, K.C.B.,
Mr. K. ANDERSON, C.B.E., Lieut.-General Sir IAN JACOB, K.B.E., C.B.,
Mr. J. G. L. FRANCIS, and Mr R. H. K. MARETT, O.B.E.

[Continued.]

Mr. Hoy.

719. If Sir Ian will turn to page 59 dealing with Home Services, I have a couple of questions regarding the depreciation of fixed assets of the Home Service. What is your policy with regard to writing down buildings and plant?—The policy there is as follows, that before the renewal of the Charter this time we were under an obligation to depreciate and before the war our auditors and ourselves agreed on the rates at which it should be done. There is no particular obligation on us under the new Charter but we have continued the same process on the rates originally agreed with the auditors and it varies from about 5 per cent. on buildings to 15 per cent. for musical instruments.

Chairman.

720. 5 per cent. for building is rather high, is not it?—Yes, I think it is a little high.

721. There is an official rate which applies to buildings under some Finance Act, it is about 1 per cent, not it?

Mr. Blenkinsop.] For income tax purposes.

Chairman.

722. I forget what it is now. I know it came into a Finance Bill. I think the amount of depreciation which may be charged was in relation to income tax, and it is 1 per cent., is not it?—(Mr. Figures.) That seems very low, because that is 100 years' life. I have a feeling that it is 50 years' life. Perhaps the Comptroller and Auditor General knows.

Chairman.

723. I am quite certain, your standard of depreciation being 5 per cent., it is much higher than is allowed for income tax purposes?—(Sir Ian Jacob.) Yes, it is, that is quite right.

Mr. Hoy.

724. May I ask this, then, Sir Ian: are you perhaps making your financial position look rather worse than it is by this very heavy depreciation?—Well, I do not know that it has much effect on the look of the finances. In what sense do you mean?

725. Surely if you are depreciating your assets by these considerable amounts, which is not the normal amount, do not you agree that it would have some effect on your balance sheet?—You mean our assets would be lower?

726. Yes, certainly?—I think it is largely an academic point because, financing our capital as we do, it does not really make much difference whether you do it by depreciation or whether you transfer to reserve.

727. No, I would not go as far as that, all I say is if you are writing down your capital assets at this rate it might give the appearance that you are much worse off than you really are?—Yes, it might if we were seeking people to come and invest money on the basis of our assets, but we are not in that position. I have an open mind on the matter. It may be that we are overdoing it, but as I say, we simply carried on the rates that we had had established for a very long time. I think there would be no harm in reducing that slightly.

728. It is the sort of thing you might look at anyway?—Yes, certainly.

Mr. West.

729. Is the depreciation taken into account in arriving at your tax liability?—Not in full. We get the allowances that are allowed.

730. You get the statutory allowances?—Yes.

731. And you are depreciating at a rate greater than the statutory allowances, is that it?—Yes.

732. Over what period of time do you think that you wipe out the capital value of your asset by depreciation?—I do not think we shall because we are adding to them.

733. Take a particular asset. Over what period of time would you write that off?—It depends tremendously on what it is.

734. Musical instruments, 15 per cent.?—Yes, but take plant, 10 per cent. There is not the slightest doubt that all our television cameras will be written off long before that. They will be obsolete and a new lot will be there.

The witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 23RD FEBRUARY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Hoy.
Mr. David Jones.
Mr. Niall Macpherson.

Sir John Mellor.
Mr. Oliver.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

Sir HERBERT BRITTAIN, K.B.E., C.B., called in and further examined. Mr. J. H. VETCH, a Principal, the Treasury, called in and examined.

Chairman.

735. Will Members turn to the Civil Appropriation Accounts (Classes I to VIII), to pages vii and viii of the Comptroller and Auditor General's Report, paragraphs 8 and 9? Sir Herbert, apparently all the various museums and galleries, with the exception of the Tate and the National Gallery, which I believe is one organisation, seem to publish on some Vote or another. The Tate and the National Gallery appear to publish out of non-voted funds. Is there any particular reason why there is this distinction?—(Sir Herbert Brittain.) No reason of principle, Sir, I think. There is a great variety amongst these galleries, but these two are, as you say, the only two which now publish out of trust funds of the galleries, and that is largely historical. It started that way in the National Gallery 30 or so years ago.

736. All the others, I believe, are borne on one Vote or another?—Yes, either on their own Vote or through the Stationery Office as an allied service.

737. What are these non-voted funds which they use to finance these publications?—They are funds which have been given to the galleries in the past. For instance, in the case of the National Gallery, I think the publications there started out of what was called the Lewis Fund, and they used some of the moneys in that Fund for working capital for their Publications Department in the very early days. Since then it has grown to much bigger proportions, and I think now—certainly in the Tate—there is a separate Publications Fund which is still in the nature of a private trust fund of the Gallery.

738. In the nature of a private trust fund?—In the nature of a private trust fund, within the control of the Trustees of the galleries.

739. In other words, they have a fund which has arisen from previous profits?—Yes.

740. Is it correct that it is a fund entirely at their disposal without any strings?—I think that is going rather far, Sir, because we do keep in touch with those two galleries.

741. I was not referring to Treasury considerations; I was referring to trust considerations. Presumably other trusts and bequests have limiting terms, and so on?—Yes.

742. But here, this is merely a loose sum of money?—I think that is correct. May I ask Mr. Vetch, who knows some of the details?

743. Yes?—(Mr. Vetch.) The position in the case of the Lewis Fund is that the fund was a fund for any purpose connected with the gallery. It was not restricted in that sense.

744. I understood from Sir Herbert that they did not even use the Lewis Fund now. It was profits arising from previous transactions?—The position is that they had an advance out of the Lewis Fund, I think, at the beginning, but they went on and made sufficient to repay the advance; and the present position is that it is really an offshoot of the Lewis Fund.

745. What is the position of the Trustees of the Gallery? Are they in a position legally to behave as a trading concern?—(Sir Herbert Brittain.) I think the fact that the trustees for all these galleries have been doing it for so very long really suggests so. I do not know of any legal objection to it, any inhibition against doing this.

746. Has the Comptroller and Auditor-General anything to say on this? It is rather a Comptroller's point?—(Sir Frank Tribe.) I have not seen any direct legal opinion on the subject, Mr. Chairman, but I have seen a letter from the Treasury, a semi-official letter, in which they suggested, that the Treasury Solicitor was rather unhappy about this and said that normally trustees had no authority to carry on a business and that it was a breach of trust to do so.

23 February, 1954.]

Sir HERBERT BRITTAİN, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

747. Now it is honoured in the breach, is your guess, Sir Herbert?—(Sir *Herbert Brittain*.) If there is a breach, yes.

748. Is there any reason why there should not be uniformity? In other words, is there any reason why you should not bring the Tate and the National Gallery into line with the others?—Except that of course these bodies are independent bodies. In these two cases they are carrying on a publications department at a profit, which enables them to undertake a certain amount of specialised publication which they would perhaps otherwise come to us to finance; and, generally speaking, so long as we can satisfy ourselves from time to time that the conditions under which this sort of fund is operating are reasonable, I think we should be rather averse from bringing pressure on the trustees to change it.

749. You say they are making a profit, but apparently they have made a loss of nearly £18,000 as a result of non-payment of purchase tax?—I could give you an explanation of that, if I may; that is rather special. It is not a trading loss in that sense. It was as a result of a misunderstanding. The circumstances were these: when the purchase tax was first imposed in 1941 we realised there were a lot of inter-departmental transactions going on which would attract purchase tax, so in order to cut all this out we arranged that the Stationery Office, in particular, should not pay purchase tax to the Customs on any of its dealings and should not therefore collect purchase tax from departments like the galleries to which it rendered services. But when the galleries, for instance, sold material which had been provided by the Stationery Office, the galleries themselves added the purchase tax when the things were sold to the public and took that tax direct into their own accounts. It was really a short cut in order to cut out a good deal of inter-governmental transactions. That arrangement assumed that the purchase tax addition on a sale came into the Exchequer through their Appropriations in Aid. In this particular case of course the position is different. It does not come into the Exchequer; it goes into this private publications fund. The Customs, who are responsible for giving the Stationery Office the necessary instructions, in this case did not realise that special position, and therefore let the Stationery Office go on for some time providing this material free of purchase tax. When this was discovered, we looked at it and found that there was £17,000 which should have been collected by the Stationery Office from the galleries in respect of purchase tax, and we thought that as this was a genuine misunderstanding; and as all the businesses had been carried on and done in good faith, it was really unnecessary to ask for this £17,000

to be repaid. Of course, the thing will be put right for the future. It is a loss in that sense, and not a trading loss due to undercharging deliberately.

750. There are three possible methods of dealing with this publishing. There is direct financing in the Vote of the particular organisation; it can be done through the Stationery Office, or, as in the case of the Tate, on these non-voted funds. What is the Treasury view as to the situation? Which is the most suitable, and how far is it undesirable that there should be different methods?—I do not think we should like to take a strong line and say that all galleries ought to conform to one method or the other. For instance, of the galleries and museums which adopt their own Vote method, some have quite a number of rather specialist publications, for instance scientific publications, as to which the trustees themselves would probably be happier if they had got the actual publication arrangements under their own control. We did not think it was for us to object if they take that view, and, as I said just now, so long as in any of these cases we have a fair idea of what is going on and what are the conditions under which this publication business is being carried on, we would think that was a reasonable state of affairs and we would not try and enforce uniformity.

751. That applies also to the Tate?—Yes.

752. You know what is going on there?—Yes, we have had on a number of occasions consultations and inquiries, and only just recently we have been looking at it again and are proposing to suggest one or two quite definite rules which they should adopt and which should really eliminate any differences of method as distinct from the voted form between the different galleries.

753. Have you also knowledge, Sir Frank? Do you know what the Tate is doing in this matter?—(Sir *Frank Tribe*.) I have not heard of any particular recent developments. I have been supplied by the Tate with cash accounts of these trading transactions, but I do not audit the commercial accounts which I understand they keep. (Sir *Herbert Brittain*.) There is a commercial auditor though, Sir. May I, if it would make the Committee happier about this, just enumerate one or two points we were proposing to lay down quite recently? We deferred doing so until the Committee had looked at these suggestions. For instance, we want to make it quite clear that there is a definite chain of responsibility from the people who produce these publications up through the director to the trustees. Any expenditure out of these funds must be properly approved just as if they were coming out of voted moneys.

23 February, 1954.] Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

They must publish adequate information about them. These funds must carry their due share of the overheads of the gallery, and finally they must realise that just as profits go into the funds, losses must come out of them. That is the sort of thing.

Mr. West.

754. Sir Herbert, with regard to the loss of £18,000, do I understand that the non-voted funds received the benefit of the purchase tax which was collected from the public and not accounted to the Customs authority at all?—That was so in these cases, for these arrears.

755. So that it means that out of public funds there was a subsidy, as it were, of £18,000 granted to the non-voted funds?—Yes, I think that is right. The purchase tax, if it had been done in full without this short cut in the accounting methods, ought in fact to have come back to the Exchequer.

756. And the Treasury came to the conclusion that it was a proper case where they may write it off, did they?—Yes, in view of the circumstances, where it had been due to a genuine misunderstanding and good faith all round.

757. But there could have been no misunderstanding on the part of those who operated the fund, because they knew that they were collecting purchase tax and putting it into their funds?—But it was a general rule amongst the galleries, you see, that where purchase tax was collected under that arrangement as part of the sale price it did go into the galleries' voted funds, and it perhaps would not appear to them to be very odd that they took it into their fund.

758. They did not appreciate that they were swelling their fund by the amount of the purchase tax?—They would not appreciate the difference between the voted fund and the private fund.

759. At any rate, you are quite satisfied, are you, that it was a proper case where you might have decided not to have the necessary adjustments made?—Yes.

760. There were, I notice, some special arrangements made with regard to the National Maritime Museum, and they were terminated as from the 1st April, 1952. The National Maritime Museum, which was formerly financed from the non-voted funds, had been transferred to the Stationery Office?—Yes. What happened there was that the Museum in question used to finance its publications in a rather curious way, by a percentage of the gross takings on their catering contract. That contract rather fell on evil days, and was brought to an end, and when that was so, the trustees were given the choice of which of these other methods of financing publications they

should follow, and decided in favour of the allied service method through the Stationery Office.

761. That was entirely because it was more advantageous, or less unsatisfactory, to them? What about the Treasury aspect of it?—Really they had no option. They could not carry on on the old method of financing, and when it came to financing by some new method, the Treasury, I think I am right in saying, rather left it to the trustees to decide which of the other proper methods, that is, either through their own Vote or the Stationery Office Vote, they would like to adopt, and they chose the Stationery Office method.

762. Did you suggest to them that they might like to make this change in the way it has subsequently come about?—I do not think we should have pressed them to have adopted one method rather than the other. I am afraid my information does not show exactly who raised it in the first place, whether the trustees came and told us that they were in trouble with their catering account or whether we found out. I have no doubt they told us, probably.

763. When there was this negotiation, owing to the difficulties that the Museum were in, did you think that it was necessary then that the accounts of their trading activities ought to be placed before Parliament in any way?—Do you mean from the publications?

764. Yes, on the change?—They will be. In so far as they are now an allied service done through the Stationery Office, that forms part and parcel of the Stationery Office accounts on the one side and of the Maritime Museum on the other.

765. Do they undertake other trading activities besides publications?—I do not know of any; I do not think so.

766. So you say that, so far as all their trading activities are concerned, the accounts will be presented to Parliament?—They will form part of either the voted accounts of the Museum or of the Stationery Office, which the Comptroller and Auditor General audits and presents in the usual way in this volume.

767. With regard to the National and Tate Galleries, do you think there is any reason why they should not change their procedure or do you think there is every good reason why that should continue?—As I said just now, they are making a profit on their publications businesses, and the general conditions in which the businesses are carried on are not unsatisfactory; and over and above that we should regard this matter as one in which the trustees were entitled to have certain views as to the way they want to do it. So, on the whole, I do not think the Treasury will want to press them.

23 February, 1954.] Sir HERBERT BRITTAIN, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

768. I assume their accounts are audited in the ordinary way, are they not?—The ordinary voted accounts are audited by the Comptroller and Auditor General for Parliament.

769. And the non-voted accounts?—The trust funds are audited by the Comptroller and Auditor General for the trustees. I think that is right, is it not?—(Sir *Frank Tribe*.) I audit the cash accounts. (Sir *Herbert Brittain*.) The cash accounts, yes. (Sir *Frank Tribe*.) As the witness says, the two galleries have quite recently employed commercial auditors to audit the commercial trading accounts of their publications. Those I do not see, and they are not presented to Parliament.

770. The point I was getting at, Sir Frank, was that if you undertake the audit, you might have been able to discover that there was £18,000 being collected by this fund which should have been handed over to the Customs authorities?—(Sir *Herbert Brittain*.) It was the Comptroller and Auditor General who pointed this out, I think, in the first place. (Sir *Frank Tribe*.) It was as a result of my inquiries, yes. I think we got at it from the Customs end, but it was as a result of my inquiries that this came to light.

771. Over what period would this sum have accumulated; would it be 12 months' activities or more?—(Sir *Herbert Brittain*.) No, more than that. It was three years—1950 to 1953.

772. Would not it have been discovered on the first year's audit?—Well, the auditor, even the Comptroller and Auditor General does not see everything. It may be that his test audit that year did not happen to strike this particular item. (Sir *Frank Tribe*.) Of course, we audit in arrear.

[Mr. *West*.] Yes, I appreciate that, Sir Frank.

Sir *John Mellor*.

773. You said that the non-voted funds bore their due share of overheads. Were you referring to the publications departments or to anything more extensive?—(Sir *Herbert Brittain*.) No, just the publications departments.

774. In fact, when we are talking now about this question of the National and Tate Galleries and their non-voted funds, you are merely referring to their publications departments. Is that right?—Yes, but may I just say this: when I said just now that the non-voted funds were audited by the Comptroller and Auditor General, I think it does apply in fact to all, or practically all, the private purchase funds of the galleries. (Sir *Frank Tribe*.) The great majority of them. There is no certainty that I know of the existence of all of them, but there has been no trouble about them. When we have discovered

their existence, it has been readily accepted by the Museums and Galleries that they should present a cash account of those trust funds for audit. If anything arises on them I report to the trustees.

775. When you say they should bear their due share of overheads, would they pay their full share of the accommodation, heat and light, of the publications department?—(Sir *Herbert Brittain*.) That is the idea, yes. (Sir *Frank Tribe*.) I should say they have not in the past. (Sir *Herbert Brittain*.) That is one of the points which I mentioned just now that we have just been reviewing with the Tate Gallery, and the list of the things I read out just now was the things we were proposing to require from them. The overheads question runs two ways, in fact. In some cases they render certain services to the gallery as a whole, and so on. It is a two-way affair.

776. With regard to these non-voted funds, I gather from what the Comptroller and Auditor General has just said that some of them may yet be undiscovered. Is that the case? Have you any idea of the number there are and do you think you know of the existence of all of them, or do you think you may yet discover the existence of some of which you have not previously heard?—No. This is rather news to me, and if the Comptroller and Auditor General thinks he does not know of them, I am not sure that we should. I should like, if necessary, to make some inquiries about that, but I certainly do not know of any funds that he does not know of.

777. As there may be some doubt about it, will you ask the trustees of these two galleries for a full statement of the trust funds which they have at their disposal?—Yes. I might look at their publications, in the first place. (Mr. *Vetch*.) We do know of the trust funds in the case of the Tate Gallery. I think there has been put on record in the past what were the trust funds of the National Gallery, but in the museums and galleries generally it is quite possible that there may be trust funds which come along about which the Treasury would not know.

778. Perhaps the Treasury would not know, but if put on inquiry are there not published documents from which the information could be ascertained, or is it only known to the trustees of the galleries concerned?—(Sir *Herbert Brittain*.) May I make inquiries about this, Sir? I am sorry my information does not run to all that.

779. Yes. What I want to get at is whether the Trustees have a certain amount of private money at their disposal that neither the Treasury nor the Comptroller and Auditor General nor Parliament know anything about. So far as the trusts that you do know about are concerned, could

23 February, 1954.] Sir HERBERT BRITTAI, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

you tell me about the trusts which are the origin, I take it, of the non-voted funds? I take it these funds have their origin in trust funds, but they were used profitably for the publications and the present non-voted funds are the result of that profit? Is that right?—The specific case we were quoting there was the National Gallery, where this particular fund, the Lewis Fund, was a private trust fund, a small part of which, in the early days, provided the working capital for the publications, and out of that has developed a business which now, as my colleague says, is a sort of off-shoot from that fund and is a separate, self-contained publications fund.

780. Was the Lewis Fund designed for that purpose? Was that the purpose of the trust, publications?—It obviously would not be the whole purpose of it, and I am sorry I have not got the actual terms of the Lewis Fund deed here, but it was no doubt wide enough to allow the trustees to use it for this purpose.

781. What about the other trusts? Are there any other trusts where the funds are used for this purpose?—(Mr. Vetch.) Not as far as we know. Not outside these two galleries.

782. So it is only that the funds have been derived from the Lewis Fund and increased by profitable trading? Is that right?—(Sir Herbert Brittain.) Yes.

783. And those are the non-voted funds with which we are concerned at the moment?—That is for the National Gallery. The Tate Gallery has also accumulated out of private funds enough to finance these publications in just the same way. The two are quite parallel, I think.

784. I gather from the Comptroller and Auditor General that the Treasury Solicitor has examined the use of these funds for trading purposes. Does he look into the use of the various trust funds to see that they are applied in accordance with the terms of the various trusts?—I think that is for the Comptroller and Auditor General to say. (Sir Frank Tribe.) I do not think the Treasury Solicitor would normally know anything about them. I imagine if the Treasury had a point put to them on which they were in doubt on legal grounds, they would put it to the Treasury Solicitor, but it is my duty, as I see it, as auditor of these trust funds, to satisfy myself as to whether any purchases or other expenditure out of the trusts are in accordance with the terms of the trust and, if they are not, then to report to the trustees.

785. Yes, of course you are not quite sure at present whether you know about all the funds?—That is one difficulty. I can naturally only audit an account which is presented to me, of whose existence I am aware.

786. The reason I suggested the Treasury Solicitor is because the Treasury Solicitor is the solicitor, as this is a Treasury matter, who would be responsible for dealing with the legal aspect of trust matters, is not he?—(Sir Herbert Brittain.) He is the legal adviser to the trustees.

787. Yes, the legal adviser to the trustees. Therefore in the ordinary course, as the appropriate solicitor, he would normally advise them if they were going outside the terms of their trust?—If they asked him for his advice. I suppose a legal adviser in most cases waits to be asked for advice on particular subjects.

788. Is it not rather important for that very reason that the Treasury should clearly ascertain the extent of these trust funds and the terms of the trusts and that the Comptroller and Auditor General should be fully informed so that he can ascertain whether they are applied for the purposes prescribed, and if the Treasury think there is any legal difficulty they can ask the Treasury Solicitor to look into it?—No. I am sorry, but I do not think that I could go as far as that. These are trust funds which have been left to galleries and the responsibility for administering them and observing the conditions of the funds is the responsibility of the trustees who are appointed by the Chancellor of the Exchequer. (Mr. Vetch.) In some cases some of them are appointed by the Prime Minister, but I do not think the fact that some of them may be appointed in some cases by Ministers of the Crown gives the Treasury responsibility for the administration of these trust funds at all.

789. I would rather like to know what the Comptroller and Auditor General thinks about this position, because it does seem to me rather undesirable that there should be funds in the hands of trustees in respect of which there is the possibility that neither Treasury control nor the examination of the Comptroller and Auditor General can operate?—(Sir Frank Tribe.) I think there should be some more systematic method of bringing to the notice of the Treasury and of myself the existence of trust funds which are being administered by these trustees even though the administration rests solely in the hands of the trustees. Actually, I base this suggestion largely on the results of an audit that one of my auditors conducted fairly recently when he made some requests for information and found there were three fairly small trusts of the existence of which none of us had been aware. I do not think there was any malice or design in keeping this from us; it was simply that they had not come to light. I think there should be some more systematic method of bringing these things to light.

790. Thank you. Perhaps that might be considered?—(Sir Herbert Brittain.) Certainly, Sir.

23 February, 1954.] Sir HERBERT BRITTAI, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

Chairman.

791. I hope, Sir Herbert, as a result of this inquiry—there are not many of these instances—that you will make a formal investigation?—We will certainly look into that.

Sir John Mellor.

792. There is only one further question. Can these non-voted funds be applied to supplement any salaries of officials connected with the galleries?—There again it would depend on the terms of the trust deed, but as far as I know, the only case I am personally aware of where there is any supplementation or anything like that, is that in these particular publication funds it may be that for the purposes of the fund or for the purposes of the gallery the Director or his officers may want to travel, or something like that, in which case he may be allowed to use certain of the moneys of the publication fund at the same rates of subsistence, travel and so on, as he would if he was using it out of ordinary voted funds.

793. So, that would merely mean that the same amount of money would be taken out of non-voted funds as would be taken out of voted funds?—For a particular purpose, for a particular journey or something like that.

794. You mean the individual would get no more than he would in the ordinary case as a Civil Servant?—No, and also it is proposed to limit it in this way, that that expedient should only be used when, perhaps, voted funds are insufficient. He may want to do some extra travelling. It might be in connection with publications or some allied business within the gallery.

795. But the same rules would apply?—The same rules would apply.

796. The allowance would not be any more liberal if it came out of non-voted funds?—No, that is so, that is one of the rules I have just read out.

Mr. Niall Macpherson.

797. The purchases which are made by the National Gallery and Tate Gallery of publications are not all made from the Stationery Office, are they, by any means?—The other galleries?

798. By the National Gallery and Tate Gallery, are not all made from the Stationery Office?—No, these are the two which finance them out of their private funds.

799. Now, on the subject of the trusts, were there three trusts to which the Comptroller and Auditor General referred similar in character to the Lewis Trust and related to museums?—(Sir Frank Tribe.) No, the Lewis Trust had very wide terms of reference and under them the trustees could

spend their money for the general advancement of the galleries. These three other trusts were more related to specific purposes.

800. Specific purposes concerning what?—Concerning, I think it was, the purchase of pictures for those galleries.

Chairman.

801. Will Members now turn to paragraphs 10 to 13 of the Comptroller and Auditor General's Report? The procedure on this matter seems to have been rather leisurely, Sir Herbert?—(Sir Herbert Brittain.) Yes, indeed, Sir.

802. Have you any views on the recommendation of 1912? You have had adequate time to consider it?—The first comment I would like to make on this, if I may, is that I think, generally speaking, the position now is rather more satisfactory than perhaps would be suggested by the Comptroller and Auditor General's Report. Perhaps I could give details for some of the museums. There are two things I would like to say first about it: one is the very great variety of these galleries and museums. At one extreme of the scale you have the two galleries we have just been talking about, the National Gallery and the Tate Gallery, and between them they have about 6,000 pictures, which is quite a small number compared, for instance, with the other end of the scale where you get the National History Museum, with millions and millions of specimens, and the British Museum with, I gather, 20 tons of stone implements still waiting to be sorted out, or you have the British Museum which has 6 million books alone, and you have an infinite variety between the two. Then again some of these institutions have suffered rather severely from removals and war damage, and that sort of thing, and the shortage of staff after the war, so that they have not been able to proceed with some of these things, like inventories, as fast as they no doubt would have liked. The Committee might like me just to mention one or two of these galleries and say what the position is on these records?

803. If you please?—There are four cases, the National Gallery, the Tate, the Wallace Collection and the Scottish Galleries where they have complete records. Their records are complete. The extent to which these are checked regularly varies. The Tate Gallery, for instance, do a complete check every four years. The National Gallery do not have any regular times laid down for their checks but they have got all their pictures indexed and, of course, they are constantly available for people to go and inspect them so that indirectly, at any

23 February, 1954.] Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

rate, there is that constant check on the existence of pictures which are in the index. The Wallace Collection has a regular stocktaking and has annual stocktakings of individual sections of the institution. Amongst the Scottish Galleries the National Gallery do a stocktaking every five years, and the Portrait Gallery had a big one three years ago. The National Museum of Antiquities is one of those where it is really impracticable to do stocktaking because they have got such a great variety and a great number of exhibits. Then we have a group, the National Portrait Gallery, the Imperial War Museum and the National Maritime Museum, where the records are not yet complete but they have got full records for their pictures. The National Portrait Gallery does not have any *ad hoc* stocktaking but there again there is a constant check because these are always to be available on request. In the Imperial War Museum and the Maritime Museum any arrangements for stocktaking are awaiting the completion of their records, but in the meantime they are doing sectional checks. Then, the British Museum and the Natural History Museum form a couple by themselves where they have got complete stock records for some of their departments, but in others like those I mentioned just now with millions of items to look after, it is quite impracticable to have records there. The British Museum has regular stocktaking in some departments like books, manuscripts, coins and medals, but it is impracticable to do anything for quite a lot of the rest; also in the Natural History Museum. In the London Museum there are very large arrears which is not very surprising when you consider the way the museum has had to be moved about from place to place and the damage it has suffered, and there are no arrangements for stocktaking yet until the records are completed. So, generally speaking, I think it can be said that these institutions have gone quite a long way since 1911 and, given time, which, of course, in these things is measured in years rather than in months, I am afraid, we can expect complete inventories first and then complete arrangements of stocktaking later on.

804. I take it that is the Treasury policy?—Yes.

805. How far are these records open to the Comptroller and Auditor General if he wishes to see them?—The principle we do not imagine there would be any difficulty about his seeing the records but, of course, as I said just now in another connection these are independent bodies and I think the suggestion we would like to make on that is that the Comptroller and Auditor General should himself ask the museums direct if he could see them.

806. I think on general principles it might be desirable that the Comptroller and

Auditor General should have the power to make spot checks and partial checks, to see to what extent their inventories are really what they pretend to be. Do you see any objection?—The suggestion is that he should do the stocktaking on behalf of the museums?

807. I have no doubt he would be very glad to, if the Treasury would provide him with the funds and the staff?—(Sir Frank Tribe.) Oh, I am not sure about that, Sir. With regard to Government stocks generally it is a long-standing arrangement approved by previous Public Accounts Committees that my officers do not actually do stocktaking themselves. What I do when I have this power is to satisfy myself that there is an adequate system prevailing in the body concerned for keeping a check on their own records and for stocktaking and for recording losses. My examination would be directed to satisfying Parliament that the system was adequate, not to taking test checks myself.

808. That, of course, I realise, Sir Frank?—(Sir Herbert Britain.) I think there is also this point, if I may mention it, Sir, that in some of these cases any independent person trying to check these records would be up against some interesting problems if he is checking Chinese manuscripts or something like that. How am I or the Comptroller and Auditor General to deal with that sort of thing?

Sir John Mellor.] He would have to know the fake from the real thing, too.

Chairman.

809. It is rather a question of principle, whether the Comptroller and Auditor General should have the power, if he so wishes, later on so that he might make a continuous and regular audit of museums and picture galleries like he does of Government Departments. There is no reason, perhaps, I think, why he should not?—Power to see the records?

810. To see the records and their system?—And their system. If I may repeat the suggestion, I think it would be right that he should ask the individual bodies of trustees for that rather than that the Treasury should.

811. Sir Frank, what do you say about this?—(Sir Frank Tribe.) I should have thought it would have been far easier, if the Treasury accepted the idea and if this Committee feel that it is appropriate, that the Treasury should approach them in the first instance and suggest that these records should be made available to me. A professional auditor does not go round begging people to open their books of account for his inspection. He waits for somebody to approach him.

23 February, 1954.] Sir HERBERT BRITTAİN, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

812. I should have thought that was the correct way, Sir Herbert?—(Sir *Herbert Brittain*.) It is not quite the same as a professional auditor going round and asking for people's books. After all, the trustees do recognise the position in which the Comptroller and Auditor General stands with regard to this Committee and Parliament, but if the Committee and the Comptroller and Auditor General feel that way, perhaps we might have another look at that particular point. (Sir *Frank Tribe*.) Might I say something further, Mr. Chairman? The point is in my view that these are national collections. Previous Public Accounts Committees have taken that view, and, if they are national collections which may be in the custody of trustees but really belong to the Nation, I think previous Committees have taken the view that it is proper for their officer to have the right of satisfying Parliament that there are adequate records kept. It is not quite like access to private collections which are of no interest to Parliament. (Sir *Herbert Brittain*.) I was not disputing the general principles laid down since 1910 on this. It is simply a matter of the actual procedure by which the Comptroller and Auditor General achieves this access, that is all.

813. I should have thought that it was the Treasury who laid down the principle that this was desirable rather than that the Comptroller and Auditor General should make the approach to the institution?—(Sir *Frank Tribe*.) I might say, one of my predecessors did make just such an approach as Sir Herbert suggested and received a severe rebuff. (Sir *Herbert Brittain*.) Was that in 1910 or 1911, or something like that? (Sir *Frank Tribe*.) It was a good time ago, but neither he nor his successors have ventured into the field since. (Sir *Herbert Brittain*.) We will look it up, Mr. Chairman.

Chairman.] Perhaps you would look into the matter, thank you.

Mr. *David Jones*.

814. What is the position actually of the trustees of these institutions, Sir Herbert? I see from the Report of the Comptroller and Auditor General that in four cases, I think it is, the Treasury appoint all and in three cases, some. What is their actual position, are they responsible to the Treasury?—No, the trustees have duties which are laid down by the various instruments which appoint them. They have their responsibilities for the actual handling of pictures and their safe custody and so on. The trustees are responsible. They may have certain duties to the Treasury in financial questions like any other institution or department which is financed out of public moneys.

815. Who satisfies anybody that the trustees are in fact carrying out the duties which have been assigned to them?—Of course, they all publish reports of their activities. In most cases their conduct of their museum or gallery, as it may be, is always there for the public to see. There is Parliament in which Members can ask questions and so on. It is the general answerability of any public body to public opinion and to Parliament.

816. In the case of those trustees who are not appointed by the Treasury, who appoints them?—Some of them are *ex officio*. For instance, the Speaker of the House of Commons is a member of one. Perhaps Mr. Vetch knows the details? (Mr. *Vetch*.) The best example, I think, Mr. Chairman, is of the British Museum where of the trustee body, none of its members are appointed by the Treasury, and very largely, if one looks at a list of the trustees of the British Museum, one is looking at a list of the present Members of the British Cabinet; but there is an executive body of principal trustees of whom the chief members are the Archbishop of Canterbury, the Speaker of the House of Commons and the Lord Chancellor, and for effective purposes they meet, I think, monthly, and they run the day to day affairs of the Museum with the advice of the director. That is the extreme example. In between there are a few museums like the Imperial War Museum and the National Maritime Museum where the majority of appointments are made by the First Lord for seven-year terms in accordance with the recommendation of the Royal Commission on Museums and Galleries which met in 1929 to 1930. So, once the trustees have been appointed it is left to them to get on with the job. There is a continual change; they do not all go out of office at the same time. Appointments are being made almost yearly. The appointments are spaced.

817. In the case of the National Maritime Museum that you have mentioned, the trustees are appointed by the First Lord. Is the First Lord responsible to Parliament for the actions of the trustees or does it follow that once he makes the appointment he has no further control?—(Sir *Herbert Brittain*.) He would answer in Parliament about their actions, by all means. If there were questions raised in Parliament he would think it right that they should be ventilated, and so on, but I think he would really have to leave things to the responsibility of the trustees.

818. Is it certain that the First Lord would take that view or would he rather take the view that this was a matter not for him but for the trustees?—He would certainly be entitled to say as either the Prime Minister or the Chancellor have said in Parliament on a number of occasions,

23 February, 1954.] Sir HERBERT BRITTAI, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

I think, that this is a matter for the trustees and he is not going to interfere.

819. So in that case Parliament would not have control?—It is difficult to know exactly what you mean by “control” there, because they can ask questions, they can bring a body of opinion to bear on the trustees through Parliament.

820. But if the First Lord is entitled to say that it is not his responsibility he would be entitled to say to a questioner in Parliament: “It is not a matter for me but for the trustees”?—Yes, certainly.

821. So, then, Parliament has no control?—In that sense, no, but I think the trustees would be alive to expressions of views either in Parliament or elsewhere.

822. I am not questioning for a single moment that they would not be responsive to a question in Parliament or a move by Parliament, but it is rather a different thing from saying they are responsible to Parliament?—It is not formal control, I agree.

823. And the First Lord does not have to consult Parliament in his appointments?—No.

824. Do the articles in the collection belong to the trustees or do they belong to the Nation?—They belong to the trustees as a body corporate. I am not a lawyer but I think that is the answer.

Mr. Oliver.

825. Legally?—Legally, yes.

826. Beneficially, no, is that it?—I hope not beneficially.

Mr. David Jones.] So they belong to the trustees and not to the Nation?—The trustees as a body.

827. In spite of the fact that the Nation provides a substantial proportion of the finance to finance the museum?—Well, the trustees are responsible.

828. Are there any other of the museums for which Ministers are responsible to Parliament?—Yes, there is the Victoria and Albert Museum, for instance, which is the responsibility of the Minister of Education.

829. Would the Minister of Education be prepared, do you think, to answer the questions about the Victoria and Albert Museum?—Oh, certainly.

830. Has the Treasury any power of direction over any of these trustees?—I should doubt it very much, but I would have to verify that again except in so far as a question of the handling of public moneys arose.

831. Have the trustees appointed by the Treasury any fixed term of office?—(Mr. Vetch.) Yes, they are the seven-year appointments.

832. Could the Treasury, if it wanted to, dismiss any of these trustees before the end of the period?—(Sir Herbert Brittain.) I should have to ask for notice of that, Sir, if I may.

Mr. Hoy:

833. I find it a little difficult to follow your reasoning about stocks and inventories. First of all, I think you said they are all practically out of date, is that right? They are not up to date?—They are incomplete. There are three or four galleries which have complete records, some of the others are incomplete, some because, of course, it is quite impracticable to expect a complete inventory of them, and others because they simply have not had the staff able to do it.

834. That applies for the last 40 years?—Yes.

835. Is that the fault of the Treasury, did you not provide them with the cash to do the job, is that the trouble?—I do not know that we have consciously refused them provision to do this particular job.

836. But you agree it has not been done?—It has not been done in some cases.

837. So, it is in an impossibly unsatisfactory condition?—In some cases.

838. It would be very difficult for anybody to take a spot check if there is not a complete inventory?—Oh, quite, it is impossible.

839. Why do you say it is not the responsibility of the Treasury. Why do you think it is the job of the Comptroller and Auditor General to assure himself that these things are there?—I am not sure that I said that in respect of these inventories.

840. Of the actual articles. Supposing somebody bequeathed to the nation something of value, would not the Treasury want to assure itself that it was always in that particular place, that it was in fact there in existence?—In fact, I think it would have been bequeathed to a body, either a museum or a body of trustees and it would be their responsibility for ensuring that it was there all the time. That is a matter of day to day administration by the trustees.

841. Surely it is not unknown for people to bequeath certain things to the nation?—Yes, but it would not be bequeathed to the Treasury or the nation as such. If it was left in a vague way like that the Treasury or some other Department would presumably arrange for it to be looked after by a particular gallery or museum, or whatever it was, and then the responsibility would be fixed on whichever was the administrative body looking after the particular institution.

23 February, 1954.]

Sir HERBERT BRITTAİN, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

842. You mean the people who usually leave these things leave them to a certain gallery?—I should think that is the most usual method.

843. Have you ever known of a case where they have just bequeathed it to the nation and expected the Treasury to be the recipient of it? Whatever the Treasury does I think after that is a different matter?—(Mr. Vetch.) There is a provision on that that if it is a question of a work of art which is bequeathed to the nation then it does automatically go to the National Gallery. That is only in the matter of a work of art and that is under the 1856 National Gallery Act.

844. Now, you do accept it that it may be bequeathed to the nation and if it does so it goes to the National Gallery?—Yes.

845. Do you think it is your responsibility to know that it is at the National Gallery, or do you think that is the responsibility of the Comptroller and Auditor General?—(Sir Herbert Brittain.) No, it is the responsibility first of the trustees of the National Gallery, and that is one of the places which has complete records of what they hold.

846. That may be so, the trustees are looking after the gallery, but this is the property of the nation. Does the Treasury never satisfy itself that this picture, in fact, which has been bequeathed to the nation does exist?—The Treasury does not go down to the National Gallery and physically check its inventories.

847. You do not even enquire?—What we have required is the arrangement which they have for keeping the records and for checking that themselves.

848. You physically check it?—The National Gallery check and what they have there is a complete indexed record of these things, and, as I said just now, although they have not any *ad hoc* formal stock-taking they rely on the fact that most of the works of art and other things which they hold there are available to everybody to go and ask to see on 48 hours' notice.

849. One would have thought the Treasury would have taken a little more care in the matter. What you are seeking to convey to the Committee is that if someone left to the nation £50,000 and a picture, which may be of equal value, after the Treasury got their hands on the £50,000 the picture could do as it liked? All I am suggesting here is that somebody ought to be responsible, if it has in fact been bequeathed to the nation, and I think it is the Treasury. Would you deal with that point of view?—Yes, there are two steps. The first people who are responsible are the trustees. The Treasury's responsibility would come in later in the field of which we are talking just now, as to whether it

is practicable to oblige trustees of institutions not only to keep complete records but to do regular checks and stocktakings. We have not felt able, in the light of circumstances of one kind and another, to press all these museums and galleries to have complete inventories and to have regular and complete stocktakings. We have gone just a short way along that road but we are not there yet. If the Treasury has any responsibility it is for not requiring all these to be brought into force now.

Sir John Mellor.

850. With regard to the appointment of trustees, I think it was explained that a large proportion were people holding high offices of state who were *ex officio* trustees, but apart from those, are they selected for appointment from people who have made a study, for instance, of pictures in the case of the National Gallery? Are they people who have got some expert knowledge of the subjects they have to deal with?—Oh, certainly, a very large proportion of them have.

851. It is rather important, I feel, for this Committee, as so much has been made by the Treasury of the responsibility of the trustees and the reluctance of the Treasury to go behind all that, that we should have some information as to the way in which the trustees function, because if they only meet rarely it means that really the responsibility is left in the hands of the director of the gallery or museum concerned. Can you give any information as to the degree to which the trustees really manage the affairs of the museum or gallery?—(Mr. Vetch.) There are regular meetings of trustees. I mentioned the case of the British Museum and the trustees do meet, I am quite sure, at least monthly. In some cases the trustees meet quite infrequently, for example, in the case of the Wallace Collection, which is a static collection, nothing is added to it, nothing is taken away, and a meeting of trustees there is quite rare.

852. When you say it is quite rare, do they meet once every six months or what?—I think they would meet only when some item of business came up for which they were required.

853. Do you mean a year might pass without their meeting at all?—It might, at the Wallace Collection, which is the extreme instance.

854. So then, at least, from year to year the responsibility is entirely in the hands of the director of that collection?—Of the Wallace Collection, yes.

855. Then, really, when Sir Herbert told us that the Treasury does not want to go behind the responsibility of the trustees in the case of the Wallace Collection in

23 February, 1954.] Sir HERBERT BRITTAI, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

so far as the ordinary matter is concerned, it seems to be the director and not the trustees who is in practice bearing the responsibility?—(Sir *Herbert Brittain*.) That, surely, Sir, is a matter between the trustees and the director. If the trustees have sufficient confidence to allow the director to carry on the day to day administration of the Wallace Collection without their meeting so frequently it is not for us, I think, to interfere.

856. How can the trustees collectively know whether they have that confidence if they do not meet, perhaps, for a whole year?—Even if they do not meet formally for a year I am sure most of them know what is going on in the collection and that sort of thing. They are not entirely oblivious of what the director is doing in the meantime. I should be very surprised if they were.

857. It does not sound to me then, very encouraging that the Treasury should be prepared to leave so much to the trustees who do not meet for a whole year, but I am sorry, I interrupted something you were saying?—(Mr. *Vetch*.) I was going to say the Wallace Collection is an example at the extreme end because normally matters of policy would not arise there. The whole of the conduct of the Wallace Collection is embodied in a deed of gift of the Collection to the Nation and things just do not change there.

858. Might I interrupt you for a moment? You say things do not change there. Do not most important questions of policy arise, like the question of whether some very valuable picture should be cleaned and how it is to be cleaned, when it is to be cleaned and who is to clean it? Are not questions constantly arising in a gallery of major importance of that kind?—I should have thought that that was a matter of day to day administration, whereas at a collection different from the Wallace Collection, you would have matters of purchasing.

859. Was it regarded as day to day administration when there was so much controversy about the cleaning of the pictures in the National Gallery? It was regarded as a matter of far-reaching concern of the Nation?—There, Sir, I think that the trustees would have met quite frequently. (Sir *Herbert Brittain*.) But it is conceivable, for instance, that the trustees of the Wallace Collection have laid down a policy about the cleaning of pictures and then the director is quite capable of working that policy out. It might well be that way.

860. I am sorry, I am afraid that does not interest me. If they do not meet with great frequency they cannot really know what is going on. After all, it is not

a question of occasionally dropping in individually, they must meet together to discuss?—(Sir *Frank Tribe*.) Perhaps I might point out one rather unusual aspect of this question, namely that in all these Votes for the different collections the Estimates say that the Vote will be accounted for to Parliament by the trustees of the collection, but the Appropriation Accounts are always signed by the director who has been appointed by the Treasury as accounting officer. So it is the director who is directly responsible to this Committee for the expenditure of the money voted for the collection although the trustees are named in the Estimates as being the responsible persons.

861. But the Treasury, do you say, appoint the director?—The Treasury appoint the accounting officer of each Vote and they have, I think, invariably appointed the director of the gallery or museum as the accounting officer to the Vote.

862. As a matter of practice, but the trustees appoint the director, I take it?—I am not certain.

863. Is that the position, Sir Herbert, the trustees appoint the director and then the Treasury appoint whomever it may be as accounting officer?—(Sir *Herbert Brittain*.) I am not sure about the trustees appointing the director, what the formality is there. We certainly appoint the particular individual as accounting officer.

Chairman.

864. And having been appointed accounting officer he can be brought before this Committee?—Certainly.

Mr. Hoy.

865. I suppose that is so, but it would be interesting to clear up the other point that Sir John raises as to who appoints the director. Is it the Treasury who appoint the director, or is it the trustees who appoint the director?—I shall have to ask about that, I am sorry.*

Sir John Mellor.

866. This is a matter of considerable importance, because if the Treasury are going to take the line that they really ought not to enquire because the responsibility rests on the trustees, now we are not quite sure of the real position, whether the responsibility is, in fact, upon the trustees or upon the director. I think we ought to have some very full information as to exactly how this is constituted?—I have no doubt whatever, myself, that the responsibility for the custody of these collections and for seeing that there are records and for seeing that there are stock-takings when it is practicable, is a matter

* Information supplied ; not printed.

23 February, 1954.] Sir HERBERT BRITTAI, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

for the trustees. I have no possible doubt that myself. Their principal officer is the director.

867. And the trustees are, apparently, not answerable to us, it is the director who is answerable to us?—That is often the case when you get a Minister. The Minister of Education, for example, is answerable to Parliament on the general policy of the Department, but the Permanent Secretary of the Department is answerable for the funds.

868. Because the Permanent Secretary is deputed for that purpose by the Minister, I take it, is that right?—No, the general principle is that the permanent head of the Department is the accounting officer.

869. Yes?—The director in a gallery is, very roughly, broadly equivalent to the head of a Department. He is responsible to his trustees just as the Permanent Secretary to the Ministry of Education is responsible to his Minister.

870. For the purpose of accounting in the case of these galleries the director is appointed to be accounting officer by the Treasury?—Certainly, the Treasury appoints all the accounting officers.

871. Is that the position in the case of Ministries?—Certainly.

872. It is the Treasury and not the Minister who prescribes who is to be the Permanent Secretary?—We present Estimates to Parliament and we appoint accounting officers who are to account for expenditure out of those Votes.

Mr. Niall Macpherson.

873. The accounting officer, then, is accountable for the funds voted by Parliament to these various institutions, that is the position?—Yes.

874. Whereas the trustees are responsible for the custody of any assets which may be acquired by those funds? For example, the purchase of pictures through the Grant in Aid?—Yes.

875. That is the position. Once we have these collections, therefore, it seems very obvious that it is not possible to carry out the recommendations made for the reporting of losses until we have inventories completed, is that the position?—Yes, I think it is true that the completion of inventories must come first, undoubtedly. In some Departments they have got that completed and they have started on the stock-taking. In others the inventory is not complete and, therefore, they are holding back on the stocktaking. In others the inventories will never be complete because it is impracticable to do them.

876. In those Departments where inventories can be made where it is practicable to make them, can you give us any information when the inventories will be completed and when, therefore, this system could be put effectively into operation?—I am sorry, I would hesitate to put a time on it.

877. Although you would hesitate to put a time, can you give us any fairly vague idea, would it be one year or ten years or what?—All I would say is that it is years in the plural rather than in the singular.

878. Now, once we have these inventories I understand that the assets are not insured, is that correct?—No, the general Government policy is not to insure Government assets on the grounds that our resources are big enough to stand losses by fire, and so on, ourselves, and we thereby avoid paying the profit element of premiums except in one or two cases where there are special considerations, but that does not apply in these cases.

879. Is there anything to be gained by a complete valuation of assets, say, in the Victoria and Albert Museum?—I should not think it would mean anything if it were done. I do not think it is worth while.

880. It is a little singular, is not it, to say that losses valued at between £1 and £50 should be reported because, then, in that case the asset is not valued until after it is lost, and it might be difficult to put a value on an asset which is not there?—Of course, the gallery knows in a lot of cases, at any rate, what it has paid for a picture. All I was meaning was that I do not see any particular virtue in taking a total value for all the assets in the Victoria and Albert Museum which are not only pictures, but quite a lot of other things. In a lot of these cases certainly sums are paid for pictures and other objects and even in cases where an object is given I daresay the curator or director, or somebody, has an idea what it would fetch if it were sold in the market. So, undoubtedly articles may be valued like that, but not the whole collection.

881. Have the trustees authority to dispose of assets and acquire others and within what limits? I understand there are some such powers. Perhaps this is rather more a question of legislation at the present time in one sense?—In the case of assets acquired through the private trust fund, that would, no doubt, depend on the terms of the trust deed. As regards the Exchequer there have been sales of things bought out of the purchase grants, but I am not sure whether that is going to continue. (Mr. Vetch.) Not on pictures. (Sir Herbert Brittain.) Mr. Vetch will know

23 February, 1954.] Sir HERBERT BRITTAI, K.B.E., C.B., and
Mr. J. H. VETCH.

[Continued.]

more about what is happening on the Bill which is before the House of Lords at the moment, but it may be that in future pictures bought out of the purchase grant will not be sold.

Mr. Niall Macpherson.] I see. If once the trustees make a mistake it is there for good.

Mr. Oliver.

882. Just one point: you were referring to some *ex officio* trustees like the Speaker and the Lord Chancellor. To what institutions are they the trustees?—(Mr. Vetch.) The Speaker, the Lord Chancellor and the Archbishop of Canterbury are the three principal trustees of the British Museum, both British Museums.

883. Are there other trustees?—Numbering over 50, I think.

884. I heard the Speaker say in the House the other day when told he was a trustee with reference to the Piltdown skull that he was not interested in old bones, so we shall perhaps get little service from the principal trustees in functioning. In many of these galleries the depreciations cannot be very much, can they, from year to year? There may be appreciations by reason of the age?—(Sir Herbert Brittain.) Some of these things certainly appreciate, yes.

885. The principal thing, of course, would be in respect of loss, that you want some

record of the articles which may be stolen or destroyed. That seems to be the thing, if I have got the right type of place in mind. For instance, in a picture gallery which is wholly pictures there is not likely to be much disturbance in the values there unless someone tears a picture?—No, they either appreciate or depreciate. I suppose gradually in a sense but perhaps according to fashion in another sense. Losses, if we knew of them, would be recorded and brought to notice under the system which is referred to here.

Sir John Mellor.

886. May I just ask, on the question Mr. Oliver was putting, you said there were over 50 trustees for the British Museum, was it, or the National Gallery?—(Mr. Vetch.) The British Museum.

887. How many of those function as the active Committee or whatever really manages the museum?—The Standing Committee, which I mentioned a little while ago, I think, is a body of about 15 or 16 people which meets quite regularly. The British Museum is such a large body because you will recall it is a museum 200 years old, and there are a number of foundation trustees who are family trustees of the Cotton family and other families who gave large collections but they are sleeping partners. The active bodies, I think, are somewhere between 10 and 20.

Mr. Vetch withdrew.

TREASURY MINUTE ON PARAGRAPHS 1 TO 4 AND 5 TO 9 OF THE
THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS,
1952-53.

Sir EDWARD HALE, K.B.E., C.B., Secretary, University Grants Committee, called in and examined.

Chairman.

888. Will Members now turn to the Treasury Minute on paragraphs 1 to 4 of last year's Report of this Committee? Sir Herbert, in the second paragraph of your Minute on our paragraphs 1 to 4 you say: "Their Lordships have no reason to think that the sums voted have not been wisely administered". That is, by the universities. There are two dozen different universities. One might surely expect a certain amount of laxity among so many bodies? Would you like to say the same about Government Departments?—(Sir Herbert Brittain.) That, of course, is a general statement and now and then you may very well get a case here and there of laxity of control, it may be, or lack of care and so on, but I do not think we should regard those instances as detracting from the general statement that by and large we are satisfied by the general standard of financial administration in the universities.

889. In view of that I am rather puzzled by the last sentence in the next paragraph in which you say, in effect, that if the Comptroller and Auditor General were allowed to look at the Accounts you would be compelled sooner or later to intervene on an increasing scale. But if the Comptroller and Auditor General found everything in apple pie order why should you be compelled to intervene?—I do not think we should wait for the results of his inquiry. The point is this, I think, that in the first place if the Comptroller and Auditor General is going to have access to the books of the universities and if the Treasury and the University Grants Committee are going to be challengable in this Committee, and have to answer challenges on those books and what is found in them, then I think it goes without saying that we should feel we ourselves would want a much more detailed and continuous

23 February, 1954.] Sir HERBERT BRITAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

acquaintance with the universities, administration in order that we should know what is going on, just as we have with Government Departments. That would mean quite a good degree even of Treasury intervention in the administration of the universities.

890. This is referring to the non-recurrent grants?—Yes.

891. I am not quite sure what form of Treasury intervention you are envisaging?—This is an uncharted sea, Sir, and we have not really, quite frankly, applied our minds to what it would be, but I think there is no doubt that we should want by some means or another to know more of what was going on in the universities and their control of this expenditure than we do at present.

892. You say you are trying to satisfy the Committee without throwing the books of the universities open to the Comptroller and Auditor General. What line do you visualise taking there?—I am sorry, I am not quite certain what you mean.

893. This is as regards appropriations, paragraph 4?—Yes. You mean on the irregularity aspect of this?

894. But, of course, it is not only appropriations, there is a lot more that the Comptroller and Auditor General is involved in besides appropriations?—Oh, yes.

895. You recognise in paragraph 5 that the question of securing economy could not rest on certificates of the universities' auditors. Does that mean you are coming round to the Public Accounts Committee's point of view, or what does it mean?—No, that is leading up to the proposal we make there. May I say just a general word on this, Mr. Chairman?

896. Yes?—We regret very much that this difference of opinion between the Treasury and the Committee has continued. With all my experience of working with the Committee, I need hardly assure you that our objectives are really the same as the Committee's. We want to ensure Parliament adequate control over the expenditure of public funds and we want to protect them against the risk of irregularity and abuse and waste and extravagance and so on. We are only too anxious to help the Committee in doing so. I think where we differ is not so much on objectives as on the method of doing this.

897. Yes, I quite accept that?—I think we are all aware that the University Grants Committee was appointed more than 30 years ago now and it was appointed because the authorities for the time felt that the ordinary methods of departmental control, and so on, were not really suitable for these grants which were being paid to the universities. During those 30 years it has developed a technique of financial co-

operation between the Exchequer and the universities which is really unique and I think, on the whole, has by now merited and, in fact, earned the confidence of all the parties, the universities, the Treasury and I venture to say Parliament in a general sort of way. Parliament, I think, has been genuinely pleased with the way in which relations between the universities and itself have worked out under the aegis of the University Grants Committee. It has built up also a very effective tradition within the universities themselves on the handling of these public funds. As I have said just now, we have been very satisfied on the whole with the way these funds have been administered. Last year there were one or two cases which Sir Edward mentioned and brought to the notice of the Committee where there had been extra expenditure, and so on, but I think one ought not to exaggerate those. They were cases such as arise in any Government Department from time to time. I do not think they would invalidate our general view of the way the universities deal with those funds. All these very good relations between the universities and the Treasury and Parliament and this tradition of handling those funds wisely in the universities, have all arisen without jeopardising in any way what we regard as the all-important autonomy of the universities.

898. Yes, but on the other hand one can question, unless one has evidence, that the University Grants Committee have any real detailed knowledge of the results of the expenditure?—I think Sir Edward could give you more detailed information on that, but I should have thought that it was going too far to say the University Grants Committee did not have detailed knowledge of what was the result of spending this money. They see the results each time they go round to the universities afterwards.

899. Yes, but there is a great difference between seeing the results and looking at the detailed expenditure, as you know. Obviously the University Grants Committee, which is a body of extremely busy people of high academic distinction and activity, is not in a position to spend much time investigating the actual expenditure. They are probably much more concerned, I assume, in dealing with the future expenditure?—That brings us really on to the second part of this question, not the irregularities side but the economies side, and to the proposal which we wish to make to the Committee. This is undoubtedly a much more difficult field than the ordinary appropriations and irregularities and so on.

900. I do not attach much importance to the irregularities side?—I am sure we can deal with them.

23 February, 1954.] Sir HERBERT BRITTAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

901. I am speaking now personally, not as Chairman?—I am sure we can deal with that, it is not difficult. It is the economy and the wastage, and so on. On that we can say quite frankly that we do appreciate what is troubling the Committee and we are anxious to try and find a solution to the problem. But partly for the reasons which I mentioned just now about the inevitable result being Treasury intervention, we do, with great respect, doubt whether the proposal that the Comptroller and Auditor General should have access is really a satisfactory solution. It was primarily in order to reassure the Committee and Parliament that we proposed that the universities' methods of controlling this expenditure out of non-recurrent grants should be specially investigated. Investigation would be carried out on behalf of the University Grants Committee by an independent person or persons who would, we would make sure, command the confidence of all the parties and whose report would be made available to the Public Accounts Committee.

902. Can you think of any better person than the Comptroller and Auditor General himself? If you are going to submit the university grants to an independent investigation why go outside the established machinery? I am going to make an assumption and it is this, that ever since the first reference to this matter was made by the Public Accounts Committee the Treasury has been under pretty heavy barrage from the universities to oppose any such thing, and I would suggest to you that the universities completely misunderstand the function of the Comptroller and Auditor General and his methods?—No, Sir, I should like to be absolutely clear that this is a Treasury decision taken after the most careful consideration within the Treasury. We have not been subjected to a barrage of that kind. The whole ground has been gone over again since your Report appeared last July and I can frankly say it has been taken with the aim of arriving at the most impartial and satisfactory solution to the problem. We do believe that a special inquiry like this by outside people would make a real positive contribution to the problem. They would be able to go over the whole field of all the universities to see their methods. It would take a considerable time to do it, there is no doubt about that, several months, or perhaps the best part of a year, but at the end of it all there would be a report which would show this Committee and Parliament where the administrations were satisfactory in this respect or, maybe, that there are certain weaknesses which have been identified and which need correction.

903. You would not deny that the universities completely misunderstand what the Public Accounts Committee have been asking?—Well, I personally have not had

direct contacts with the universities on this, but, if I may say so, I should rather doubt that statement that they do not appreciate. I know there have been letters to the contrary in the Press.

904. I got involved in a certain amount of controversy. To begin with, immediately after our Report was published you remember "The Times" had a leading article which completely missed the point?—I remember that.

905. And I replied as Chairman, and that was followed up by two letters, one from Sir Lawrence Bragg of the Cavendish Laboratories, again completely misunderstanding what the Public Accounts Committee had proposed. Sir Lawrence was under the impression that what the Committee proposed was that the Committee should sanction expenditure. Well, of course, the function of the Comptroller and Auditor General is purely post mortem and I do not think the universities realised that?—(Sir Edward Hale.) May I say something on that, Sir?

906. Yes?—I think that it does not follow from the fact that a professor running a department in a university does not understand the point, that those who are responsible for university administration, the Vice-Chancellors and the permanent officials, do not know perfectly well what is involved in this.

907. And they still object?—I think their point of view is, Sir, that they would like the whole of their financial relations with the State, and the State from their point of view includes both Parliament and the Government, conducted through the University Grants Committee. That is the point to which they attach the greatest importance.

908. But the University Grants Committee has no authority to audit, has it? It has no machinery for auditing?—No, it has no machinery for auditing.

909. In other words, what you are saying is that the universities desire to have Parliamentary grants, provided they are not audited in any shape or form by the grantors. Is not that what it means?—(Sir Herbert Brittain.) Auditing is only one part of the process after all, because there is all the earlier process of examination and agreement and so on, perhaps cutting down of estimates, and then determining the amount available; then the audit comes later and although the University Grants Committee do not audit in the ordinary sense, of course it is audited by other people, by professional auditors.

Mr. Hoy.

910. If I may, Mr. Chairman, just on that point, as neither the Treasury nor the University Grants Committee claim the right to audit the books of the universities,

F

20216

23 February, 1954.]

Sir HERBERT BRITTAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

how does the University Grants Committee satisfy itself that the money has been properly spent?—Sir Edward explained that last year, I think. Could you say again the system of architects' certificates, and so on?—(Sir Edward Hale.) The universities, to begin with, are subject to very strict limits on the amount of capital expenditure which they can incur. For the smaller schemes, we give to each university a small ration for minor works which they cannot exceed and which they have every incentive to make good as far as they possibly can because it falls very far short of what they require. We keep in our own hands a pool for the purpose of major works and for any work which is going to be charged against that pool we require the submission first of plans and estimates which are examined by our Works and Buildings Committee with the help of the Ministry of Works. When we have given a place in our programme to a particular work then the tenders have to be obtained according to the usual scale of the Ministry of Works, so many tenders according to the size of the scheme, and if the tenders are invited tenders, as they normally are, the university is bound to accept the lowest tender. Where the tender exceeds the estimate on the basis of which the work got a place in the programme very strenuous efforts are called for to bring the cost down, because we only keep quite a small reserve to cover excesses on tenders over estimates; and once the scheme has been launched we should expect to be consulted on any cases in which the cost was to be exceeded for a reason other than an increase in wages and the cost of materials. The money, of course, is actually paid out on the architect's certificate. Everybody is in the hands of the architect. (Sir Herbert Brittain.) But it is the architect's certificate which shows that the money has been spent on a particular thing. (Sir Edward Hale.) Yes, in accordance with the contract. We have, of course, full bills of quantities and that sort of thing.

Mr. Oliver.

911. If the Treasury are agreed that some person other than the Comptroller and Auditor General might do this particular job of looking into the accounts, surely they recognise that it is necessary to have some form of checking?—(Sir Herbert Brittain.) It would be rather a different type of investigation. This would be an investigation on terms of reference which are substantially those which we give in the Treasury Minute here, and which would be primarily considering the methods of contracting and recording and controlling expenditure to see that they are reasonably designed to ensure effective safeguards against waste, extravagance, and so on. This investigation which we propose would

go round all the universities, would be able to ask questions about these methods, and would be able to compare one perhaps with another as well as to ask how far the methods which they laid down on paper had been applied. We conceive it would be rather wider and more general, perhaps, than an *ad hoc* investigation by the staff of the Comptroller and Auditor General of just the particular scheme on which the money was being provided in the particular year.

912. I cannot understand from anything that is printed here why there is an objection to the Comptroller and Auditor General in so far as the material aspect of the universities are concerned. If it were the curriculum, which is the important thing in my view so far as any university is concerned, that the Comptroller and Auditor General was likely to impinge upon or interfere with, then the independence of the universities would undoubtedly be assailed, but this is, as I say, the material aspect?—Our belief is that there is a very thin dividing line in many cases between the material side of it and the academic side. If there were to be discussions and arguments, perhaps, between Government Departments and the universities on the way in which particular money had been spent on a particular project and why it should not have been spent in another way, you are in many cases getting right into academic questions because the fact that they have decided to spend money in a certain way in building a certain kind of laboratory, or something like that, is an expression of academic policy.

913. That is good as a generalisation?—Oh, no, there are particular cases too.

914. Just one minute. To take a particular case, surely to goodness if every university decided to build a certain laboratory in a certain manner and have certain additions put into it, the person financially responsible could explain the necessity for this additional expense or why this particular thing has been done as opposed to something else?—They do that already before they get the grant for it.

915. That may be so. If they do that already, then somebody must be impinging on the curriculum if you say the dividing line is so very small and so very narrow between one and the other?—No, in a general way that sort of thing is decided between the university and the University Grants Committee before the grant is given. The stage of which we are talking now is after that, when the contract has been carried out, say, and the arguments are raised as to whether even within the contract, within the amounts laid down, the work might have been carried out, perhaps, in rather a different way because in the mind of the investigator the existing way is a wasteful way, or something like that.

23 February, 1954.] Sir HERBERT BRITAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

It is at that point where it seemed to us difficult to say that you would not be getting into the academic side.

916. My own view, having listened to your explanation, is that I think there is a prejudice on the part of the Treasury against permitting the Comptroller and Auditor General to come in. I cannot see any valid reason myself, unless you can give me a concrete example, or if there can be a concrete example shown, where the material impinges upon the academic. I cannot see one from this discussion last year?—I think I can only suggest, as I have suggested just now, that argument about the way in which money was spent on a building may quite easily develop into argument about whether a building of that type was necessary.

917. I have not the slightest doubt that it could develop into that type of argument but is it a probability that it may?—That is one consideration. The other consideration is one I have already mentioned, that if the Comptroller and Auditor General were to have access to the books of the universities in the way proposed, then we ourselves in the Treasury would have to reconsider our position as regards keeping in much closer touch with the financial administration of the universities.

918. That would not be a bad thing provided you did not interfere with their independence in respect of what they were teaching and how they taught it?—We do not believe that you can keep the things in two water-tight compartments like that, what they are teaching and their bricks and mortar.

Mr. Niall Macpherson.

919. Sir Edward will remember that we thrashed this out pretty fully in the Estimates Committee as well, but once the buildings are completed, to whom do they belong?—(Sir Edward Hale.) The university.

920. Is there any parallel case of a control by the Comptroller and Auditor General on buildings belonging to organisations other than the State?—(Sir Herbert Britain.) I suppose a number of grant aided bodies apply their grants in aid towards buildings which do not eventually vest in the Government Departments, medical schools, for instance.

921. And are subject to control by the Comptroller and Auditor General to that extent?—Some of them certainly are.

Chairman.

922. There is the Medical Research Council. We had their building very much in mind two or three years ago?—Yes.

Mr. Niall Macpherson.

923. So there is really no constitutional objection to an overall control by the

Comptroller and Auditor General in addition to the suggestions that you are making, Sir Herbert, for control within the University Grants Committee?—The suggestion we make for this investigation, of course, is a substitute for the Committee's own proposal that the Comptroller and Auditor General should have access to the books of the universities.

924. But it is an anterior rather than a posterior one, is it not?—Well, it is posterior to the Committee's own proposal.

925. But anterior in procedure?—In our view of the procedure the Comptroller and Auditor General would not come into it, of course.

926. Quite, but what I mean by trying to short-cut that is that your proposals are really laying down the methods for contracting and so forth, whereas the Comptroller and Auditor General is looking at it afterwards?—When it is over, yes, I agree.

927. So that they would not be incompatible, you could do both?—That may be so, but, of course, they are not alternatives.

928. They are not alternatives?—These investigators themselves no doubt would enquire how far the existing rules were being applied in the control of current expenditure. I agree that in theory, even when this investigation had taken place and investigators had reported, it would be possible for the Comptroller and Auditor General to have access to the books, but that is, of course, a proposition which we venture with great respect to dislike.

929. And in reporting they would be reporting on the basis of past contracts, examining how they were carried out and so forth?—They would be reporting on current rules and procedures, but in the nature of things they could only look at the way past contracts had been administered. Of course, the question would arise whether in the future a similar sort of examination should take place again at intervals, but that would have to be left.

930. Yes. In your opinion would the Comptroller and Auditor General be in a position to reinforce and to help such an inquiry?—In the Treasury's opinion we think the disadvantages of doing that, from the point of view of interfering with the autonomy of the universities and for the reason I gave just now, that it would involve almost inevitably greater Treasury intervention in the universities, certainly outweigh the advantages of his coming in.

Sir John Mellor.

931. With regard to your fear that the Comptroller and Auditor General and this Committee might trespass on the academic matters I would like to ask you to draw on

F 2

20216

23 February, 1954.] Sir HERBERT BRITTAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

your recollection. When you were Treasury Officer of Accounts we often had the Ministry of Education Vote before this Committee. Do you recollect that this Committee was inclined then to trespass on the academic aspect of the Ministry's policy?—Well, Sir, you have the University Grants Committee and its Vote before you now. The Vote for the University Grants Committee accounts in a general way for the £20 million and £6 million, and that is what you are dealing with now. The parallel to that in the case you have mentioned is the Vote in the case of the Ministry of Education in which you ask questions about financial control, just as you do in this case, but you do not ask questions about the curricula of different standards in different schools.

932. Exactly. So then I do not quite follow why you should be afraid that if the Comptroller and Auditor General conducted the audit the academic policy of the university would in any way be called in question?—Except that it is going much further into the administration of the universities than we do at the present.

933. I do not see it?—We do not believe that when you get further in like that you would be able to keep the two separate.

Mr. Hoy.

934. You have said that you did not want to upset the good relations which existed between Parliament and the universities regarding expenditure. Do not you think a good deal of this good relationship exists because Parliament does not know how the money has been spent?—No, I should have thought that was taking an unduly pessimistic view of it. Each year, the Estimates contain a list of some 90 different items on which this money is being spent. Parliament knows pretty well how it is being spent, I think.

935. It does not know it is being spent that way; there is no real check by Parliament itself on it. The Treasury think that is interference?—No. If I may say so, if the Estimate to the Vote of the University Grants Committee says that £x is going to be spent on a science laboratory at a certain place, Parliament would be quite satisfied through the University Grants Committee administration that it is being spent on that purpose.

936. I notice you say this, and you keep repeating it, and in fact in the Minute I notice at paragraph 3 the Lords of the Treasury say that the suggestions we have made might "be prejudicial to the present harmonious relationship between the universities and the University Grants Committee". Would not you agree that the University Grants Committee are in fact people out of the academic world? They are, in fact, dealing with the people that

they meet from day to day?—None of the people on the University Grants Committee are representatives of the universities as such, the Chairman is a whole-time officer who is certainly impartial, and they are a body of people who undoubtedly understand their duty to Parliament.

937. I am not suggesting other than that, but would you say that the majority of the University Grants Committee were drawn from the academic world?—(Sir Edward Hale.) The majority are, of course, yes.

938. That is just what I said. So there is not really to be any upset in relationships between these two groups. Now, does the Comptroller and Auditor General have the right to examine the books of the University Grants Committee?—(Sir Herbert Brittain.) Oh, certainly. The payments by the University Grants Committee to a university for a particular work are in fact audited. (Sir Frank Tribe.) I understood that payments are made by the Treasury. I have access to the books of the Treasury on which the payments are made but if I have got access to the books of the University Grants Committee I have never exercised it. I have always understood that I was not to have access. (Sir Herbert Brittain.) I am sorry, I meant by that, the actual payments out of the voted funds.

939. That is something different from what I asked, is not it? I asked, has the Comptroller and Auditor General, for instance, the right to come and examine the records and papers of the University Grants Committee, or are they denied to him? Can anybody tell me that?—(Sir Edward Hale.) He never has seen them. (Sir Herbert Brittain.) He has never asked to see them. (Sir Edward Hale.) I do not think he has ever asked to see them.

Chairman.] Perhaps you will just let us know? That will suit you, Mr. Hoy?

Mr. Hoy.

940. I think it is important because the Comptroller and Auditor General has no right, of course, to examine the universities, but these grants go from the University Grants Committee to the individual universities. All I am asking is, does the Comptroller and Auditor General then have a check at that point?—(Sir Herbert Brittain.) May we make quite clear what the position is?*

Chairman.] Yes, let us know?

Mr. Hoy.

941. There are large sums involved in this. How has this risen? What does it amount to today, say, compared with 1945?—The non-recurrent grants now are just over £6 million.

* Appendix 1.

23 February, 1954.] Sir HERBERT BRITAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

942. Compared with what?—(Sir Edward Hale.) Before the war there were none.

943. None at all before the war?—Hardly any, yes.

944. Very little, I can remember that. So, a large amount is involved in all this working. Can you suggest what other organisation gets sums of this nature of spending from the Treasury without any control or check on them? Is there any equivalent one?—(Sir Herbert Britain.) I would like, if I may, just to question whether it is without any control or check on them. If I may say so, I think that is going rather too far. The University Grants Committee does itself have a very close control over both the estimate and the spending of this through all the discussions they have and the certificates they require before the money is spent.

945. The Treasury has none?—The University Grants Committee represent the Treasury for this purpose.

946. But even the Treasury will admit that every other Government Department has the responsibility of accounting to this Committee and the Comptroller and Auditor General has the right to examine the books?—With the ordinary Government Department, the Comptroller and Auditor General certainly has that right. He does not do it in all cases where the grants are on the basis of a grant in aid, as this is.

947. There have been a few cases in this Committee, I think you would agree, where we have discovered in connection with certain of these buildings that moneys were spent without even approval of the Treasury. Indeed, even with the London University, if I may quote one case, the Lords of the Treasury did not take very much exception to what this Committee had to say on this matter, and all I am suggesting is that perhaps the Treasury would have a further look at this. I do not suggest, Sir Herbert, that you should have an inquiry into the expenditure by some *ad hoc* Committee?—Into the methods of controlling the expenditure.

948. Do you mean when this *ad hoc* Committee has reported on the expenditure or the methods of spending that that should be an end of the matter?—I would not like to say that now at all. I think we just leave that to be looked at when we have got the report.

Mr. Hoy.] The Treasury surely are not saying, if these sums continue to be expended or continue to increase, that there should not be some form of accounting even by the Comptroller and Auditor General? I cannot see any good reason why the Comptroller and Auditor General should not have the right of examining these books the same as others. I just cannot see it and I think it is the final check that we are interested in as a Com-

mittee, not the finding of some *ad hoc* Committee. Their evidence might be very valuable; they may help to show these people how they could improve their spending, I am not doubting that, but it is the annual accountability that this Committee is thinking of and that would not get us over that difficulty.

Sir John Mellor.

949. Arising out of Mr. Hoy's questions, does the University Grants Committee derive any income from any other source than the Treasury?—No.

950. So, your Estimates will be shown in the Treasury Account?—They are shown in the Appropriation Accounts here.

Chairman.

951. Now, may we take the Treasury Minute on paragraphs 5 to 9 of last year's Report, Loans to London University? Sir Herbert, in their last Report, in the last line of paragraph 7, the Committee hoped that you would put the whole of the relationship between the Treasury and the London University in more formal terms and over a longer period. You tried to enter into a clearer agreement to cover the whole of the transaction. Has that been done?—(Sir Edward Hale.) There was a further exchange of letters just before the Committee's Report came out which was what we thought was wanted to make it clear that in the event of the site not being used the whole question of the use of the fund which had been built up would require consideration. That is the only step which has been taken since the main document was agreed, which was appended to the Third Report of the Committee of last Session.

952. Another letter? Have you seen that, Sir Frank?—(Sir Frank Tribe.) No, Sir. (It would be on the papers of the University Grants Committee and as I have explained just now I do not have access to those papers. (Sir Edward Hale.) We can put in the exchange of letters.*

953. I should be glad if you would. (Last time we were told there was one document and it turned out there was a whole series of correspondence. I should be glad if that could be put in?—We did embody the series of correspondence, as you remember, into a single document which was put in to the Committee.

954. And since then you have had an addendum?—At what we understood was the request of the Committee. The point was raised that this document did not cover one particular point and we have covered that point in an exchange of letters.

955. Sir Herbert, has there been any other scheme of a similar character and

* Information supplied; not printed.

23 February, 1954.] Sir HERBERT BRITTAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

size?—There are some very large purchases going on at Newcastle under Compulsory Purchase Orders and they are being financed partly by grants in aid when the properties come into immediate use and by loans in aid rather under this model when the properties are not being immediately developed for university purposes.

956. That is Durham University, is it?—Durham University, yes.

957. Is approximately the same sum involved?—We have not got up to anything like so large a sum yet.

958. But it is visualised, I take it?—By the time the whole of the Compulsory Purchase Orders have taken effect it may run into £1 million or so. It is a pretty large area.

959. To what extent in the arrangements between the University Grants Committee and the universities have the recommendations of the Public Accounts Committee been taken into consideration?—Which particular recommendation do you refer to?

960. The recommendations that apply to London University. The Committee was quite definitely dissatisfied with the arrangements that had been entered into with London University and as a result you produced a new agreement between the two bodies?—The rule that any income received from property in respect of which loans in aid had been made must be given up and used in reduction of the grant in aid for recurrent purposes is being very strictly adhered to.

961. But not, of course, with regard to London? You have not re-opened the matter of London?—We have not re-opened the London one, no. (Sir *Frank Tribe*.) Of course, the Committee of last year was also interested in this business being covered by firm and binding agreements.

962. Yes. It was thought, of course, that that was referred to in paragraph 7. Have you got a firm and binding agreement with Durham?—(Sir *Edward Hale*.) We do not have an agreement drawn up in legal form. Where loans in aid are made a university has to say that it will enter into a legal agreement if called upon to do so, but it has not been thought necessary to do that. It would involve considerable expense. The Committee will realise that our relationship with the universities is a continuing one and they are in our hands over a period. It is not at all like being in relation with a contractor who you have done with when the business is over.

963. I know. With regard to the London position, the whole thing was reduced to one document, was not it?—Yes.

964. At the suggestion of the Committee?—There was more than one document in that particular case because the arrangements were changed in the middle of a series of purchases and that was one of the things which made that particular set of transactions unique.

965. I know, but the whole agreement was embodied in one document?—Yes.

966. As a result of the attitude of this Committee. Have you produced the same document with regard to Durham University or is it a whole series of documents?—When a loan in aid is made there is a letter written to the university which tells them the terms on which it is made. The terms of all these loans in aid are broadly the same. The usual terms were varied in the case of London University owing to the particular arrangements made in the middle of the series of purchases, as was explained to the Committee, which were quite unique.

Sir *John Mellor*.

967. Then if a letter is written in that form is not that a sufficient legal document?—We think it is, yes.

968. You say you do not want to take a formal legal document but that would be as binding as any legal document would be, would not it, if the money is advanced on a letter like that?—We think it is sufficient and that is why we do not take the further step of asking for a full legal document.

Chairman.

969. I was not suggesting a full legal document, I was suggesting that, instead of having a whole series of letters as you did in the case of London, you got your arrangements clear cut into one document, legal or otherwise?—They are in one document.*

970. When you make a grant are all the funds in the university's hands for the particular purpose taken into consideration in considering the amount of the grant?—Yes, certainly, but it is not in every case that the university has funds for a particular scheme.

971. Sir *Herbert*, I think it is generally agreed that it is desirable that universities should for this purpose, if possible, receive private benefactions as well as Treasury grants. Do you know whether industrial firms are ever approached? In the old days you had very large benefactions to universities from private individuals, private owners of large concerns. They have gone and, anyhow, surtax has played havoc there. There are very great industrial concerns that are interested in particular disciplines of the universities. Are they ever approached?—(Sir *Herbert Brittain*.) Very much so.

* Appendix 6

23 February, 1954.] Sir HERBERT BRITAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

972. If they are, is it possible for them to set a grant against their taxation?—(Sir *Edward Hale*.) There is a number of cases in which considerable capital expenditure has been incurred, partly financed by grants received from industry.

973. Can you say offhand about the taxation position?—No, I cannot, Sir.

974. I presume that under a seven year covenant even an industrial body could set it against taxation?—(Sir *Herbert Britain*.) I should have to find out about that, Sir, because I really do not know.*

975. Would you regard it as desirable? I do not know whether you are able to

express an opinion as to whether grants of this kind to universities should be set against taxation?—I think I would rather avoid giving an expression of opinion on policy like that.

976. May I put it this way, at any rate, that it might possibly mean that the Inland Revenue would lose 9s. in the £ whereas the University would benefit to the tune of 20s. in the £ and thereby lighten the burden on the Treasury?—We are always receiving proposals for reductions of taxation which have advantages attached to them in other fields, and obviously I could not give you an expression of opinion on that.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS IV.

VOTE 11.

UNIVERSITIES AND COLLEGES, ETC., GREAT BRITAIN.

Chairman.

977. Will Members turn to the Comptroller and Auditor General's Report, paragraphs 35 to 37, on page xii? Sir Herbert, the Estimates I think for the first time last year contained a very informative schedule of the various grants, capital and otherwise, made to the universities?—(Sir *Herbert Britain*.) Yes.

978. Would it be possible to arrange the Appropriation Accounts in such a way that the Appropriation Accounts may be checked against this schedule? At the present moment it is not entirely possible to do so, largely, I think, owing to the fact that the items in the £1,030,000 are lumped together?—We are anxious to help the Committee as far as we can on this question, but of course in the schedule to the Estimates there are about 90 items, and I do not know whether the Committee would really wish us to give variations of savings and excesses for all of the 90. In other cases—I am thinking of a big Vote for Public Buildings, Great Britain—in fact as a result of the basis on which it is done, their savings and excesses, I think, are only given for probably about one-eighth of the total of the original in the Estimate. If we might make a suggestion to the Committee it is this, that we should give explanations of the larger variations.

979. Perhaps you might talk the matter over with the Comptroller and Auditor General. I think the Committee would be quite willing to accept that?—Yes, if we can have a sort of limit to the sizes of the savings or excesses.

980. Yes. Quite obviously we do not want a very large addition to our Appropriation Accounts?—We would be very happy to discuss this with the Comptroller and Auditor General.

* Information supplied; not printed.

20216

981. Thank you. Various universities have received grants for the housing of students. Could you give us any indication as to the relative costs in the different places, for instance, Sheffield, Southampton and Aberystwyth? Perhaps you could, Sir Edward?—(Sir *Edward Hale*.) The cost per place?

982. The cost per place?—Of the order of £1,500. We did go into this very carefully, and we found that it was almost impossible to get it below that figure provided that you regard it as desirable to give the student a room of a certain size. The standard size is about 140 square feet.

983. It costs as much to house a student as to build a house?—I agree, Sir, that it was a great surprise to me when I first went to the Committee to find it was as expensive as that. We did at that time go very carefully into the costs of certain of these halls of residence, which seem to us to be particularly well designed, and that was the conclusion which we came to at that time. The figure which we had in mind then—it was about 1950—was, I think, £1,350 a place, but the figure I gave you of £1,500 allows for some rise in costs since then.

984. The Florence Nightingale Hostel in Nottingham is a very beautiful place, I admit?—It is not particularly expensive, curiously enough.

985. Do you find any great variation in cost from university to university or from district to district?—There were some rather wide variations in some of the costs of the earlier hostels, but this is one of the things on which we have tightened up a bit.

986. Even without the help of the Comptroller and Auditor General?—Even without the Comptroller and Auditor General.

F 4

23 February, 1954.] Sir HERBERT BRITAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

Mr. David Jones.

987. When you give the figure of £1,500 does that include the adaptations you have made in London? You adapted certain premises in London for hostels?—I was speaking of new buildings. When you get existing premises you can probably do it a good deal cheaper, though possibly with a less satisfactory result. The worst of adapting premises is that very often they are very much more expensive to run. The virtue of these specially designed places is they are cheap to run. The hall mentioned by the Chairman has turned out in that respect very satisfactory.

Mr. Hoy.

988. What do you say the size of the room is?—140 square feet.

Sir John Mellor.

989. I wanted to ask with regard to the saving on Subhead A; it is £1,036,000. Will that be a real saving to the Exchequer, or will it be re-voted?—The main saving was one of £983,000 on non-recurrent grants, and the main cause of that was, I think, undoubtedly that there were difficulties in getting deliveries of materials and difficulties of labour owing to the defence programme. The expenditure on non-recurrent grants in the previous year was £7,300,000. We always ask universities what they expect in the way of non-recurrent grant in framing our Estimates, and the estimate put to us by the universities was £7,800,000, for 1952-53. That we cut in the office to £7,000,000 for various reasons, including the fact that we expected deliveries to be more difficult than they were, but we did not allow sufficiently for that factor. I think the defence programme held everybody up a good deal more than was expected at the time the Estimate was framed.

990. Is the answer that the money will be re-voted?—(Sir Herbert Britain.) In so far as this was voted for particular works that were delayed, it will have to be voted in subsequent years.

991. What is your policy as between grants and loans?—(Sir Edward Hale.) Loans are only given where property is acquired some time in advance of the time when it is going to be developed. The Committee are rather reluctant to finance the acquisition of properties at all in those circumstances, but where they do, they do it by loan.

992. Where some time will elapse before the expenditure of the money?—Yes.

993. If a loan is converted into a grant, is prior Parliamentary authority obtained?—No.

994. Why not?—Perhaps I should ask Sir Herbert to say why it is not necessary. (Sir Herbert Britain.) Parliament in fact

does not vote a particular sum of money to a particular recipient on the basis that it is a loan rather than a grant. I think it recognises that the Committee will have a discretion between the two. In fact, it is a discretion which is exercised on a very small scale, because in the schedule to these particular accounts you will see that although there was £5,900,000 given in non-recurrent capital grant, only £100,000 was on loan.

995. Has Sir Frank any observations on that?—(Sir Frank Tribe.) Yes. The purpose of loans is set out at the beginning of the schedule to be found in the Estimates. "In a few cases payment is first made in the form of a loan which is repayable only if the development for University purposes is abandoned." If this were being borne directly on Votes, I have no doubt that prior Parliamentary sanction ought to be given for the conversion of a loan to a grant. This point was discussed actually on Colonial loans and grants by the Public Accounts Committee at the end of March, 1949, when the Treasury on being examined agreed that the conversion of a loan to a grant was outside their discretion and required Parliamentary sanction. Whether anything could be done in the special circumstances mentioned by Sir Herbert, I am not certain. It might possibly be that Parliament would prefer to vote a certain amount for loans annually and to retain control over this, so that prior sanction had to be obtained before they were converted into grants. It has no merit from the Exchequer point of view that the great majority were grants. I imagine the Exchequer would prefer them to be loans and that Parliament should have direct control over any conversion of a loan to a grant. (Sir Herbert Britain.) I was only trying to say two things: first, that this is quite a different thing. Parliament approaches this in quite a different way from the way it approaches the Colonial loans which the Comptroller and Auditor General has spoken of. This is a general provision which is explained to Parliament at the head of the schedule, whereas in the case of the Colonies, generally speaking, the recipient Colony was mentioned quite specifically in the Estimates. This is different, and Parliament has recognised the difference, that the University Grants Committee should have a discretion to arrange a loan in these kinds of circumstances. I should have thought it would be probably carrying it rather too far to go back to Parliament when this has been stated to Parliament already and ask Parliament to agree that a particular loan shall be converted into a capital grant if the circumstances arise in which it was always contemplated that it would be converted to a grant. It is rather unnecessary, I should have thought.

23 February, 1954.] Sir HERBERT BRITAIN, K.B.E., C.B., and
Sir EDWARD HALE, K.B.E., C.B.

[Continued.]

996. Would it involve any great amount of labour and time to obtain Parliamentary authority?—Obviously not, except that it would take up, amongst other things, space in the Estimate which would be unnecessary, and explanation there. It might mean a token provision in the Estimates somewhere, perhaps a separate sub-head and so on. It all means a little extra work and space.

997. Would the work really be appreciable? Is it any serious tax on the administration?—Obviously not. It is just

a question as to whether even doing what it would involve would be worth-while.

998. Might I just ask Sir Frank if he has any comment to make?—(Sir *Frank Tribe*.) Yes. I felt it was a matter, as you asked me, which I ought to mention. It is not one to which I personally attach much importance. I rather agree with Sir Herbert. As the issue of loans is mentioned in the Estimate at the beginning of the schedule, it is probably a case where I would be prepared to advise the Committee not to insist on any further sanction.

The witnesses withdrew.

Adjourned till Tuesday next, at 4 p.m.

TUESDAY, 2ND MARCH, 1954.

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.
Mr. David Jones.
Sir John Mellor.

Mr. Oliver.
Mr. Steele.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. F. E. FIGGURES and Mr. R. W. B. CLARKE, C.B., O.B.E., an Under Secretary, Treasury, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 87-91 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir GILBERT FLEMMING, K.C.B., Permanent Secretary, Ministry of Education, and Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G., Permanent Secretary, Ministry of Food, called in and examined.

Chairman.

999. Will Members kindly turn to the Treasury Minute of the 15th December, 1953, on paragraphs 87 to 91 of the Third Report of the Committee of Public Accounts, 1952-53, dealing with the Milk in Schools Scheme? Mr. Figgures, have any steps yet been taken to transfer this service to the Ministry of Education?—(Mr. *Figgures*.) Yes, Mr. Chairman, there have been discussions between the two Departments, and I imagine the two principal witnesses will be better able than I to explain to you what those arrangements are.

1000. I believe discussions of one kind and another have been going on for five or six years?—I think the discussions are further advanced than they have been hitherto, Mr. Chairman.

1001. Sir Henry, the Ministry of Food has recently issued a White Paper* which says in paragraph 10, referring to the Milk Marketing Board being entrusted with the Milk Welfare Scheme, that the Milk in

* "Decontrol of Food and Marketing of Agricultural Produce" (Cmd. 8989).

Schools Scheme will continue but the administrative arrangements will need separate consideration. Why? Surely the mere fact that the Milk Marketing Board is to become possessed of its full powers does not affect the situation between you and the Ministry of Education, does it?—(Sir *Henry Hancock*.) It might theoretically have done so if the Government had decided to go along another line and had legislated, but that is rather theoretical. It was necessary, however, to review the position in the light of the restoration of the Milk Marketing Board's powers. That consideration has now taken place and it has been agreed that the mere fact of restoring the Milk Marketing Board's powers could not be allowed to affect the question of the administration of milk in schools and that should be dealt with without further consideration in the light of the present statutory position.

1002. I would not have thought that the position required very much consideration?—Well, it might have done.

1003. I do not know whether you read the Committee's Report of last year; I presume you have done, and I wonder if you

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.

[Continued.]

noticed that there appeared to be a certain note of irritation in the Committee's Report on Milk in Schools?—(Sir Gilbert Fleming.) I can say "yes" to that.

1004. You can; what about you, Sir Henry?—(Sir Henry Hancock.) Yes, I certainly noted it.

1005. I would like to draw your attention to the history of the matter. It has been going on since 1948, and the Committee on numerous occasions have recommended that this service for which you have no direct statutory authority and which was not your business should be transferred to the Ministry of Education. I think Sir Gilbert is correct when he agrees that there was a note of irritation in the Committee's Report. That Report arises on a cross-examination which took place 12 months ago, and apparently nothing has happened yet?—A great deal has happened, Mr. Chairman.

1006. The transfer has not been made, has it?—No, not yet.

1007. Why not?—The White Paper was issued in November, and there have had to be a great many discussions since then to determine whether it was right to transfer upon the present statutory basis or whether there might not be a case for a complete change in the basis, and that has taken some time. That is a matter of some importance.

1008. Has a decision been made to make the change?—The decision has been made to rest on the present statutory basis.

1009. What exactly does that mean?—I think that Sir Gilbert had better answer that question, because it involves the assumption of powers by the local education authorities. (Sir Gilbert Fleming.) That means, to operate the Milk in Schools Scheme so far as the maintained schools are concerned, that is to say, the schools maintained by the local authorities through those authorities as provided by the 1944 Act.

1010. Which Ministry would be responsible?—The Ministry of Education.

1011. In other words, you have definitely decided at long last?—It has definitely been decided as a consequence of the consideration to which Sir Henry Hancock has referred, as far as the maintained schools are concerned, to go right ahead with that without any delay for legislation, but on the existing Statute.

1012. Do you require legislation?—No; I said, without any legislation. It might have been necessary if a different plan had been adopted, but it has been decided to go ahead on the existing Statute.

1013. In that case, you do not need legislation if you decide to carry out the existing Statute?—Exactly; that is what I was trying to say.

1014. In the Estimates for 1954-55, on whose Vote is the cost of milk in schools?—On the Ministry of Food's.

1015. Do you propose to transfer that?—It is a very recent decision, and it will be transferred as soon as possible. The change may not be operative within a few weeks; it will be within a few months, I hope, and when it operates, then the transfer can be arranged.

1016. That means, then, that from now on you take responsibility?—As far as the publicly maintained schools are concerned.

1017. As far as the publicly maintained schools are concerned. Who takes responsibility for the non-maintained schools?—For the time being they will remain with the Ministry of Food.

1018. Why?—Because Ministers have not yet been able to make up their minds how they should deal with it.

1019. What is the statutory position?—The statutory position is that local authorities have powers to deal with it if they wish, but that does not enable the Government to carry out the policy, to which it has been committed since 1946, of making this a universal service.

1020. I believe that you have started some pilot schemes. Could you tell us something about them?—Yes. It has been inconclusive as an experiment, but it is regarded as valuable experience towards a change of system. We tried to get six local authorities to operate tendering with central responsibility still remaining as it stood, but that was no reason why we should not start to try operating in that field. Two of them we could not induce to play. With two of them we met with a complete ring of tenders at the standard price and gave up that attempt. Two of them were able to get a small number of offers at slightly below the previous standard price for a very small proportion of their schools.

1021. Were these the only six you approached?—The only six we approached in the first instance.

1022. You were unfortunate in your selection, were you not?—No; I think it is going to be difficult, anyhow. It is bound to be a slow process to break the habit which has grown up through the fixed price system.

1023. It is not so much the fixed price system as the fact that between you—I am not quite sure who is responsible—you have for a long period of years allowed the Ministry of Food to buy the milk, and the Ministry has been paying the retail price for wholesale purchases. Surely you must expect that there will be strong resistance on the part of the suppliers to giving up a plum like this?—I

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.

[Continued.]

should naturally expect a strong resistance for a whole host of reasons, partly for the historical reason, and partly by reason of the nature of the service.

1024. You quote six local authorities. Two you could not get to play. Two met with complete resistance, and two met with partial resistance. Why did not you find some other local authorities?—Well, we shall. We were rather hoping to get this complete change.

1025. Could you give me the names of the local authorities you chose?—The two who declined to play were Somerset and Wiltshire. The two who had a go first of all, but who failed altogether to break the ring, were Middlesbrough and York, and the two who persevered were the North Riding and Warwickshire.

1026. Practically all those were agricultural, with the exception of Middlesbrough; York is half and half. Why, when you were tackling a job like this, did you choose agricultural counties like Wiltshire and Yorkshire?—It was York City; not the county.

1027. York City is a very different city from Manchester or Birmingham. If you tried Lancashire or Manchester, you might get a different result?—The North Riding made their experiment in the industrial part of their area, where most of their population is. They did not even try in their most rural parts. We were hoping by that experiment to get two urban areas and an urbanised county besides trying the rural areas.

1028. Now that the burden has shifted quite definitely on to your shoulders, supposing you are met with this resistance on the part of the milk suppliers, what are you going to do about it?—We shall just feel our way as we can. I have never been convinced—and in this the Ministry of Food advises us the same—that it was possible or easy to get great savings in this. We are pressing the changes for sound administrative and statutory reasons, not in the firm conviction that it will necessarily lead us to any great savings. We have to try and get what we can.

1029. Hospitals get much better prices than the Ministry of Food has been getting?—Yes, there is a considerable difference, and we shall certainly try to get some reduction in the urban areas. We shall try to get on, as it were, but we shall be more hopeful in the urban areas where there is a greater analogy, though there is a considerable difference as well, but we shall just have to try and get any savings that we can make.

1030. I still would have thought, in view of the fact that you are dealing with an agricultural product, that it would have been desirable to make your experiments

in a large industrial city like, say, Birmingham or Manchester?—We were rather frightened of being held up by delay for the administrative organisation. The two smaller towns were held to be reasonable examples, and were ready to go ahead fairly quickly.

Mr. West.

1031. I am afraid, perhaps, I did not quite follow the answers in some respects. I gather from the Treasury Minute that the Milk in Schools Scheme will continue, and I understand that means, continue as heretofore?—Well, the children will continue to get the milk.

1032. Yes, I was hoping that it meant that, but I was hoping that the operation of the scheme, as I understood it, would continue as heretofore, and that would be, I assume, under the Ministry of Food. Is that it?—No, it is now proposed, as soon as the change can be made, that as far as the maintained schools are concerned it should be, as distinct from heretofore, operated through the local education authorities with central authority in the Ministry of Education.

1033. I see. That has been decided since the Treasury Minute has been written?—Yes.

1034. What is the position of the Ministry of Food with regard to the present working of the scheme? Have they any control over it at all?—(Sir Henry Hancock.) Yes, that has been explained to the Committee on a good many occasions in the past. We have a fairly close control over the working of it. The ordering is done through the local education authorities.

1035. Yes. Perhaps I have not made myself clear or perhaps I may have misunderstood the position. Do I understand the change has not yet taken place?—(Sir Gilbert Flemming.) That has not yet taken place.

1036. Have you any idea when the change is likely to take place?—I should say months, rather than weeks hence, but I could not be more precise than that.

1037. So, at the moment, then, the Ministry of Food are discharging the functions with regard to the milk in schools?—Yes.

1038. So they have the same control now as they always have had with regard to that?—(Sir Henry Hancock.) That is right.

1039. I wonder if you, Sir Henry, can tell us how your Department satisfies itself that milk which is ordered by the teachers is only for those children who are in fact attending school? How do we know that there is not over-purchasing, as it were?—That is done by way of certificate by the head teacher, checked by the local education authority.

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.

[Continued.]

1040. Does that certificate indicate the number of excess bottles of milk which have been purchased and what has been done with them, whether they are returned, or do you always get your return saying you have had X number of bottles, and all the bottles have been consumed?—I think it contains a certificate that no more milk was ordered than was required for the purpose of consumption at the school.

1041. I think anybody with any local government experience would know that on any particular day he could not be certain that the precise number of bottles which were purchased were those precise numbers of bottles which were consumed?—Yes. The local education authorities check from time to time for misuse, for over-ordering, for under-consumption and the like, and we have to rely on them to exercise a control through the head teacher. There is a further check through the numbers in the school which we know, of course, and the amount of milk in fact ordered and consumed, and that check is applied through the local food offices.

1042. I suppose you are able to check the numbers on the registers and the number of attendances, but are you able to check the number of children who in fact do not take the milk, of whom there are quite a number, I am told?—I expect there are a certain number.

1043. Will the Milk Marketing Board have any control over the Scheme at all, when the Milk Marketing Board is revived, as it were?—As we see the position at present there will be no function for the Milk Marketing Board to perform in relation to school milk.

Mr. Steele.

1044. Sir Henry has told us about the check that is made by the local authority in connection with the milk that is supplied for the use of the children. Sir Gilbert, can you tell us, then, how the education authorities purchase the milk for the use of the school meals of the children, for making puddings and things of that kind?—(Sir Gilbert Fleming.) I could not tell you in any detail. They make it direct, in much the same way as they buy any article that they purchase. I expect in some cases they get tenders, but I do not think it is compulsory or obligatory.

1045. Do you insist on education authorities putting out all contracts for food, as far as possible, to competitive tender?—No, we have a rather different method of controlling the costs of the supplies for school meals. Tendering is encouraged, but not insisted on; we have a rather different method of ensuring economy.

1046. You have another method?—Through the unit grant system, which gives

them every incentive to purchase economically.

1047. Can you tell me something about it?—Yes. It is done on the basis of inspecting their accounts by a cost accountant. We have to be very careful, of course, because with a 100 per cent. grant from the central funds there is no local incentive to economise. There is fixed with each authority an agreed cost which is the limit up to which we pay, and then they have a full incentive to ensure that they do not spend more, because if they do it falls entirely on the rates.

1048. Do you know if education authorities find any special difficulty over supplying milk to schools?—For the ordinary meals, do you mean?

1049. Yes?—In some cases they do. In some cases they go without any and buy only dried or powdered milk.

1050. You told us something about your pilot schemes. Could you tell us who paid for that milk?—It was started operating exactly under the present arrangements, that is, the local authorities were merely acting on behalf of the Ministry of Food.

1051. I suppose you have been giving some thought to the new provisions which will fall to be dealt with under the scheme, which was originally thought about in 1944? You will now be giving some thought about any financial incentive to the education authorities?—I could not elaborate them in any detail. The first step, and the reason we cannot introduce it in a week or two, is that we shall have to discuss our ideas on that with the local authorities and conclude from those discussions what are likely to be the most efficient methods of control. As you are implying, it is not easy to give them an incentive or a control for securing economy when their own rates are not involved.

1052. You have some conception of giving them an incentive, have you?—Either an incentive or a control. I am not quite sure which would be the better word for it.

Sir John Mellor.

1053. I gather from what you first said that the Milk Marketing Board's position came into these discussions and was discussed and now is no longer discussed, with regard to the question of proceeding with the new arrangements?—(Sir Henry Hancock.) That is so. The Milk Marketing Board is not in the picture as administrative agents for this job.

1054. I think Sir Gilbert said that non-maintained schools would remain with the Ministry of Food for the provision of milk. May I ask Sir Henry again, whether this will involve the local food offices?—As long as the local food offices are in existence the running of the scheme will be done

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.

[Continued.]

just as it is at present. When the local food offices disappear, a small group will carry it on from Thames Ditton, the headquarters of the Milk Marketing Board, where we have our Milk Division.

1055. So there will not be any question of keeping local food offices in existence merely to perform this minor function?—No.

1056. All that is required, I take it, to put the new machinery into operation, when it has been agreed, is a regulation or a series of regulations?—(Sir *Gilbert Flemming*.) Is this for the maintained schools, or for the non-maintained schools?

1057. May we consider the maintained schools first?—Yes. Regulations embodying arrangements have to be discussed with the local authorities as to the best way of doing it and the best way of securing economy by incentive or control.

1058. So, once these discussions are complete, there is nothing that will take up any further time?—No.

1059. It is just a question of the Minister signing regulations?—That is right.

1060. Would the same apply to the non-maintained schools?—That I think is for Sir Henry. (Sir *Henry Hancock*.) For the time being we shall have to go on looking after the non-maintained schools.

1061. You say "we". You mean the Ministry of Food?—Yes.

1062. How long are you contemplating continuing to look after the non-maintained schools?—I think that turns on the Ministry of Education. There are a number of problems, which Sir Gilbert can explain to you, involved in the independent schools, and the Ministry of Education need time to sort them out and look at the possible solutions of them.

1063. Is there, then, any likelihood that the Ministry of Food's life will be prolonged because of this question?—This will not determine it at all; no.

1064. Then, if the Ministry of Food expires before this matter has been settled, who will take over the handling of it?—I could not say, but it is not a difficult job to do. It is a body of, I think, about six people attached to an office of the Milk Marketing Board.

Mr. *West*.

1065. Why, then, would not the Ministry of Education be prepared to take it over?—I think they have to have legislation. (Sir *Gilbert Flemming*.) It would require legislation for us to take it over, and we were anxious to get on as quickly as possible with the main body of the scheme, that is to say, the immediate transfer for the maintained schools, which does not involve legislation.

Sir *John Mellor*

1066. When you were replying to Mr. West, Sir Henry, about the question of the amount of milk consumed, the answer was that none was misapplied. Is there a ration of so much per child allowed for?—(Sir *Henry Hancock*.) One-third of a pint a day.

1067. So that the question only arises when children do not attend or do not drink the milk?—Yes.

1068. What steps are taken to ensure that the milk which is not likely to be required is not ordered?—The local education authorities, then, should not order the milk forward. If they see that milk is being wasted, not consumed, then they should reduce the order, and that is what they do.

1069. You say, the local education authority. Does that mean the head teacher, or who is in charge of a thing like that?—(Sir *Gilbert Flemming*.) It means the staff in the local education office, acting on reports received from the head teacher.

Mr. *Steele*.

1070. Do I take it that children generally have to pay so much for the milk?—No, it is free. (Sir *Henry Hancock*.) Entirely free. This question of possible waste has been publicised from time to time and there may be cases where one child drinks more and another child less. I do not know that that is necessarily a bad thing; it is one of those cases where a little give and take between children is perhaps a good thing.

Sir *John Mellor*.

1071. No; when I said "misapplied" I did not mean in that sense. When these pilot experiments were taking place with, I think you said, six local authorities, did they attempt to get a bulk supply through any of the large distributing organisations?—(Sir *Gilbert Flemming*.) No. There are no facilities in the schools for coping with a bulk supply, if you mean by that in a tanker, so to speak. It is delivered to the school in bottles.

1072. What I meant was, did they invite tenders from any of the large distributors?—Yes, they invited tenders from anybody who was willing to supply in that part of the country.

1073. Have the big distributors like the United Dairies, the Co-Operative Societies, and so on, all refused to discuss terms for a bulk supply?—Except to the very limited extent I have mentioned. How far those were big distributors or little ones, I do not know, but certainly in some cases the Co-Operatives tendered at the full retail price. They were in the ring.

1074. Then, were all the large distributors approached and invited to tender for supplying at prices less than retail prices to

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.

[Continued.]

schools in those areas?—Everybody who was operating in the area concerned.

1075. All of them refused to tender anything below full retail prices? Is that right?—Except in a certain small percentage of two of the counties. If I may repeat it, of the six, two never really got started. In two cases the defeat was complete, the ring was complete. In two cases, Warwickshire and the North Riding, they were able to get in some tenders. I think it was, in one case, covering about 4 per cent. of their children, and in the other case about 7 per cent., at less than full retail prices.

1076. Those tenders, then, were accepted, I take it?—Yes, I think so in those two cases.

1077. How much further are you carrying these experiments?—Well, we shall link it all up now with the complete transfer to local authorities and when we are dealing with all local authorities, we shall endeavour to get as many as we can to tackle this, using this very limited experience to go on with.

Chairman.

1078. Might I just intervene here? Do local authorities bear any of the cost involved or is the whole thing borne on the Exchequer?—We have to bear the whole cost on the Exchequer, subject to anything which we may be able to arrange as part of the control or incentive as a means of ensuring economy. But in principle, as this has hitherto been borne by the Exchequer and it has been government policy to treat this as part of the general policy of family allowances, and so forth, it has to be borne wholly by the Exchequer.

Sir John Mellor.

1079. At least your experiments did discover in two cases some distributors who were prepared to supply milk at less than retail prices?—Quite right.

1080. Has it occurred to you to try to see how far they would be prepared to extend their business into other areas upon the same terms?—The two authorities concerned, I am sure, would have tried if they could to get them wider in their own counties. I do not imagine that they were big national distributors.

1081. If they were given the chance of tendering for a long term contract at something below the full retail prices, they might perhaps be prepared to undertake to distribute on a much wider basis?—I certainly hope we shall be able to spread this. We shall try our hardest.

1082. Has any attempt been made? You say you presume the two local authorities in question had endeavoured to get them to distribute more widely within those areas. Do you know that?—In the one case they

could not get them to tender any more widely; that is the only one I have particulars of here. That was definitely a tender for a particular group of schools.

1083. That was the best they could manage. Do you know about the other case?—I do not know about the other case.

Mr. Oliver.

1084. Sir Gilbert, the people who bottle the milk are in the main wholesalers and not retailers, are they not?—No, it varies considerably. Sir Henry can answer this better than I can, but I think in the smaller centres of population it is done also quite considerably by relatively small retailers. (Sir Henry Hancock.) In some cases the retailers buy the milk bottled from a wholesaler. That is quite common practice, and I suppose it is the majority practice. There are cases both ways.

1085. But could those wholesalers, for instance, who sell their bottled milk to retailers be adversely affected if they were to sell bottled milk to the education authority? They would get the same prices as they get from the retailer, surely?—(Sir Gilbert Flemming.) Yes, all they have got to do is to undertake a slightly more difficult delivery service.

1086. What is their object in building up resistance to the local authority if they would be paid, as it is reasonable to assume that the local authority pay them, the same price as the retailer pays to the wholesaler for the bottled milk?—Well, that is what we have got to find out. It has not been easy in this particular case, but this is a line of hope, obviously.

1087. With the United Dairies and the Co-Operatives, where they are wholesalers and retailers I can understand a resistance being manifest, but it is difficult to believe, where a wholesaler is supplying retailers with bottled milk, that the local authority should be having difficulty in obtaining the supply at a reasonable price?—(Sir Henry Hancock.) Of course, the reason why retailers are brought in is that retailers have a local service. They have a round, and your wholesaler may have one depot miles away, and it is the retailer who will actually do the job in the vast majority of cases.

1088. It would require transporting, someone to pick up the bottles at the wholesaler and deliver them to the school. I think that would be the service that the local authority would require to install, would it not?—(Sir Gilbert Flemming.) It is a question of organising this delivery within a fairly limited time. It has to be delivered at the school during the morning, which is the service the retailer has hitherto, at any rate, rendered. (Sir Henry Hancock.) Wholesalers would not want to have a large number of small points of delivery. That is a point one has to bear in mind.

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.

[Continued.]

Mr. *Oliver*.] Surely you would not contact the retailer? If the local authority are going to distribute to the school the local authority would themselves set up the distribution point.

Chairman.

1089. On that point a very large number of local authorities have a central distribution scheme for their school meals. Why cannot they link up the collection and delivery of school milk with exactly the same machinery that they use for the delivery of their school meals?—(Sir *Gilbert Flemming*.) I do not know about "exactly the same machinery." You might, in part, but some deliveries would be at a different time.

1090. They have to deliver their food regularly, daily?—If they are doing the local service it means carrying it in vehicles about the dinner-time. I am sure this is the kind of thing which local authorities will be willing and anxious to investigate if they can. We will, of course, register this as a field to be explored. We are not doing this in the firm hope that there will be savings to collect, but certainly local authorities and we will do our hardest.

Mr. *Oliver*.

1091. Correct me if I am wrong in this: I am going on my memory, but the Milk Marketing Board have a retail scheme in one or two of the big cities, have not they, such as Hull? Am I right about that?—(Sir *Henry Hancock*.) I am not aware of that.

1092. Perhaps you would make enquiries about that. I may be wrong; as I say I am depending on my memory, because a few months back—I must tell you how I have come to this conclusion—I interviewed some milk distributors when the question of restoring the Milk Marketing Board came into operation, and they said: "We do not wish the Milk Marketing Board to become retailers because that infringes upon our trade". I said: "Have you any experience of that", and they said "Yes", and I think they mentioned Hull as one town, and I am not too sure that they did not mention some other centre, too?—I am just reminded that the Milk Marketing Board as an experiment did, before the war, buy a retail business in England. That is an excrescence on the normal organisation of the Milk Marketing Board. I think the purchase was done at a time when they were wanting to gain experience for themselves of retail margins and I think they have retained ownership.

1093. I should think it was pretty good ground on which the education authorities might have attacked this problem. If they have there the Milk Marketing Board in existence and in possession of a

retail distribution, that seems to me a fairly fertile ground on which the local authority might have experimented?—But I think that what has happened in that particular case is that the Milk Marketing Board took over a business, a going concern.

1094. Only one?—Only one, I believe. The local education authorities, apart from the possibilities of using such transport facilities as they may have, would be entirely newcomers to this field. They would have no cold rooms and none of the facilities which you want to run a milk retail service. It is not a thing which you can attach necessarily to food that does not require to be preserved. A retail business does require a certain amount of machinery and organisation.

1095. I appreciate that, Sir Henry, but this is the point that is in my mind: does the Milk Marketing Board only become effective at the retail end of the business in the town or towns in which they are experimenting or are they functioning as wholesalers too?—Oh, the Milk Marketing Board's primary function is to buy milk from the producers.

1096. That is the point?—This incursion into the retail field is, as I have said, a complete excrescence and is a minor thing as far as area or extent is concerned. I do not know how big the business is, but it is a very small one, I believe.

1097. Would they be distributing the milk—if the city is Hull—in Hull? Would they be the wholesalers distributing to the retail firm?—Normally they supply milk to wholesalers. The Milk Marketing Board will be buying milk from producers and supplying it to wholesalers.

1098. So in these towns where the experiment is taking place the wholesalers will be interposed between the Milk Marketing Board as suppliers to the wholesalers and the Milk Marketing Board as retailers, is that right?—I could not say in this particular place what the arrangement is. I have not got the detail but, broadly, the position is the Milk Marketing Board's principal function is to buy milk from producers.

Colonel Crosthwaite-Eyre.

1099. Might I just ask one or two questions first of all to clear up? I think it is true that the Milk Marketing Board do not buy any milk themselves, they buy it through the wholesalers, agents, whom they nominate. They will be firms, for instance, in various parts of the country who are nominated as their collectors of milk, but they do not act as wholesalers themselves?—That, I think, was the position before the war, but during the war the whole position has been altered because we have, in fact, at one stage, acquired title to the milk. Precisely what

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C. S.G.

[Continued.]

arrangements they are going to make from the 1st April on the technical acquisition of milk I am not absolutely certain, but I think they will themselves buy from producers.

1100. It is equally right to say, is it not, that the retailers are now represented on the Milk Marketing Board?—No, I do not think that would be correct. The machinery that has been set up is a joint consultative body on which the Members of the Board sit as well as representatives of the distributive and manufacturing interests.

1101. I thought that had been agreed in principle now?—That body has been agreed and set up, yes, but that is not the Milk Marketing Board, it is an outside organisation.

1102. Exactly, it is an outside organisation?—Yes.

Colonel *Crosthwaite-Eyre*.] The Chairman suggested it would be possible to deliver the milk required by schools with the school meals.

Chairman.] Using the same machinery, yes.

Colonel *Crosthwaite-Eyre*.

1103. Using the same service. I thought that would not be so, would it, without augmenting the service very considerably?—It would mean a complete reorganisation of the milk distribution.

1104. And a very great increase of the service provided by the local authorities concerned?—I imagine so.

1105. Would you be prepared to give any estimate as to what that increase would be as against the retailer's margin for the present distribution?—I could not give you the slightest indication. I think it would depend on a number of completely unknown factors, the capital cost of depots and the capital cost of transport and all sorts of things.

1106. On the face of it would it be true to say that the retailer's margin in view of all the people that he provides would tend to be less than the cost of a separate service set up to provide for one particular customer?—I should have said so, off the cuff.

Chairman.

1107. Sir Henry, on that point I take it that the education authority do already provide milk for their school meals?—Yes, they do.

1108. They provide not only milk but quite a lot of other food?—Yes.

1109. Why then should they require to set up an entirely new service in order to supply school milk?—I think, Mr. Chairman, as I explained, the retailing of milk is rather a special business, I do not think

that needs any explanation. You have to keep your milk until you can deliver it in certain conditions. I do not know what the facilities of the local education authorities are for holding milk but it has to be delivered at a certain time of the day at a number of points, some of them rather inaccessible. The problem of delivery of school milk is not altogether a simple one.

1110. But surely that applies in total to all the milk they buy for the milk that is served with the school meals?—(Sir *Gilbert Fleming*.) May I answer on this as my side is responsible for the school meals as they are? As far as I know they do not handle that milk centrally themselves and distribute themselves.

1111. No, what they do, particularly in the counties, is actually cook the meals centrally and distribute?—Not so much in counties; it is chiefly done in towns of a certain degree of dispersion.

1112. It is done in Derbyshire?—They would arrange for milk to be delivered to each place where meals are cooked, whether individual schools or centres, but it would be delivered there, I am pretty sure, by either wholesale or retail milk merchants. I do not think there would be a central pool of milk in Derby into which the local authority first of all received it and then distributed it out, because that would require plant of the kind Sir Henry has referred to.

Mr. *David Jones*.

1113. Which milk are you thinking of, Sir Gilbert, the milk for using with the school meals or the milk in schools?—The milk for using with the meals, because that was what the Chairman was asking.

1114. If they are cooking at a central point obviously the milk they require for cooking will be delivered to the central point?—Quite. There is no county or authority which has one central point for the whole of its service. You have a central point for a group of schools which have not got kitchens.

Chairman.

1115. Exactly, but as there is a service at the present moment in existence for distributing milk which is consumed, say, at 12 o'clock, it seems to me that the machinery could be used for delivering milk at 11 o'clock?—I am only making the point, and I learnt my milk trade from Sir Henry, that to do that in bulk would probably require some considerable additional capital as well.

1116. I understand that the whole of this is surmise on the part of yourself and Sir Henry, and Sir Henry said he did not know the first thing about what it would cost?—(Sir *Henry Hancock*.) I am not giving any estimate. You have to look at it on the

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.

[Continued.]

ground. (Sir Gilbert Fleming.) It would vary very much from one area to another, of course.

Mr. David Jones.

1117. Could I follow that up a little further? You heard Sir Henry answer Colonel Crosthwaite-Eyre about the additional cost. Do you agree with that answer, that it would entail an additional expense?—I should certainly expect there to be additional plant and additional vehicles required.

1118. Even in those areas where they now centrally cook and deliver the meals?—Yes, because I am quite certain that none of these areas have any places equipped for handling a large quantity of milk and then distributing to different centres.

1119. You will be aware, of course, that the vehicles which are used for delivering milk to central kitchens do not start until 11 o'clock in the morning and they finish delivering the midday meal about 1, so it would be possible to use the vehicle before 11 o'clock and after 1 o'clock to deliver the milk without any additional vehicles at all. Would you agree with Sir Henry that there would be schools which would be inaccessible for vehicles of that sort?—Yes, the conditions vary enormously from area to area and the great majority of schools are not served by that kind of service at all for their meals.

1120. Surely they are not inaccessible in the sense that they cannot be got at by vehicles?—Not in that sense, but in the country, for instance, there are masses of schools which do not have dinners at all.

1121. Agreed, but there are rural areas in the country where they do, in fact, cook the meals centrally and deliver them in vehicles to the schools?—It is more common in urban districts.

1122. I know, but there are rural areas where they do it. Do you know Pontypridd at all?—No, I do not.

1123. It is done there. So, at any rate, in those cases it would not be necessary to expand the transport system to do that job?—Quite.

1124. You say it is more common in urban districts?—This distributing meals from the centre, yes.

Chairman.] Surely the bulk of the population lies in urban and not in rural districts and therefore if you have your machinery in the areas where the bulk of the population is, that is a rather important contribution to your service. I think we are tending to get more hypothetical and theoretical, seeing that both our witnesses disclaim any knowledge on the subject.

Mr. West.

1125. The questions I wish to put are questions which I think would be within the knowledge of the witnesses, and I first wanted to put to Sir Gilbert if he could tell us over what period the pilot schemes were put into operation?—Do you mean the actual period of getting the milk to the schools?

1126. The pilot scheme?—The only two that have been operating, for the last two months; the attempt to get the tenders in and so on, correspondence and all that, were running between July and October, roughly, of last year. That was when the attempt was being made to get in tenders and correspondence was taking place with tenderers, and so on.

1127. Then I wanted to follow that up, if I may, by asking Sir Henry a question, because I think it was round about that time of last year that there was a change with regard to the milk rationalisation scheme where a monopoly was tending to grow up in the distribution of milk to retailers. Do you remember representations which were made to your Department about wholesalers agreeing between themselves that one wholesaler should have the exclusive right to supply milk in a given area? I was wondering whether that has had anything at all to do with the resistance which the local authorities have had to meet?—(Sir Henry Hancock.) I do not think it has. I think that the difficulties that the local authorities have had to meet are due to the fact that milk is a closely controlled commodity. The margin is controlled at all stages.

1128. One other question, Sir Gilbert. You said that it was impossible for your Department to take over the supply of milk to the independent schools because it would need legislation. Could you tell me why that is necessary? It is purely an administrative act, is it not? Would you require legislation?—(Sir Gilbert Fleming.) We have no power to spend money on that service and we can only spend money under powers.

1129. Who pays for the milk at the moment to the independent schools?—The Ministry of Food.

1130. Have the Ministry of Food statutory powers to supply milk to independent schools? Is that included in any statute?—(Sir Henry Hancock.) We have general powers to provide services and to have the cost of those services met as they are met now in the Appropriation Act, and the difference between the independent school and the maintained school is that in respect of maintained schools it is laid down in a statute that the milk shall be provided by the local education authority. As far as the independent schools are concerned the statute says they may provide. There is no exclusive duty to provide.

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B., and
Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.

[Continued.]

1131. It gives them power to provide?—It gives them power but not a duty.

1132. I am not concerned with a duty, I am concerned with the power, because Sir Gilbert said that it would require legislation. In view of what Sir Henry has said do you still say, Sir Gilbert, that it requires legislation for you to take over the functions of the Ministry of Food with regard to the independent schools?—(Sir Gilbert Fleming.) I should have thought so, yes.

1133. Do you agree with Sir Henry that your functions, at any rate, are permissive?—The local authorities have permissive functions. If we were prepared to limit the sphere of operations to those schools which the local authorities were willing to serve we could operate without legislation.

Mr. West.] I wonder, Mr. Chairman, if Sir Gilbert could give us a note on the authorities which preclude his Department from taking over the functions because of legislative difficulties?

Chairman.

1134. As a matter of fact I had intended to ask a question on this point myself because I was somewhat agreeably surprised by the sudden conversion to legality of two Departments which had been flouting the law for nine years. Why this sudden virtue, Sir Gilbert? You have not been doing your duty for nine years and now you are converted to overdoing it. Is that it?—I do not quite see the connection between those two parts, if I may say so, Mr. Chairman.

1135. As a matter of fact, it has been your duty to handle the Milk in Schools Scheme ever since the 1944 Act, and you have not done it, despite continual complaints by the Public Accounts Committee, and now when the whole thing is being transferred and the whole question of milk in schools is being transferred to you, you

suddenly discover that you have no power to handle the milk into the non-maintained schools whereas Sir Henry had had no power for nine years to handle the milk for the maintained schools?—It is not a sudden discovery, I assure you, Mr. Chairman, it is one of the things we have been very much aware of all the way through and one of the points holding up consideration and action on this matter.

Chairman.] The sudden discovery is the discovery that it pays to be virtuous, surely.

Mr. Steele.

1136. Do you mean by "legislation" the making of regulations generally?—No, to cover the independent schools and all independent schools through the Ministry of Education would require legislation and that has been known to us, and I think has been mentioned to this Committee at earlier stages. It has been one of the causes of difficulty in deciding what to do.

Chairman.

1137. What I am surprised at is your suddenly taking so much notice of the law?—I see, Sir.

1138. As I say, after nine years of what I might describe as libertinism. Surely if the Ministry of Food have been doing this for nine years without any authority save the Appropriation Act, is it wise to split this service? Is there no reason why you should not, at any rate, until you can get legislation, take over both and rely on the Appropriation Act?—All I can say on that is that Ministers would very much prefer to tidy this up properly and completely with legislation.

1139. I am quite sure the Public Accounts Committee would agree with them on that, but how long are we to wait for legislation?—That, I think, will depend on general policy as regards the future of the Ministry of Food.

Sir Henry Hancock withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS IV.

VOTE 1.

MINISTRY OF EDUCATION.

Chairman.

1140. Will Members turn to the Civil Appropriation Accounts, Classes I-VIII, to page xii, paragraph 32. of the Comptroller and Auditor General's report? I am not quite sure whether you, Sir Gilbert, or Mr. Figgures would answer this: this question of the teachers' scale and the actuarial valuation started in 1925 with the Education

Act. I would just like a short history of what has happened. Will you give that or will you rely on the Treasury?—(Sir Gilbert Fleming.) I think I can deal with it.

Chairman.] Just give us a short resumé of the progress of the thing?

Colonel Crosthwaite-Eyre.] Could I ask, Mr. Chairman, if you would amend that

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B.,

[Continued.]

question to this extent, that we take it from 1918 when teachers superannuations were first introduced?

Chairman.

1141. I would just like to warn Members that the Superannuation Bill before the House at the present moment is not in our purview and questions relating to it will be out of order?—(Sir Gilbert Flemming.) The 1925 Act was the first Act introducing the contributory scheme of teachers' pensions and its main provisions were, on this particular point, that contributions should be at the rate of 10 per cent., 5 per cent. from the teacher and 5 per cent. from his employer, in order to defray the cost of the benefits provided under the Act and that there should be actuarial reviews every seven years. Accounts should be kept on certain terms, though I do not think we need to go into the details of that, and that there should be an actuarial review every seven years to see whether the contributions were, in fact, covering the cost of the benefits or less than covering or more than covering them. The Act came into force in 1926 and seven years from that was 1933. There was an actuarial valuation then. An Actuary's report came out a year or two later—I think it did not fall to be considered until early 1935—and it showed that on strict actuarial grounds the 10 per cent. was proving less than enough; but the Government of the day did not introduce legislation making any change.

1142. Did the Actuary make any recommendations?—He was careful that his report should take the form of a factual report, not a recommendation, pointing out that to produce such and such a result you would be required to do such and such a thing rather than anything which was in the form of a recommendation.

Colonel Crosthwaite-Eyre.

1143. Could I just ask what were the figures the Actuary recommended at that time?—If we may take "recommended" as shorthand for my rather careful periphrasis—

1144. Certainly?—12 per cent. for 10 per cent. The Government of the day decided that this was not really a long enough experience to justify a change and did not ask Parliament to pass legislation carrying out that or any other change. As you will see, seven years from 1933 takes you to 1940. Owing to the war there was no valuation made. It is an extremely laborious business and it was not undertaken under war-time conditions. The first moment after the war when it was found possible to make a valuation was 1948.

Chairman.

1145. Might I just intervene there? How long did the actuarial review take? How

long was there between the period when the review started and the time when the final report was published?—I can put it this way: it was a report into the state of the account as at the 31st March, 1948, and his report was made in December, 1950.

1146. Two and a half years?—Yes, 2½ years. That Actuary's report is the main peg on which the Bill now before Parliament hangs.

1147. Paragraph 32 shows that the deficiency rose from £102 million in 1948 to £146 million in 1952. That was £10 million a year. Could you give us the latest figure?—At a rough estimate, the Actuary estimated that by the end of this month it will be £194 million.

1148. That is a rise of £48 million, is it, or thereabouts?—In four years.

Chairman.] So that from £102 million to £146 million in four years was a jump of £10 million and then from 1952 onwards the jump has been at the rate of £24 million?

Colonel Crosthwaite-Eyre.] £22 million, is it not?

Chairman.

1149. It is practically double, at any rate?—(Sir Frank Tribe.) May I make this clear? This figure of £146 million which I quoted in my Report was not based on any actuarial report, it was information given to the Public Accounts Committee of 1951-52 by the Treasury as an estimate only.

1150. Yes. I believe the first time the Public Accounts Committee dealt with this was in 1952 when they drew attention to the position. Nothing was done, was it, until then?—(Sir Gilbert Flemming.) The history since the Actuary reported in December, 1950, was that the then Government made no announcement at all by the time that they went out of office in the following autumn. The present Government which came into office in the autumn of 1951 announced in the summer of 1952 to the teachers and Local Authority Associations that in general terms they were proposing to increase the rate of contribution from 10 per cent. to 12 per cent. In order to secure the greatest possible agreement for that they acceded to the request of the teachers and local authorities that they should be allowed to discuss this between themselves and see whether it had any repercussions on other details of the legislation, and whether they could recommend any other changes to be made at the same time—it was to be legislation—and they were with the Government's consent allowed to set up a working party for that discussion and given some months to discuss it. This occupied the time from the autumn of 1952 to the autumn of 1953 and the Bill

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B.,

[Continued.]

to which you have referred was introduced this last January.

1151. I would now like ask a question or two of the Treasury. Apparently it takes 2½ to 3 years for an actuarial review to produce the accurate results. On the other hand, as the Comptroller and Auditor General has pointed out, the Treasury made an estimate of the deficit as at May, 1942, of £146 million and that was an estimate of the position a month prior to the publication of the Estimate. Now, that may or may not be as accurate as a full actuarial investigation. On the other hand, presumably the Treasury would not have given that figure unless they were convinced of its substantial accuracy. The point I want to put to you is this, Mr. Figgures, that although the Act lays down that there shall be a review every seven years, and that unfortunately has been rather badly knocked about by one thing and another, the fact that the Treasury can get a rough estimate and presumably a reasonably accurate estimate in a month suggests that it might be advisable not merely to have our seven year review but also that the Treasury should report with considerable regularity, say, every 12 months, to the House giving the approximate position of the fund; and then we should not slide into the position where we are now where apparently there is something in the neighbourhood of £200 million deficit. Could the Treasury do that, do you think?—(Mr. Figgures.) I wonder if I could explain, so far as I understand it, the difference between the actuarial review and the estimates which are made subsequent to that review and which, of course, are made in collaboration with the Government Actuary?

1152. Yes?—The actuarial review deals with the facts and all the facts which underlie the scheme, i.e., the total number of teachers in service, the total of their ages plus the total of the retired teachers, the total length of time that they have lived, which is the significant part, and the age of retirement; all those varying factors are taken and are analysed to produce the actuarial review. This is very much nearer to the Comptroller and Auditor General's field and I hope he will correct me if I am wrong in that. The estimates which are made subsequent to that are not made on a basis of a reassessment of those facts but are an assessment of what is happening to the fund, assuming that those facts remain constant.

1153. But what I want to ask the Treasury is this: rather than have an accurate assessment only every seven years would not it be better that Parliament should be advised as to the approximate position of the fund regularly, and, therefore, have it under review continuously? Admitting that it is not an actuarial review

and assuming that it is probably accurate within, say, 10 per cent. or so to begin with, and with possibly a growing error, it would still keep Parliament advised of the approximate position?—Mr. Chairman, I wonder, could I take that away and consider it and let you know? But I do know the problem of this estimate is that it becomes progressively more inaccurate; we do not know which way.

1154. You get an increasing error?—Yes.

1155. That invariably happens when you take approximations with moving figures?—Yes.

Colonel *Crosthwaite-Eyre*.

1156. Your estimate could only be based on the last actuarial review?—Yes, it is based on the facts disclosed by that, the retiring age, the length of life of the teachers and so on. It may take account of known additional facts like salary increases, which are very significant in changing the balance of the fund.

Mr. *Oliver*.

1157. Does this amount represent a potential liability against the Exchequer?—(Sir Gilbert Fleming.) Yes, it represents, expressed in terms of a capital sum, the extent to which the account does not have the resources available in it which should be available in it, if the scheme was a fully self-balancing contributory scheme. It means that eventually at some uncertain date in the future the Exchequer will be paying out sums which it would not be paying if the scheme were running on a full self-balancing contributory basis.

Chairman.

1158. It is, of course, a purely notional sum?—Yes; at no time will this sum appear on the accounts of any particular year. It is a notional expression in terms of the present value of a liability spread over a period.

Mr. *Oliver*.

1159. Did you say £194 million?—Yes. Corresponding to the £102 million as at 1948 which was in the Actuary's report he has given us the rough estimate as at the end of this month of £194 million.

1160. Is there any means, for instance, in Parliamentary papers which would disclose this sum, whereby Parliament can know anything about this, other than by the Actuary's report?—Nothing has been done but this is, as I understand it, just what the Chairman has been suggesting should be done. Nothing has been done on this particular case since 1948.

Chairman.

1161. Presumably a note could be put in the Estimates?—Yes, but before 1948 the gap, really, was too long. Nothing

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B.

[Continued.]

useful could have been done in 1945 based on 1933, but from now onwards it will be perfectly possible, as I think has just been suggested, to put a rough note in showing the data to which it was related and giving some idea of the margin of error. (Sir *Frank Tribe*.) Perhaps I might say that the Public Accounts Committee of 1951-52 did express the opinion that Parliament should be kept better informed on the actuarial position of the scheme than they were at present.

Mr. *Oliver*.

1162. These large sums come as a very big surprise to Parliament when they come out. Whenever it becomes public property, it will be a big surprise to know that this sum has been permitted to get to this high figure of £194 million, but apparently the Government of the day, be it this Government or the past one, must have known of these facts?—(Sir *Gilbert Flemming*.) Yes, as is only too obvious at the moment, the question of legislation then becomes a matter of debate.

1163. Of controversy, and acute controversy?—Yes, quite.

1164. Now, perhaps the Treasury would tell us, is there any machinery in existence for wiping out these deficiencies?—(Mr. *Figgures*.) Unfortunately, this deficiency, although one calls it notional, is quite real. This amount of money in due course is going to have to be paid out and there is no adequate method of wiping it out save producing the money.

1165. That means, then, if the £194 million is ultimately to disappear by contributions from the State and contributions from the teachers, an increased contribution must be necessary?—Clearly an increased contribution from somebody is absolutely essential. In due course the money will have to be paid out.

1166. So, the only way of liquidating this amount, if I may use that term, is to increase the contribution, be it from the teacher or from the Treasury, would it be?—It is a question of how you divide it between the teacher, the employer and the Treasury.

Mr. *Oliver*.] After that reply, Mr. Chairman, I have no more questions.

Mr. *Steele*.

1167. You did go back, Mr. Chairman, to 1925, but going back to 1918, there was a scheme then which was non-contributory?—(Sir *Gilbert Flemming*.) Yes.

1168. Could you say for the record why it was decided to be contributory in 1925?—I am afraid I could not give you the details of that. There was a lot of discussion at that time and there was a Committee appointed and the Government of the day introduced the Bill which became the 1925 Act.

1169. Then I take it that in respect of those who were in the scheme prior to 1925, those who came under the non-contributory scheme after 1918, that in itself would be a commitment to the Government?—All service prior to 1922 is separately treated under the 1925 Act and the benefit is met wholly from the Government without any contributions.

1170. So, in the Government Actuary's Report there is no cognisance taken at all of the obligation to those people prior to 1922?—He sets it out and cancels it out again. It is mentioned in the report but it is not taken into account in this deficit which we have been discussing.

1171. The obligation, then, to these people is met completely without anything being called for?—From later contributions, yes. The account is kept so as to distinguish quite clearly between service before and after 1922. It is not like these Beveridge schemes where on a nominally contributory scheme the whole thing is put out of gear by starting to pay the full benefits at once. That is all cleared up in the way the account is kept.

Colonel *Crosthwaite-Eyre*.

1172. Is 1922 a date laid down in the 1925 Act?—Yes.

1173. I think you said that the first actuarial report, when it was produced in 1933, showed that 12 per cent. should be demanded instead of 10 per cent. Would you tell me what was the deficit anticipated in 1933 by the Actuary?—The figure corresponding to this £102 million later?

1174. Yes?—I think it was of the order of £10 million.

1175. Rising to what, by when?—I do not think he put it in that form. It was put in the form of the—

1176. Of the actual deficit at the time that he made his survey?—Yes. You cannot make a forward estimate in this matter without making assumptions about the flow of teachers.

1177. I wanted to come on to that in a moment. There was no figure given except that actual deficit at the time he made his survey?—There were the two figures of £10 million and the 12 per cent.

1178. Those were the only two figures he gave?—Yes.

1179. On this actuarial review, we have heard that it considers the total number of teachers, the age of the teachers, the age on retirement and the terms of the pension which they will receive. What check is made by your Ministry that these assumptions taken by the Actuary are indeed valid?—He checks through every individual pensioner and teacher on the books.

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B.

[Continued.]

1180. But let me take one case. Supposing he assumed that every pensioner was going to live to be 80 instead of an average of 75, he would get to a very different figure as between those two ages?—An actuary is a professional in that matter and we do not attempt to provide a more expert check. He uses the life tables and so forth that actuaries use in these matters.

1181. May I put it this way to you, that you would agree that a very different answer would be reached according to the expectation of life that the actuary took?—Indeed, yes.

1182. But your Ministry does not look at that calculation to see whether the expectation of life which has been taken by the actuary is what you yourself from your experience in the Ministry would or would not confirm?—We have no experience to set against his. He has two sets of experience, the general experience of his profession as a whole and the experience of what is actually happening to teacher pensioners, and putting those two together is a highly experienced business which we would not be competent to embark upon.

1183. You have not examined it from that point of view?—We have not asked to see his actuarial workings, the technicalities of his calculations.

1184. You have not considered it necessary to do so?—Surely it would mean employing one actuary to check on another because I do not think anyone but a trained actuary could deal with this.

1185. If you take commercial practice one actuary is very seldom accepted as being the sole arbiter. The rates for civil insurance are very carefully crosschecked for types or classes of policy. That has not been done in this case?—It is the Government Actuary's Department; whether it is one man's working I could not tell you.

1186. What cross-check is taken, if anything, may I ask the Treasury?—(Mr. *Figures*.) I think the answer is that actuarial work for the Government is done by the Government Actuary. That is the arrangement set up and approved by Parliament in this Act. But, of course, the Government Actuary is not one man. The Government Actuary is a Department. It is a fairly large Department and therefore I think we can assume in this case that what is emerging is a collective judgment.

1187. It seems to me to be slightly difficult to reconcile the situation shown in 1933, with the deficit shown by the Actuary, with the present state of the fund?—(Sir *Gilbert Flemming*.) No, not at all. The main change is due to the great increase in salaries which throws the whole account out of gear automatically.

1188. I appreciate that, but leaving that one aside, if I may, for one second, after all, an increase in salaries means an increase in contributions. I fully realise the difference between that situation and the end result, it is obvious, but it cannot be of immediate importance. It may be of ultimate importance, but it cannot be of immediate importance?—The actuarial calculation is dealing with ultimates.

1189. Perhaps it would be simpler if I took that first. What is the ultimate? What is the date, 25 years or 40 years on?—Could you put that a little more precisely?

1190. This Government Actuary is showing an anticipated deficit on certain assumptions, but at what date do you anticipate this deficit to accrue?—It does not accrue at any precise date. When the Government Actuary reports a deficit, what he is saying is, as I understand it, that with respect to the teachers in service at that time and pensioners drawing pensions at that time where he knows their numbers and knows their ages and he can, therefore, within a certain reasonable margin of error estimate the future liabilities in respect of pensions for them, the sum in hand is less by this deficiency than what there should be with future interest and future contributions to meet these liabilities which he can measure.

1191. Exactly. I am sorry, I am afraid I have got rather on three lines at the same time. The important point is this: you said the account was thrown out to start with by increases of salary. That I totally agree. It is also true that on the Actuary's figures the total fund to provide the benefits to which it is committed is short of this given sum. But there must be a certain point at which the money now available to the fund will run out and it will become a total burden on the Treasury. Now I am asking you, when is that point?—I do not think I can agree with that. I am not a professional Actuary; I cannot agree with that in relation to the account as a whole because there are new teachers coming in all the time, and to answer that in the strict terms in which you have put it in relation to the account as a whole would require a form of prophecy which cannot be undertaken as to how many teachers will be in employment, 10, 20, 30, 40 or 50 years hence. But what the Actuary does is to leave those on one side by saying, in effect: "Their contributions really ought to be coming in to provide for their own benefits and it does not make any difference in respect of the people I can now put my hand on here and now, and I can count that there should be £x in the account and there is only £y," but when it will actually run out depends on all those additional unknowns coming into the picture.

Colonel *Crosthwaite-Eyre*.] Let me put it this way, then, to get an answer, that

2 March, 1954.]

SIR GILBERT FLEMMING, K.C.B.

[Continued.]

supposing no new teacher is engaged, or alternatively, that the contributions paid by any teacher after the present date do correspond to the pension requirements, when will the present fund run out of money?

Chairman.

1192. I do not think you can quite put that question to Sir Gilbert. Perhaps the Treasury might be able to answer you?—(Mr. *Figgures*.) May I ask Mr. Clarke to answer it, Mr. Chairman?

1193. Yes?—(Mr. *Clarke*.) Mr. Chairman, I think if you took a very broad guess on this one, and you have to take a very broad guess, and if you assume that there are no further increases in salaries for ever and if you assume that there is no change in mortality compared with what is now going on, and you assume the 10 per cent. contribution continues, then the balances which now exist in the account, in this notional account, will go on rising for a period of about 15 years and will then fall at an increasing rate, the whole account, on these rather artificial assumptions which have been laid down, disappearing altogether in 40 years' time; that is to say, at a time when a person now entering the teaching profession as a new entrant will be due to get his pension. On the assumption of no further increase in salaries, no further improvement in mortality and no change in the contribution system, that will be the situation, that in about 40 years the whole account would have gone.* At that stage, of course, the Government would have these I.O.U.s, so to speak, for the whole existing teaching force with no resources to meet them.

Colonel Crosthwaite-Eyre.

1194. Taking these same assumptions, you say in 15 years it would start to run down as against the present position of increasing?—Yes.

1195. Am I right in saying the fund will increase for 15 years and then decrease to zero in 1994?—On those assumptions, yes.

Mr. David Jones.

1196. Mr. Clarke used the word "notional". Do I gather from that that there is not actually a superannuation fund

* *Note by Witness:* This calculation takes into account the contributions received into the Account from new entrants to the teaching profession during the next forty years; it assumes a further increase in the total number of teachers in the next few years, followed by stability. If no account is taken, however, of the contributions and benefits payable in respect of entrants to the teaching profession since 1948 and future entrants, the balance in the Account would become exhausted by about 1979—assuming that all the other assumptions proved valid.

in that sense?—(Sir *Gilbert Flemming*.) It is an account and not a fund.

1197. I suppose the fund is credited with the income that it would derive if it were invested?—The rate of interest is prescribed in the Act.

1198. Is it the usual rate?—The rate is $3\frac{1}{2}$ per cent.

1199. And it would not start to deteriorate, I gather from the Treasury, for 15 years?—(Mr. *Clarke*.) The amount in the account would not begin to fall. The deterioration is going on all the time.

1200. So, at the present moment, and for the next 15 years, the income to the fund from contributions and interest will in fact exceed the expenditure?—On the assumptions that I was giving, yes.

1201. On the assumption that nothing changes. So, it is, therefore, a notional deficit and it will not start for 15 years?—Well, it is notional if you mean it does not start for 15 years, but it is not notional in the sense that it is not there, it is quite real. (Mr. *Figgures*.) It is a real liability on the Government.

Mr. David Jones.

1202. It will be a liability in 15 years which ought to be met now?—(Mr. *Clarke*.) It is a liability now, but it will not have to be met for 15 years.

Chairman.

1203. The liability is increasing year by year at the present moment. The liability is not increasing quite as rapidly as the fund. Is not that correct?—That is not quite right, if I may say so.

(Mr. *David Jones*.) If I may put it, there are some of the people who in 15 years time will be drawing from this fund who are, in fact, at the moment contributing.

Chairman.] That is it.

Mr. David Jones.

1204. So that the fund is not in deficit at the moment and it will not be for 15 years?—It is in deficit in relation to its liabilities, but if you conveniently forget the measure of the liabilities, there is some money in the bank.

Colonel Crosthwaite-Eyre.

1205. I was saying, subject to being corrected, that it is only in deficit as regards all these actuarial liabilities?—(Sir *Gilbert Flemming*.) If all the teachers were to die at 70 or 60, or something, if there were a sudden vast additional mortality, but an actuary is a prudent adviser on these matters.

Mr. David Jones.

1206. May I ask the Treasury, are there any other Government pension schemes of this magnitude?—(Mr. *Figgures*.) I think not, Mr. Chairman, no.

2 March, 1954.]

Sir GILBERT FLEMMING, K.C.B.

[Continued.]

1207. The National Health Service would not be as big?—It will be. (Sir Frank Tribe.) At present there are about 350,000 in the Health Service Scheme.

1208. How many are there in the teachers' scheme, do you know?—(Sir Gilbert Fleming.) About 250,000.

1209. So, the National Health Scheme, as far as numbers are concerned, is in fact bigger?—(Mr. Figgures.) Yes.

1210. Is there any danger of any of these other schemes being involved in a deficit?—(Mr. Clarke.) As far as the National Health Service Scheme is concerned, that is in quite a similar position to the teachers' scheme in that it was set up and a Government Actuary's review is due in seven years from the beginning. That review will show whether there is a deficiency or not. We do not know at this stage.

1211. Judging by this one we might get the same kind of report in seven years' time?—(Mr. Figgures.) That will depend, Mr. Chairman, on whether there are changes in the situation comparable to those which have taken place with the teachers, an increase in salaries and an increase in expectation of life.

1212. Have you thought whether it would be advisable, in those circumstances, to have an Actuary's report oftener than every seven years?—I think the answer to that is that, at any rate, in the first seven years there is not much point in doing that as you do need to have the scheme running for a certain amount of time. Indeed, one of the reasons for not taking action on the 1933 Report was precisely that, that seven years is too short a period to be able to judge to be absolutely sure. I do not know whether that it is firm on the seven years, but *a fortiori* it is stronger for less. After having got the first seven

years' report, whether one should have an actuarial review every four or five years, rather than every seven years, is a matter on which obviously one can have differences of opinion, but the operation is an extremely laborious and long one and it is obviously a costly affair. A great deal must depend on whether we can rely on estimates based on the established actuarial facts. We have not had experience of that. We had the 1933 one, and then instead of having the review in 1940 war came and nothing then happened until 1948, so we had the whole of the gap from 1933 to 1948 which in this sense is lost. In the case of the teachers' scheme, there having been the review in 1948, we have been having these estimates made after that and then in its due time, in 1955, there will be a new review. If the situation shown by the actual investigation in 1955 is not too far out from that one which has been projected then I would think that there was no case for having an actuarial review more often than seven years, but if it were seriously out I think there would be a strong case for going to Parliament and saying: "Should not this figure be revised?"

1213. When there are important salary changes, Sir Gilbert, do you consult the Actuary about the consequences of those on the superannuation fund?—(Sir Gilbert Fleming.) We have recently, and those are taken into account in these recent projections. The reason this started going up so much more rapidly, on the figures the Chairman started with, was that there have been salary increases in the last two or three years which have been taken account of in these rough estimates given by the Government Actuary.

1214. And they will materially affect, of course, the expenditure on the fund?—They would materially affect the state of the actuarial deficiency.

The witnesses withdrew.

Adjourned till Thursday next, at 4 p.m

THURSDAY, 4TH MARCH, 1954.

Members present:

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Hoy.

Mr. David Jones.
Sir John Mellor.
Mr. Oliver.

In the absence of the Chairman, Mr. David Jones was called to the Chair.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

TREASURY MINUTE ON PARAGRAPHS 37-44 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir GODFREY INCE, G.C.B., K.B.E., Permanent Secretary, and Mr. C. E. MAHER, Under Secretary and Accountant General, Ministry of Labour and National Service, called in and examined.

Mr. David Jones.

1215. Will Members turn to the Treasury Minute on paragraphs 37-44 of the Third Report of the Committee of Public Accounts, 1952-53, concerning anthrax disinfection? Sir Godfrey, how is it we have heard only now for the first time about the distinction between internal and cutaneous anthrax and the fatal nature of the former?—(Sir Godfrey Ince.) I do not think the question really arose last time in the form in which we were asked to supply information to the Committee. I have looked up last time to see whether there was any reason why it should have arisen. It did not seem to me really relevant to the issues which were raised last time.

1216. Would you regard it as relevant now?—In relation to the re-examination of the whole issue, yes, I think it is.

1217. On paragraph 5 of the Minute, what is the fee charged by the Station?—2½d. a pound.

1218. What is the cost of scouring which, I suppose, is an inevitable trade expense?—2.4d. per pound, just under the 2½d.

1219. That would be a normal trade expense in any case?—Yes.*

1220. So you merely charge 2½d. of which, if you did not have this Station, the industry itself would have to pay 2.4 pence in any case for scouring?—Yes.

1221. So the disinfection is only really costing a fraction of a penny a pound, and for that they get the advantage of being able to sell their goods guaranteed free from anthrax?—Disinfection yes, and on experience I suppose it would be right to say pretty well guaranteed free from anthrax, yes.

1222. It is the best guarantee that could be given?—Yes, I think so.

* Note by witness: Not all wool and hair would necessarily be scoured as a separate process: in the worsted industry it is, but in the woollen industry cleansing is usually done on the finished products.

1223. And they get that for a mere fraction of a penny a pound?—Yes, they are charged 2½d.

1224. They are charged 2½d. of which, in any case, they would pay 2.43 pence, or some figure of that kind?—They would have to, yes.

1225. So the rest of it, which includes the guarantee as a result of disinfection, they get for a mere fraction?—Yes.

1226. Would you think that the article with that guarantee should bring a bigger price in the market than if it did not have the guarantee?—I should not think the trade themselves would accept that.

1227. They would not accept it?—No, I would not think so.

1228. Paragraph 5 of the Treasury Minute mentions the question of competition. How severe is competition with foreign products?—Very severe at the present time, and getting more severe every day in the export trade.

1229. What was the loss incurred by the Station in 1952-53?—The operational loss, at any rate, was £12,040, but that does not include interest on capital.

1230. By how much do you think you would have to increase the fee to cover the full cost of the Station's services?—That depends so much on the amount of wool or hair going through the Station. That loss was made in a year which was hit by the textile recession, and the amount going through was only about two and a half million pounds, whereas had something like five million to six million pounds, the normal amount, been going through there would have been a profit and not a loss. There was, in fact, a profit from 1948 to 1951.

1231. It is mentioned in the Minute that there has been a fall in the incidence of anthrax in this country. You would attribute that to the work of the Station, would you?—Yes, undoubtedly.

1232. Has there been a similar fall in the incidence of anthrax in other countries?—The information about what happens in

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

other countries is not very satisfactory, so that I do not know that we can get proper comparisons.

1233. Do you know of any other country which operates this system of disinfection?—No, I do not know of any that does.

1234. You do not know of any?—No, not to my knowledge, but there may be. I just do not know that.

1235. Would it be a fair assumption to make that the fall in the incidence of anthrax has been due to causes other than the operation of this Station?—I think the development in medicine and other preventative medical measures might have some effect, but not otherwise, I think.

1236. Would that be a fair assumption to draw, in view of the fact that it has fallen in other countries as well as in this country, as the other countries do not in fact operate a system of this kind and we do?—If the fall is comparable in other countries, yes, it is possible.

1237. Mr. Figgures, have the Treasury anything further to say as to why the fee should not be increased to meet the full cost?—(Mr. Figgures.) I do not think so, Sir. We have necessarily had to reply in this case on the advice of the Ministry of Labour and their advice has been quite firmly that to put up the fee beyond this would damage the users of these raw materials in their export trade.

Mr. Oliver.

1238. I would like to ask a question about the additional cost. What is the additional cost of the commodity, whatever may be the unit of calculation, so much a pound, a hundredweight or a ton, that this charge which is now levied would represent?—(Sir Godfrey Ince.) In the finished article?

1239. Yes?—I am afraid I do not know.

1240. It must be negligible, must it not?—I do not think so.

1241. You do not think so?—No, I do not think so. I am advised not, but as to the amount I cannot tell you.

Mr. Oliver.] That is the important thing. So far as I can see, for the amount to seem small it must depend on the quantity, that I agree. That, as far as I am concerned, seems to go to the heart of the matter.

Mr. Blenkinsop.

1242. First of all, what is the present capacity of the anthrax Disinfecting Station?—The total capacity is, I think, about 8½ million pounds a year. There are two plants: one, I think, has a capacity of about 4½ million pounds and the other about 4 million pounds. One has been out of action for some time owing to bomb damage.

(Sir Frank Tribe.) I understand it is working on a day shift only. (Sir Godfrey Ince.) Yes. (Sir Frank Tribe.) If it worked a day and night shift the figure would be 16½ million pounds, I suppose.

1243. I see, on the relatively restricted working of 8½ million pounds a year?—(Sir Godfrey Ince.) Yes.

1244. What capacities did you in fact disinfect in the year under review, in 1952-53?—It was down to between 2 million and 3 million pounds, in fact, 2,949,000 pounds. That was very low compared with previous years, as I said, due to the textile recession. It had been as high in one year as 6,700,000 pounds.

1245. What would you regard as a normal average year; I know there are not such things?—Between 5 million pounds and 6 million pounds.

1246. You would regard that as normal?—Yes

1247. You would expect to reach that probably this year, for example?—I think so.

1248. Is it possible to close down part of your plant? You say there are two, and one is destroyed by bombing?—Yes, that is dealt with in the Treasury Minute, and the view expressed there is the view which we hold that it would not be an economic proposition to do so. We would have only one plant then which would be capable of doing only 4½ million pounds. We would have nothing at all if that broke down, so that we have got this old one which has been there since 1920 as a reserve, which also enables us to do rather more, of course, than we could do otherwise, and also enables us to disinfect some of the hair and wool which is submitted to us on a voluntary basis.

1249. That still would leave a considerable gap between your actual capacity, of course, and the actual user?—Yes, it does. I think if we started from the beginning and had to put in two plants or one plant, we should aim at a capacity of somewhere between six million and seven million pounds.

1250. You do not think any economy could be obtained by any closing down of a section, or anything like that?—No, you cannot. You either use the plant or you do not use it, I think.

1251. Have you thought at all of disposing of the plant as a going concern to some other body?—To run it as a disinfecting station?

1252. Yes?—No, I cannot imagine anybody wanting to take it on.

1253. Not unless, presumably, a charge could be made to those who are having the hair disinfected?—Well, that increases the

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

cost, of course. It is partly a health service, a public health service, really.

Sir John Mellor.

1254. Just as a matter of interest, what animals in this country are subject to infection from anthrax? Pigs, I take it, get it, do they not? Do cattle get it?—It is the imported cattle that have it.

1255. Animals on farms in this country?—Normally, animals with hooves are more liable to it than any others, animals with hair and hoofs.

1256. There are cases of pigs and cattle getting it on farms in this country, are there not?—Yes.

1257. It is, I suppose one of the few diseases which human beings and animals can both catch?—Yes.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS V.

VOTE 7.

MINISTRY OF LABOUR AND NATIONAL SERVICE.

Mr. David Jones.

1258. Will Members turn to the Civil Appropriation Accounts, to the Comptroller and Auditor General's Report, paragraphs 56 to 64? I will take, first, paragraphs 56 to 58, "Training and Rehabilitation." Sir Godfrey, do the new arrangements mean that any person can receive your training and be paid while being trained?—(Sir Godfrey Ince.) No, not any person, Sir. People who are eligible are able-bodied persons who want assistance in obtaining employment and those who are trained for certain industries or trades where there is a shortage of skilled labour. The second category is the disabled persons whom we train to fit them for employment. Thirdly, there are ex-regulars to assist them to get jobs when they come out of the Forces.

1259. Have you not been attempting to expand the manpower available for certain industries of national importance?—Yes.

1260. What are the industries of national importance for which training is given?—They are mainly engineering and some of the export industries, but also agricultural, such as agricultural machinery repair fitter and agricultural blacksmith; various types of occupations in the engineering industry and then, in addition, engineering draughtsmen, some in the civil engineering trades, and also in the building trades, but in the building trades it is confined to disabled persons. We used to train able-bodied persons for the skilled trades in the building trade, but it is now confined to disabled persons. Then we have scientific and neon glass blowers, too.

1261. So that the group of industries is pretty wide?—Fairly wide, yes.

1262. The term "national importance" in that context would be a fairly wide one, would it not?—Yes, because it does cover the export industries as well as the defence industries.

1263. Are maintenance allowances related to unemployment benefit, or are they paid on a higher scale to encourage applicants?—No, they are related to some extent to the wage which a trainee would get when he leaves the training centre when he has been trained. It has been fixed at a level rather below the kind of wage which he might get. In fact, the single man's allowance is £4 2s. 6d., which is free of tax and also does not carry insurance contributions.

1264. So that it is higher than the unemployment benefit which he would get?—Yes.

1265. Do you agree that employers derive advantage from these training schemes, particularly where there is a shortage of skilled labour?—Oh, yes, because it means that they are able to obtain a trained man and a fairly skilled man—he is not a highly skilled man, but a man with skill—where they otherwise would not be able to get him at all.

1266. So it is to the advantage of the employer to take the trainees?—Yes, if they are short of skilled labour and, in fact, we do not train for trades which are not short of skilled labour.

1267. Do you do anything as regards training employees or potential employees in an employer's own establishment?—Yes, some employers train some of these trainees and we make a contribution.

1268. You do not meet the whole cost?—No.

1269. So in those cases where the trainees are employed or are trained in the employer's establishment, it is at some cost to the employer?—Yes, but he also, of course, in return has the advantage of the labour of the man he is training.

1270. As would apply in the case of the employer who got the trainee from the training establishment after he had been

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

trained by you?—Oh, yes, he would get the full value but he would do exactly the same thing when he trained the man himself. It is during the period of training that we help an employer but he in return is, as I say, getting some value.

1271. The man who is trained in your training establishment is of much more value to the employer and he gets him free of all cost when he has been trained by you?—He is of no more value, I suggest, than the man trained by the employer himself when he has trained him; and that, I suggest with respect, is the comparable time.

1272. But, in that case, the employer who trains the man in his own establishment would do it at some cost to himself?—Yes, but in the normal case, the cost to himself has been made up by the value of the labour which he has got during the period of training, which he does not get in the other case.

1273. Have you tried to get the employers to contribute towards the cost of training at establishments other than their own?—No, we have not done so as a matter of policy, first of all because we do not train for a particular employer, we train for an industry where there is a shortage of skilled people. We do not train for a particular employer.

1274. So you have not tried to get the industry as a whole who would get the trainee when he is trained to make a contribution?—No, we have not done that. It is contrary to the spirit of the Employment and Training Act under which we have no power to exact a contribution from an employer, and as a matter of policy we have not tried to exact a contribution or invite them to make contributions. Our training, of course, is really supplementary to training done by the employers themselves. They do a very great deal of training.

1275. In the case of those employees who are trained in the employer's establishment, do you require the employers to give an undertaking to employ the trainees after completion of their training?—No, we do not do that because if we did that we should have to require the man himself to give a similar undertaking, and we would not regard it as right to do so in a free country.*

Colonel Crosthwaite-Eyre

1276. In paragraph 56, the Comptroller and Auditor General says "Certain unemployed persons whose resettlement presents special difficulty"?—Yes.

1277. Could you tell me what categories those are?—That is the sort of man who

* Note by witness: This answer is incorrect. The position is as stated in the memorandum furnished in response to Q. 1365.

goes to one job and leaves it because he does not seem to be able to settle down, and then he goes to another and he keeps on changing and he has no real skill; and if it is felt that there is some chance of making something of him so that he will be of some value in the labour market, we would train him.

1278. Is not that type of person probably the most unlikely material to make a skilled workman?—If he were we should not train him.

1279. It is only in exceptional cases?—Yes, that type of man is quite a small minority of cases.

1280. Could you give me an idea of the percentage of that type of case of the number you train?—No, I could not. I have not got it.

1281. You said the maintenance allowances you paid were tax free?—Yes.

1282. Is not that an extraordinary procedure?—It is an allowance made to the man.

1283. Supposing, for instance, the wife of the man himself is earning quite a lot of money subject to pay-as-you-earn, this allowance would, presumably, become subject to pay-as-you-earn in the long run, and you might well find that the man when you trained him was suddenly bankrupt because of the tax which should have been collected on his maintenance allowance, or does not that ever happen?—Not as far as I know. I am not an expert on tax allowance.

1284. Could I ask the Treasury that question?—(Mr. Figgures.) No, I think these allowances are tax free by agreement with the Revenue from the beginning, so that no sudden liability to tax arises on that at a later date.

1285. That is a special concession?—That is a special arrangement. They are worded in a form by which they would not be taxed.

Colonel Crosthwaite-Eyre.] Might we ask for this particular form to be circulated to Members of this Committee?

Mr. David Jones.

1286. I rather suspect, Sir Godfrey, there is an element of risk about that?—(Sir Godfrey Ince.) Yes.

Colonel Crosthwaite-Eyre.] The Chairman asked you—I think the question was—whether the man was asked to enter into any contract with the employer where he was trained in a particular employer's premises?

Mr. David Jones.] No, it was the reverse.

Colonel Crosthwaite-Eyre.

1287. The reverse. You answered, whichever way the Chairman was putting it,

4 March, 1954.]

SIR GODFREY INCE, G.C.B., K.B.E., and
MR. C. E. MAHER.

[Continued.]

that you did not feel that such a procedure was right in a free country?—No.

1288. Surely, the whole point of training of this nature would be to give the man stability? Surely, if he has learned a particular skilled trade with one employer it should be the thing to encourage him to stay in that factory?—Yes, I would not dissent from that, and I think the great majority do, but the question of exercising what in effect is a form of compulsion is a rather different matter. It is not done, for example, in the case of apprentices. Apprentices in industry are all free to leave their employer on the completion of their apprenticeship.

1289. Surely, the period of apprenticeship is very much longer than the period of training?—Yes.

1290. The two are not quite the same thing?—There are two different ways of looking at that, I might suggest. From the employer's point of view, if he has taken five years to train a man he would think he has much more right to keep that man than if he had only been training him for six months.

1291. I think that is so, but if, as I am certain, this question of stability is one of the most important things, I would have thought it was naturally a good thing if the people trained in a particular firm were encouraged to stay there. What I really wanted to ask you was whether the State took steps to see that stability was given with regard to these people?—I think I would have to put it the other way. We would certainly discourage any man from leaving, and you must remember if he were to leave he would come to the Employment Exchange because a prospective employer could only engage him through the Employment Exchange and we should then know that he had just completed his training and was leaving a particular employer; and I think we would discourage him from doing that unless there was some special reason that he had for leaving.

1292. How much do you pay out a year, roughly, in maintenance allowances?—(Sir Frank Tribe.) Perhaps I might say, so far as the training centres only are concerned, the figures are given in paragraph 59 of my Report, about £½ million a year.

1293. I am sorry, we have not come to that. That includes "&c.", does it not?—Yes, it is mainly maintenance allowances.

Colonel Crosthwaite-Eyre.] I do not wish to press it, Mr. Chairman.

Mr. Blenkinsop.

1294. What sort of review do you undertake from time to time as to the types of employment you train for to avoid the dan-

ger of any surplus of labour or inability to find jobs?—(Sir Godfrey Ince.) As soon as we find there is any difficulty in placing people who are being trained for a particular occupation or a particular industry, we at once consider whether we are training, or have got too many people potentially for that occupation, and we reduce the number of places in our training centre.

1295. You would do that on a district basis rather than on a national basis, would you?—Yes, we would, but as soon as one particular centre, the Hull centre, for example, showed that it was having difficulty, that would be reported to us at Headquarters, and then we would look at the whole situation to see whether the same thing was happening in other training centres. It might be, or alternatively we might find in another region that there was a very great demand for those people in that particular occupation.

Mr. Oliver.

1296. How long do these trainees have in the training establishment?—Normally six months, except in one or two occupations. Draughtsmen, for example, do twelve months, but the normal period is six months.

1297. When you say employers require skilled labour, it could only be a semi-skilled form of labour that could possibly be trained in six months?—No, I think our experience would not support that. Our experience is that you can get an astonishingly high degree of skill with concentrated training for six months. After the war we had a large number of ex-service men who had done no skilled work of any kind who we trained for building, and we had them for six months. It is true they had another 14 months with the employer but in the course of six months they were so skilled in some of the occupations that they were able to go on to ordinary building and do the ordinary craftsman's work, in some cases putting in work of very high quality. This is concentrated training which is very different from the normal type of training people get.

1298. Would they be doing brickwork in the building trade, and joinery?—Oh, certainly, and very highly skilled brickwork at the end of six months.

1299. Your principal training jobs are for engineering, are they not?—Yes, they are.

1300. What class of training could you give a man in six months other than machine training? You could not make him scrape a lathe bed or scrape a bearing in six months?—I am not an engineer so I could not tell you exactly what he can

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

do. All I know is that we have been so impressed with the high degree of skill that has been reached that we have invited employers and trade unionists to come and see it, and they have all been astonished at the high degree of skill in the engineering industry which has been acquired in a period of six months.

1301. I have no doubt that six months' intensive training could take off the raw edges of these men and would do so in a variety of engineering jobs. With regard to the men trained in the employers' premises that would be more specialised training for the particular job the employer intended that the trainee should follow than would be obtained, say, in the Ministry's training centres?—Well, it might be, yes.

(Mr. David Jones.)

1302. Now, paragraphs 59 and 60. Sir Godfrey, you had 16 centres in operation in December, 1952?—Yes.

1303. How many are operating at the moment?—Sixteen, the same number.

1304. In December, 1952, the occupation was about 86 per cent. Can you tell us what it is now?—Yes, that is approximately what it is. That 86 per cent. is 86 per cent. of the approved places. We think that the right thing to do is to take the percentage of the equipped and staffed places. The approved places are not all equipped and staffed. That really is the ceiling which the centre can go up to, but if in fact it is not necessary to equip the whole lot at any time then we have a certain number available which is rather less. So we would normally, at any rate, take the percentage in relation to the available places equipped and staffed. The current figure is just about the same; it is slightly less, about 84 per cent., between 84 and 85 per cent. today.

1305. Are you satisfied that no further concentration of the centres is practicable?—Yes. We have gone into that with great care. One reason, of course, is that it would mean that a lot more people would have to live away from home. They are very widely scattered at the present time. We have, for example, only one for the whole of Scotland and we have one for Wales.

1306. That is at Treforest, is it?—At Cardiff, yes.

1307. Can you give an estimate of the total net cost of the centres for 1952-53, including the allied services and administration?—£1,740,000, I think, is the figure, Sir.

1308. £1,740,000 as against a figure of £1,547,000 for 1951-52?—Yes, I think that is right?

1309. Are you satisfied that this expenditure is fully justified on training about 4,000 people at an average cost of about £360 per head?—I can only say Yes, otherwise we should not do it. There is just one point in connection with the figure of £360 a year which, I think, I should mention and it is that that figure is arrived at by including the cost of those people who do not last the course, but leave. If, in fact, you take the man who goes right through the course and is trained, the figure is about £280. It costs about £280 a year to train a man, £125 of which, of course, is the cost of maintenance.

1310. Does the figure of £360, which I have quoted, include overhead costs, buildings, plant, and equipment?—Yes, it includes it all, as I understand the way in which the sum has been done. (Sir Frank Tribe.) No, Sir, I am afraid I have to disagree with that. The cost of £360 a year excludes allied services. Sir Godfrey has just given us now total costs including allied services of £1,740,000. If you divide that by 4,000, to take an average number, it comes to about £430 a head. It is a simple sum of dividing 4 into 1,740.

1311. Would you agree with Sir Frank Tribe's arithmetic?—(Sir Godfrey Ince.) Could I ask my Accountant General to answer that?

1312. Certainly?—(Mr. Maher.) My difficulty is this, Sir: in order to get at a cost in this sort of way, as Sir Godfrey was saying, we reduce the charges to so much per trainee week, which allows for people coming in and out, and all that sort of thing. When he said that a figure of £280 would be what would perhaps be more representative, that would be the cost for a 26 weeks' course, which is the predominant course, at the figure of £10 15s. 0d. per trainee week which we have, on the best information available to us, for all costs. What Sir Frank Tribe, I think, is doing is taking the whole cost and throwing it against the number of people who successfully finish their courses. There is a proportion which does not finish and which has, in fact, been receiving allowances during the period, and so on, so there are two ways of looking at it. We do not dispute that if you take all this charge and throw it against the numbers who complete it is not unfair to say that £360 is the average cost per trainee. When we normally think of training people we think, what does it cost to train them individually, and if you leave out of the calculation for the moment those who fail, as it were, then it would be the figure which Sir Godfrey has given, which is £280, of which £125 is about the allowance figure.

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

1313. So in that way we can balance your figure against Sir Frank Tribe's, can we?—Yes, we are not disputing his at all and I think he would probably agree with what we are saying about ours.

Mr. *Oliver*.

1314. What figure do you give for the trainees who go through the course?—£280, of which £125 is allowances paid to the individual.

Mr. *David Jones*.

1315. That is writing off as a dead loss, as it were, all the weeks in respect of the trainees who do not finish the course?—Yes, and it does take into account all allied services and everything else.

1316. I see. Sir Godfrey, I think you have got a figure of one staff to three trainees?—(Sir *Godfrey Ince*.) Yes.

1317. That is a bit high, is it not?—Not, I think, for the overall staff. For the instructional staff it is 1 to 8½.

1318. Yes, but where does the tremendous increase of staff come in to bring it down to 1 to 3? You have got 1 to 8 of the instructors?—Yes.

1319. Then you have got a terrific staff doing ancillary work, I presume?—Yes, I think I can tell you. There is the manager of the centre, the assistant manager, the medical officer, the accountant, the nurse whom we have sometimes, the maintenance staff, the storekeeper, timekeeper, lorry driver, millwright, labourer, cleaner and the office staff.

Sir *John Mellor*.

1320. Why is it necessary to have a medical officer and a nurse in the centre?—They are not at the centre, they are paid on a fee basis as and when they are called in.

1321. They are not really on the staff, are they?—No, but it is part of the charge.

1322. Part of the charge, I see, yes. When you were talking about the figure of £360 and £280, it is the figure of £360 that matters, is it not? It is the number of people who succeed in getting through the course trained and the cost of training them that matters? The number of people who are failures really ought to be left out of account?—Yes.

1323. You have explained that they cost something, but the thing we have got to look at in deciding whether or not this is worth while is the figure of £360?—That is the total cost, yes.

1324. You agree?—Yes.

1325. You did say when you were asked by the Chairman whether you thought this was worth while, that if you did not think so you would not do it?—Yes.

1326. Is it necessarily always quite a correct argument? May I put it this way: often these schemes are embarked upon and in nearly every case the cost proves to be far greater than that originally anticipated. Once a scheme of this sort is embarked upon it is not always easy to abandon it, is it?—It would be quite easy in this case to abandon all our training centres. We have closed a very large number of training centres.

1327. You are closing them?—We have closed a very large number down to 16, which we regard certainly in present circumstances as the minimum. We have closed three fairly recently.

1328. I take it you close the centres which are producing the least satisfactory results?—Yes, subject to geographical considerations.

1329. Do you find that in the remaining centres there is a tendency through getting better results, for the cost per person trained to diminish?—Yes, I think that is so. It does depend, of course, to some extent on the number of trainees and the number of people coming forward to be trained, but I think the answer in general is Yes.

1330. You can reasonably hope, as you continue to close the less satisfactory centres, that the remainder will work more economically in relation to the results?—Yes.

Mr. *Blenkinsop*.

1331. Could we just clear up one point about the total cost? You have been talking about the £360 as the overall total cost?—Yes.

1332. But on the basis of the Comptroller and Auditor General's suggested figures, his own calculation, if you like, it works out at some £430, does it not?—Yes, I think the reason for that is that the Comptroller and Auditor General in working out his figure of £360 took the net cost which was £1,300,000 odd and not £1,740,000?—(Sir *Frank Tribe*.) That is right. The £360 excluded consideration of cost of allied services. I had not got the other figures until Sir Godfrey gave them to the Committee this afternoon, and on those I made the rapid calculation of dividing by 4 which gave the £430.

1333. Is it fair to compare the £280 which you referred to of the cost of training an actual person who completes the training with the £430 which is the total figure, including those who do not complete their training? Is that the proper comparison? (Sir *Godfrey Ince*.) No, I think the proper comparison is the £280 with the £360.

Mr. *Oliver*.

1334. What is the size of the training centre? How many people do you take in

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

at one time?—We have got 16 centres and we have got approximately 3,000 people in them.

1335. That gives you about 200 odd in each?—Round about that. They are not all of the same size.

1336. No, I appreciate that?—But approximately, 200. I think I can give you the figures. The places available vary from the highest, which is a special one, Letchworth, at 383. Slough is another fairly large one, of 322, and a number of them are between 150 and 200.

1337. Do you have the same number of staff there? I heard you say "Manager and assistant manager"?—No, it depends on the size of the centre.

1338. Would you have a doctor, for instance, in the smaller centres?—No, we would not.

1339. Do you have a nurse in these smaller ones?—No. They come in on a fee basis as required. What we do in some cases is that at a number—10, in fact, of the 16 centres—there is also an industrial rehabilitation unit, and in those cases we do normally require a nurse who is shared between the training centre and the rehabilitation unit.

1340. Those are the men who have been injured?—They are the disabled people, yes, or people who are ill. They are well enough to come out of hospital but not well enough to take employment, and want rehabilitating, making fit for employment.

Colonel *Crosthwaite-Eyre*.

1341. Is it possible for us to have a sort of standard staff for one of these centres? I quite admit that they vary in size, but is it possible to give some sort of standard?—Yes. In the Fourth Report from the Select Committee on Estimates, in an appendix, there is such a standard set out; that is Appendix 3 on page 75.

1342. I have been trying to do some mathematics, too, and as I worked it out, out of your total of £1,547,000, if you allow that 4,306 people completed this course, you get, on your Accountant General's per trainee-week figure, that £1,200,000 was spent on candidates who actually completed the course, which leaves a balance of £350,000 which was spent on candidates who did not complete the course?—Yes.

1343. In other words you get very nearly a fifth, or 20 per cent., of the expenditure which has not served a useful purpose?—Yes.

1344. Do you think that is rather a high figure?—Yes, it is due to the fact that nearly a quarter of the trainees fall out,

as mentioned by the Comptroller and Auditor General.

1345. I did not wish to raise that point as I know the number comes up later?—But that is the reason for it.

1346. The very fact that it is 20 per cent. of your estimate must give you cause to think, must it not?—Yes.

1347. Particularly in view of the questions that have been asked by Members of this Committee about the size of staffs, and so on?—Yes.

1348. And also the categories of people which you sometimes take?—Yes.

Mr. *David Jones*.

1349. May we now take paragraphs 61 and 62? Following on what Colonel *Crosthwaite-Eyre* has already asked you, can you give us an analysis of the reasons why about one-quarter of the trainees abandoned their training?—Some, of course, as you know, fall ill. About half of those that do not complete the course are unable to do so for reasons beyond their own control, but of the total of one-eighth that do leave I think the main reason is because they have been able to find employment which is probably semi-skilled employment for which they may be able to earn quite a lot of money and, therefore, they seize what they can get at the moment instead of completing their course, which undoubtedly would in the long run get them much further than taking this employment, but, of course, the employment gives them at the time substantially more in earnings than they are getting in the centre. Also it may be they have been offered this employment in their home area and they are at the training centre which is away from home. That is a tremendous attraction if something happens in their home area so that they can live at home. The second reason, so far as we have been able to analyse it, is domestic, and that arises again because they are at a training centre which involves living away from home; and then another is financial difficulties, which is really allied to the first one, that they are not getting sufficient to enable them to meet obligations, and they just do want to get employment where they can earn money.

1350. You rather feel that there is a proportion who leave because they cannot manage on the allowances which they get?—I think so, yes, probably because some additional commitment has arisen, may be an addition to the family or something like that.

1351. There would be a proportion who would leave because they are physically unfit for the course of training which they have undertaken?—They may become ill or

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

it may turn out that it is too heavy or too hard for them, so that they just find they cannot make the course.

1352. Would it be fair to put it this way, that the majority leave because they prefer the bird in the hand to the birds in the bush?—I would say so, yes.

1353. Do you think that, perhaps, a more careful selection would prevent some of those persons being recruited in the first instance?—We did think that that might be a possibility, but we examined all the cases that had left in the last six months of the last financial year and we found that only about 1 per cent. would not have been taken on if we had had more elaborate selection methods, as far as we could see, so that it did not seem to be worth it. The trouble about selection methods is the cost.

1354. Your Department have a fairly extensive experience now of selecting people, have they not?—Yes.

1355. Is the experience which your Department got in the selection of people for military service related in any way to the selection of people for this training?—No, it is not, but we do take considerable care in the selection of these people, and on the average 10 per cent. of the applicants are rejected; which gives an indication, I think, of the fact that we do take some care in selecting them.

1356. And you do issue instructions from time to time about the selection of persons for training, do you?—Yes.

1357. Are you satisfied that local officers are not sometimes influenced by a desire to secure a high proportion of occupancy of the centres or, alternatively, that the reducing of the number of people on the books of the Exchange might induce your local officers to put unsuitable people into training centres?—If they do have that temptation it very soon comes back on them, because if any particular local office of ours submits a number of people to a centre and those people do not finish the course it is quite clear on which office it gets fastened. It would at once come back on the manager of the local office. (Sir Frank Tribe.) Perhaps I might say, Mr. Chairman, that according to the figures that have been supplied to me, taking the year of account, 1952-53, there were 1,645 premature terminations in all and of those, 585, that is well over one-third, were due to physical unfitness; which did make one wonder whether there could be any medical test before they were admitted.

1358. Would you like to comment on that, Sir Godfrey?—(Sir Godfrey Ince.) I imagine the reason we do not physically test them is, firstly, that I do not think we have any power to do so if the man objected, and secondly, it would be costly. I imagine the right course would have been probably to put them first into an industrial rehabili-

tation unit to make them fit for training, but you cannot, of course, without medical examination, always tell whether a man will stand up to a course or not. It is an expensive business having to medically examine people, and you have got to get their goodwill.

Sir John Mellor.

1359. You said you have no power. No doubt that is correct, but after all, you could make it a condition of admission that they should undergo medical examination. You would be able to do that, would you not?—Yes, I suppose we could.

Colonel Crosthwaite-Eyre.

1360. Do you find that any particular geographical section of the country provides more people who do not complete the course than any other?—I do not know. I have not examined it on a regional basis.

1361. Nor would you be able to say, presumably, whether any particular centre had a larger number of people who left before completing their course than others?—Yes, I have not any figure on that now, but I think the answer is that no particular centre stands out.

1362. Is it true to say that people going to your centres for any particular trade tend to leave earlier than for others?—That I do not know; without an examination I could not tell you that.

1363. You have no reason to suppose that there is any factor of that kind in existence?—No, I do not think there is any special factor affecting this.

1364. The Comptroller and Auditor General says in the Report that you had re-examined the instructions given for selection and that, though you have considered alternatives, you do not feel that any alteration is necessary?—Yes.

1365. Can you tell me in a few words briefly what the tenor of these instructions is to your local offices?—I cannot do that at this stage. I can let the Committee have them, certainly.*

1366. I think it would be of interest if we could have that?—I will certainly do that. I think it would be much safer than for me to give you a general answer.

1367. Is there any reason why somebody who applies to go to one of these centres should not be asked to give an undertaking in writing that he should complete the course, apart obviously, of course, from such things as if his physical health is not sufficient?—That could be done, but there is no sanction to apply to him if he leaves, so I doubt whether it would make any material difference to the number of people that go. The difficulty is having a sanction. He would know there was no sanction.

*Information supplied; not printed.

G

20216

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

1368. I was coming on to that, because surely the sanction would be that if he did leave he should return part of the maintenance allowance that he had received?—You would have to sue him in the Courts, which is going to be quite an expensive business, and when you have sued him he would not have any money to pay.

1369. I think you said, in answer to the Chairman, that the main reason why people leave is because they consider a bird in the hand worth two in the bush?—Yes.

1370. Surely that is the thing you want to stop? It is public money, and on the figures we have elicited this afternoon 20 per cent. of it is going to no useful purpose, which is a very high percentage. I do feel I would like to press you just on this, whether it should not be possible to make some sort of conditions like that, which, if you did, would materially affect the ratio of money put to no useful purpose?—The question really is whether it would be effective or whether to enable it to be effective you would not have to spend a lot more money in applying your sanctions, but that is a thing which certainly can be examined.

1371. Perhaps I could ask you so to re-examine it?—Certainly.*

Mr. Blenkinsop.

1372. If I could just follow up that question, would it not be fair to say that in many cases it might be very desirable that a man should take the opportunity of an offer of employment? It depends entirely upon what it is and where, and would not it also be true to say that it may very well be that he has benefited already to some considerable extent by such training as he has received before he leaves to take up some other job?—Oh, that is quite possible.

1373. It is by no means certain that this is lost?—No, that is so.

Colonel Crosthwaite-Eyre.

1374. Has any check been made to see whether the people who leave go into similar employment to that for which they have been trained at the centres? There is no reason to believe they do, is there?—No, equally there is no reason to believe they do not.

1375. In an answer you gave to the Chairman, I think you said that, instead of qualifying themselves for higher wages in the long term because they were skilled, they tended to leave to go to unskilled jobs where the immediate wages were higher. I thought that was an answer you gave?—Yes, but that does not necessarily mean that they go to a different industry.

1376. But it does not mean they do either?—No, it does not.

* Information supplied; not printed.

1377. The Ministry has no knowledge?—No, I do not think so. It is a very expensive business following up all these people to see what happens to them, and in staff time it is extremely expensive.

Mr. Oliver.

1378. With regard to medical examinations of the people who come to your Department, it would depend largely on the job for which they were to be trained, would it not? You would expect some men to be physically fit for one class of work?—Yes.

1379. But there is a large variety of jobs where men have no occasion to be 100 per cent. or even 80 per cent. medically fit to do their jobs quite well?—Oh, that is so, and the great proportion of our trainees are disabled men, 60 per cent. in fact.

1380. Have you any knowledge that your officers have been unduly pressed by Members of Parliament to get their constituents into these training establishments, whether they have been fit or unfit?—That is a dangerous question to answer.

1381. I am asking the question as one who has been a little guilty, I must confess?—One is always liable to get pressure from Members of Parliament on a lot of things.

Sir John Mellor.

1382. If at the training centres it appears soon after a man has arrived that he has not been a good choice, he does not look at all like being any good there, I suppose he is got rid of as quickly as possible?—Yes, if it is obvious that after a short time he just will not make the grade at all.

Mr. David Jones.

1383. May we go on to paragraphs 63 and 64? Sir Godfrey, the proportion of persons not placed over the 2½ years up to September, 1953, appears to be rather high? They cover a fairly long period. could you give us any figures, say, for the 1952-53 year alone?—For the 1952-53 year alone; I think the figure was 11.3.

1384. Is a person regarded as placed as soon as he finds employment in the occupation for which he was trained?—Yes.

1385. He is regarded as placed?—Yes.

1386. If then there are some who after a year give up the occupation for which they were trained for some other trade the position is really worse than your figure suggests?—Yes, that is so, if you consider that a man does not continue in his occupation eventually, but you can go a long way in that. You can go 25 years hence on the same kind of basis on that. So far as we are concerned on

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

these figures it is a question of whether he is placed in the occupation for which he is trained, either immediately or some time fairly soon.

1387. And if he packs that job up at the end of a couple of months and goes to labouring on a building site or cutting out drains, or somethings, he is then out of his occupation?—Yes.

1388. So that the figure is very much higher than the figure which is shown?—Not necessarily so, Sir. We would have no evidence to support the view that that happens at all. I think in fact the figures are better than the statistics show because we do not continue to follow up people too long, it is too expensive again in staff time to do so, and we have not any doubt that a number of these people in this 11 per cent., for example, do in fact go into the jobs for which they have been trained.

1389. You do not follow them up for any length of time?—Not too long. We follow them up while they are reporting at the local office, but these people so often move about a lot.

1390. What is the evidence you have obtained that there will be future vacancies?—Notification of vacancies by employers.

1391. You merely take the normal process of reporting vacancies?—Yes, together with the reports from our own employment exchange managers as to the employment situation in the areas.

1392. And they would be governed by the evidence they get from the employers?—And the trade unions.

1393. And the trade unions?—Yes, and in fact all our training arrangements, training in the trades, is done in agreement with the employers and the trade unions. We do not train in a trade if we have not been to the employers and the trade unions and they have agreed that training is necessary to supplement the existing training arrangements in the industry.

1394. Are the employers encouraged in any way to take the trainees from the training centres?—Oh, yes. Normally, of course, the employers in the area are only too anxious to get hold of them.

Mr. David Jones.] On paragraph 64, can you give us an estimate of the cost of training these 700 persons who have not been placed?

Mr. Hoy.] Do not you think we could have a paper, Mr. Chairman?

Mr. David Jones.

1395. Yes, perhaps we could?—(Sir Frank Tribe.) Perhaps I might say, I tried to make a rough estimate and I think it
20216

was in the nature of £180,000. (Mr. Maher.) I made it slightly higher than that, about £200,000.

Mr. David Jones.

1396. Could you put in a paper, Sir Godfrey?—(Sir Godfrey Ince.) Yes, certainly.* It is on the basis that these people have not gone into the employment for which they were trained and never will go?

Mr. David Jones.] Yes.

Mr. Hoy.

1397. All I would suggest in connection with that is that if Sir Godfrey has some later information about the 700 he might also let us have that?—Certainly.

Mr. Hoy.] Then we will be able to make a better judgment.

Mr. Blenkinsop.] You would agree, presumably, that there is no certainty, of course, that they will not eventually arrive into the employment for which you trained them.

Mr. David Jones.

1398. Shall we turn to paragraphs 65 and 66, grants to Remploy and loans to Remploy? Sir Godfrey, do you agree that your account does not inform Parliament that any part of this loan to Remploy has been written off?—(Sir Godfrey Ince.) The accounts do not show that tools to the value of £14,000 odd were sold, certainly. I agree with that.

1399. Why, in any case, is there no note on the account of the write-off of the loan?—Because in this particular case, Sir, we adopted the principle of net accounting and it was not thought that anything of the kind was necessary. As I understand it, it is the principle of net accounting in this particular case to which the Comptroller and Auditor General has taken exception.

1400. Is it usual to do it in this way?—We think, if I may say so, that in this particular case it was entirely proper. I can explain what happened if you wish me to.

1401. My next question will invite you to. Why did not you adopt the general practice of accounting in gross for the proceeds of sale of these assets?—May I explain exactly what happened?

1402. If you please?—In the case of Remploy, as I am sure the Committee know, capital assets are expressed as loans and these assets cannot be disposed of without the Minister's consent in writing. If the assets are disposed of then the proceeds are repayable to the Minister in reduction of the loan. Now, I think there is no difference of view between the Comptroller and Auditor General and ourselves, as far as we

*Information supplied; not printed.

G 2

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

know, on that. In the small field of replacement of tools and equipment the Comptroller and Auditor General questions the propriety of the principle of net accounting. Now, this is a very small field compared with the general field and this principle of net accounting is acceptable over the very much larger field of grants, in fact, net accounting to the extent of over £2 million in respect of grants. Now, in this case Remploy had some old tools and they wanted to replace them by some modern tools. The old tools were originally bought for £22,700. They sold these old tools and wanted to get the new ones and they sold them for this £14,300. Now, we permitted them to use this £14,300 to buy the new tools that they wanted and at the same time we expunged the loan of £22,700, the original cost, the difference of £8,400 between the original cost and what they got for them being regarded as depreciation. We think that that should be the normal procedure in cases of this kind, otherwise, of course, your loan increases indefinitely if you do not expunge it at some stage like that. That is what we did in fact. All this transaction represented was a change in assets, a change of old tools for new. Now, Remploy wanted rather more than £14,300 worth of tools; in fact, they wanted tools to the extent of £22,700, which was the original amount of the other tools, and so, therefore, as depreciation is a proper charge on revenue, we allowed the company to buy the further quantity of tools out of grants to the extent of this £8,400 which we had wiped off as depreciation. In other words, we allowed them to transfer £8,400 from grant to loan and the £8,400 from grant was subsequently replaced by a cash advance to grant of that amount. The result of the whole of the transaction was that the total loans remained the same and that the grant issued by us to Remploy were increased by £8,400. We regard that transaction as doing no violence to the principle of gross accounting. It made no difference to the company's total indebtedness and it involved no loss to the Treasury. The only thing that happened was that there was a certain short circuiting which did mean that one had not got to go through the whole process of the sum of £14,000 being handed to us, a receipt being given for it, we handing it to the Treasury and getting a receipt from them, and then we issuing a fresh loan of £22,700, with all the additional work that that would have involved.

1403. Will you continue to account on a net basis for any further disposals by Remploy?—We should like to continue to do so. We shall have very great difficulty in persuading the company, when they sell tools like this and want some more tools

immediately that they should not be able to use that money for that purpose.

1404. I suppose the financial arrangements with Remploy are very much the same as those with the National Institute of Houseworkers, Ltd., for whose proceeds of sales of capital assets you do apparently account in gross as shown on the account on page 287? Why the difference?—They are not on a trading basis. This is a trading organisation.

1405. Mr. Figgures, apparently the Treasury were not consulted about this departure from the general rule of accounting. What are your views?—(Mr. Figgures.) Well, Mr. Chairman, I think we should be forced to say, if we had been consulted, that we would not see any serious disadvantage in following the proper practice. Obviously, until we have examined it, and we have not been asked to examine it, we cannot judge whether going through the proper process would, in fact, involve these delays; but unless the delays were very serious—in which case I think it would be right for us to come back to the Public Accounts Committee and ask to be relieved of this obligation—we should have thought these loans should be treated properly in the way laid down for all other loans. We do not really see the relationship between allowing net accounting in relation to grants and seeking to apply the same process to loans. They seem to us to be on a quite different basis because the House of Commons has said it wants them to be on a different basis. (Sir Godfrey Ince.) May I make one comment on that, and that is to say that it is only in this extremely small field of tools and equipment that we have done this, and not in land and property in the main field.

1406. What control have you over the disposal of assets by Remploy?—What happens about that is that we get a list from Remploy every month of what they have done, and if they are going to do anything involving any substantial sum of money we are informed beforehand.

1407. It is obvious from the Treasury's reply that you did not consult the Treasury regarding repayment of disposals of any property on loan before relaxing this agreement?—No, we did not because we did not think it was doing any violence to the principle of gross accounting, and therefore it was not necessary to consult the Treasury.

1408. Are you satisfied that the Treasury would not wish to be consulted about these arrangements, particularly as to consequential loan adjustments?—We think that it was quite unnecessary. As I say, we did not think we were violating any principle whatever and we thought we were doing something which was really very sensible in saving a lot of trouble; and the company, if we had done the opposite thing,

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

would have thought we were making a most frightful fuss about something which as business men they would always do in the normal course.

1409. Mr. Figgures, are the Treasury satisfied that their specific authority is not required for relaxations in the financial conditions of agreement with Remploi and for any write-off of the loan?—(Mr. Figgures.) If I may deal with the last point first, Mr. Chairman, it appears that there has been a write-off of the loan and for that, unless we have given some authority in general terms, which we have not been able to trace, we do think our authority is needed.

1410. Sir Frank, would you like to comment upon this?—(Sir Frank Tribe.) Yes. My first comment is that I think I must apologise to the Committee for bringing such a technical matter before them, but I did feel that, although the sums involved are quite small, there is a question of principle here, a principle in which previous Committees of Public Accounts have taken considerable interest, the question of gross accounting and net accounting. I realise that it is difficult to deal in appropriation accounts, which are on a cash basis, with what is largely a trading concern, but I felt that the Treasury were and are the experts in these accounting matters and I should have been happier if the Ministry of Labour had consulted the Treasury about this issue and had carried them with them. But I had no information, as indeed is confirmed this afternoon, that the Treasury had been consulted and I felt, therefore, that as the Treasury had not been consulted it was my duty to bring the issue to the notice of the Committee and to qualify my certificate accordingly. I do not imagine the Committee will want me to go into details on the technicalities of the thing, but the result has now been brought before the Treasury, and I should have thought, really, that this Committee would have been satisfied if they could be supplied with a joint memorandum between the Treasury and the Ministry giving their agreed view on it, or, if not, in case of disagreement, their different views on which the Committee could adjudicate.

1411. That is the point. Sir Godfrey, do you think you could submit to us a joint memorandum giving either the two points of view or one?—(Sir Godfrey Ince.) Certainly.

1412. You would agree with that, Mr. Figgures?—(Mr. Figgures.) Certainly, Mr. Chairman.*

Mr. Hoy.

1413. One question to the Treasury: I did not understand Mr. Figgures's reply to the effect that they were not asked to adjudicate and did not do anything about it or enquire into it. Surely you do not

* Appendix 14.

always wait until someone asks you at the Treasury to do something? If you come across something which you do not consider to be right, surely you examine it for yourself?—Certainly, Mr. Chairman, but in this particular case the first knowledge we had of the existence of this problem was the Comptroller and Auditor General's Report. At that point it was done. There was nothing more to be done and, with respect, I think our right course was to wait and see what the Committee had to say, but if during the course of the year, within the year of account, a point arose about which a Department had not formally consulted us, but which accidentally we came to know about, we should certainly ask them about it.

1414. That does not quite answer the question. I understand from what you have yourself already said that if the Ministry of Labour wished to do this, they required to have the prior approval of the Treasury?—In so far as what was involved was a write-off, and I think there was a write-off, but I am not too sure until we have examined the papers. In so far as there was a write-off I am not satisfied that it was a valid write-off unless it had Treasury authority.

1415. One would agree with that, but then, not having been satisfied, and you are still not satisfied, did not you make some enquiries?—I am not quite following. Do you mean between the publication of the Report and today?

1416. Certainly, yes?—The Ministry of Labour, I think, knew what we were going to say before this afternoon, but literally there is nothing to be done, I think, now, until the Committee has heard this matter. It would indeed, I think, have been wrong for us to have taken positive action. It would have been forestalling the Committee in whose competence the matter now lies, I think. Subject to the correction of the Committee on that point I think it would have been wrong for us to have done anything more until this afternoon.

Sir John Mellor.

1417. Has this Committee ever complained of the Treasury taking action of this kind too quickly?—I do not suppose it has, Mr. Chairman, though of course, you will appreciate that I am a newcomer in this seat. I have tried to educate myself in the doctrine in this matter and I have understood that in any case where what was done had been done so that no change of substance could be made, the right course for the Treasury was to wait. If something was disclosed which was obviously continuing and where, by taking action one might change the course of events, that would be a different matter, but this, I submit, is not such a case.

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

[Continued.]

Mr. Hoy.

1418. When this thing first came before the Ministry of Labour, Sir Godfrey, did it ever strike you that there might be this criticism of your Ministry's action?—(Sir Godfrey Ince.) Not at all and not even today. I was expecting the Treasury to support my point of view. (Mr. Maher.) May I just say a word about this, Sir, because it looks now in the stark light of this room and as an isolated issue, probably more important than it appeared to us at the time. At the time we were having a series of meetings with Remploy on the very vexed question of how and when to show depreciation and how it could be charged and why not, and we had a great deal of trouble to get agreement with them and with their auditors on how this could be done; because we could not deny that it was right and proper for them in their income and expenditure account to show depreciation in order to illustrate the cost of the business of Remploy. But at the same time we were not prepared to have it in any way in the accounts to imply that we would pay cash on a basis of a figure of depreciation which, after all, is, in a sense, a theoretical figure at that stage. So, we had to come to an agreement which does not look terribly clever in its results whereby that position was safeguarded. Now, Remploy being a trading concern with a commercial executive, the people in it naturally like to follow commercial methods, and they are still reducing their assets by depreciation even though eventually they have to take it all off again by another entry. So, they are regarding these assets that they have as being year by year depreciated in accordance with rules which are recognised in industry. That is why, I think, they would find it extremely difficult, and they do find it extremely difficult, to see why when the asset has finally been sold there should still be any sort of loan standing against it, and I am bound to say that we agree with them on that. Our procedure in effect really was this, that at the point of sale we did say to them: "Well, we have refused to recognise this annual depreciation but now we see what the real depreciation is we must recognise it. We must allow you to wipe out that particular asset from the loan", and here I may say that, of course, there is no possibility of this loan being repaid. It is not a loan given to the company with any expectation of its being repaid, they are not allowed to operate for profit but in any case, as we all know from experience, and everybody knew before we started, they cannot repay the loan from earnings nor can they, in fact, replace wasting assets from earnings, so that, having regard to that as a measure of control and looking at it purely from the operation of control, we did not feel

we were losing any control by allowing the total loan to remain as it was when there was a change of assets to that extent. There is plenty of security in the company for us to recover anything which we want to recover in the case of any winding-up which, of course, we do not visualise, and to that extent the Minister is, in fact, prohibited from calling in the loan unless there were a breach of agreement or something pretty serious was happening. (Mr. Figgures.) I wonder if I might say, though I would hate this to get unnecessarily confused, from what we have heard and know of this, I do not think there is the slightest doubt that we are in complete agreement with the Ministry of Labour on what they have in fact done. In substance, to write off the loan at this moment of time when the assets supporting it had disappeared was obviously sensible. I think the only point arising is a quite technical accounting point on which way it should be done. We do not think the way taken was the right way. We are not at all sure that the more normal method should not be at least as simple and need not involve any question of delays at all. That, I think, is the only issue between us, and I hope we shall have no difficulty in convincing the Ministry of Labour on that. It is not a point of substance, but of procedure.

Mr. David Jones.

1419. You will clear it up at the time you submit the memorandum?—(Mr. Maher.) May I say something on this, Sir?

1420. Yes?—I have heard the term "the proper course" being used rather much on my right-hand here, so I think the issue is being a little bit prejudged, but in effect it is not the time factor—I want to make that clear—which really gave rise to this decision. The decision was given in these circumstances: that Remploy had been examined as to its activities by the Select Committee on Estimates, they had made certain recommendations for strengthening the top executive which they had in fact done, they had appointed a new managing director, but because of general economy measures we had cut their estimates down quite severely, by £½ million at least, and we had at the same time the knowledge that the Estimates Committee had favoured changes in manufacturing, changes of different kinds, in order to improve the trading and quickly; and what was in our minds on this was this, that because we had cut the loan estimate down to a low figure the position might arise where the company would defer making a necessary change and improving their trading simply because, when they got the money for what

4 March, 1954.]

Sir GODFREY INCE, G.C.B., K.B.E., and
Mr. C. E. MAHER.

they had sold, they had to hand it over and they could not get any more money for new equipment. Frankly, that is the crux of the position. It did not, in fact, turn out like that. They did not use anything like the amount of loan which was estimated for but one must consider, when they are estimating, that they come to us with their estimates in October of one year for the next financial year, and I think any business man would say that they cannot foresee all these changes that they might have to make, and that it is hampering them very much in their trading if they have to hold back because of that consideration. It did seem to us that it was really of paramount importance in this matter that that position should not arise. I think, perhaps, I am not as well versed as I might be in what is regarded as the proper procedure when one is dealing with these outside bodies, but one has to remember that they are created as trading companies, and so on, in order to give their people a little more elbow room than the Department itself can have in this matter. If we were doing this direct, matters like this would never, of course, have arisen. We should have followed the normal course of gross accounting procedure. But if you want to give these people a fair chance—and they have very great handicaps, of course, because of the nature of the people they employ—I think that they should not be given—at least, this is the way we thought—a handicap of this nature as well to be thrown on top of all their other handicaps.

Mr. *Blenkinsop*.] May we just suggest that this matter ought to be looked at in the round to try and get a suitable recommendation to this Committee?

Mr. *David Jones*.

1421. I was going to suggest, if we get this memorandum which I hope will be agreed, the Committee will look at it and then I want to use a phrase that Sir Godfrey will recognise very well, we will give our decision in due course?—(Sir

Frank Tribe.) I would just like to make it clear, if I may, that we have not been quarrelling at all with regard to the commercial accounts or the dealings with Remploy. I simply brought to the notice of this Committee the pure accounting point with regard to the Appropriation Accounts.

1422. Yes?—(Sir *Godfrey Ince*.) I can assure you we will make every endeavour to reach an agreed conclusion to submit to you.

Mr. *Hoy*.

1423. May I ask over what period these tools were depreciated by £8,000?—I think, since 1946.

Colonel *Crosthwaite-Eyre*.] There is one point on which I am rather fogged after all these learned statements on this matter.

Mr. *David Jones*.] That is why I want the statement.

Colonel *Crosthwaite-Eyre*.

1424. Is not the essence of it that money which should have been repaid as capital was treated as revenue? I am talking in commercial terms. Is not that the real crux of it?—No, I would think that what happened was that it was renewed as capital. We allowed them to use the £14,300 which they got for the tools for the purpose of buying other tools, in other words it was renewed as capital.

1425. Yes, but you could only do it by transferring it to the Revenue Account and then putting it back again into the Capital Account. I think that is correct, is not it?—I think so, as an accounting transaction, yes.

Sir *John Mellor*.

1426. I gathered just now that in some way, apart from the fact that all the finance is found by the Government, this method of accounting was considered to be of some assistance to the company in its trading. I am afraid I do not begin to follow that, but I hope you will deal with that point fully in the memorandum?—Certainly, we will.

The witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 9TH MARCH, 1954.

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.
Mr. Hoy.
Mr. David Jones.

Mr. Niall Macpherson.
Sir John Mellor.
Mr. Steele.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS VI.

VOTE 1.

BOARD OF TRADE.

Sir FRANK LEE, K.C.B., C.M.G., Permanent Secretary, Board of Trade, called in and examined.

Chairman.

1427. Will Members please turn to the Civil Appropriation Accounts, page xix, paragraphs 68 to 73 of the Comptroller and Auditor General's Report? This grant to the Travel and Holidays Association seems to grow larger every year, Sir Frank. What is it likely to be this next year?—(Sir *Frank Lee*.) It will go up by about another £20,000 as a deliberate act of policy.

1428. Are you likely to spend the whole of your 1953-54 grant? I take it you are, then?—We are, yes.

1429. Do you reckon the taxpayer gets a reasonable return for his expenditure?—There is no exact yardstick, clearly, by which you can measure this public expenditure, which is so largely spent on advertisement and advertisement overseas. I think the only broad correlation—and it is, of course, only a broad one—one can get is by looking at the steady growth in tourist traffic since the war, both in the number of visitors from overseas, and particularly the dollar area, and the total earnings. Those have gone up steadily from 1947 onwards, and now the total earnings are approximately £88 million.

1430. Is that dollars, or sterling?—No, of that total, £31½ million are dollars. They do represent a substantial proportion of our invisible earnings and, moreover, I think one can add, a proportion of our invisible earnings which makes probably a less call on real resources in this country than possibly other exports do.

1431. Have you any idea what other countries are doing in this matter and what results they are getting? Take, for instance, France. Have you any idea what France earns in dollars?—I have no idea what France earns in dollars. Certainly France

tends to spend, broadly speaking, as much as, if not more than, the British Government spends through this agency in advertisement and other forms of tourist publicity expenditure in the United States. Of course, there is the great advantage in the case of France of what I will call the Lafayette tradition, and the fact that over half the visitors to Europe from the United States tend to go to France automatically and do not come to this country, which, indeed, is one of the tendencies which this expenditure is designed to counteract, if we can.

1432. You have not attempted to find out the experience of other countries? France, of course, notoriously is the Mecca of the American—but how about Norway, Sweden, Denmark and Holland?—I must confess, Sir, that we have not in the Board of Trade attempted to do a detailed appreciation of the scale of expenditure of other European countries on activities analogous to ours, or an assessment of the results they achieve. Therefore, I can only give you a very by and large answer.

1433. I do not expect an answer at the moment. What I wanted to know was, have you attempted to compare what they are doing?—No, we have not.

1434. Is it worth while? Perhaps that is a point you might like to consider. I do not want an answer now?—I would be very willing to consider it.

1435. Presumably the countries themselves will have some idea, just as we have some idea of how much we spend and what results we get?—Oh, indeed; and I think it would not be difficult for us to find out, at least in the case of very tourist-conscious countries like France and Italy, what their scale of expenditure was and what sort of return they got on it.

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

1436. I would like to ask you whether you will consider it?—Yes; thank you.*

1437. Have you any idea what was the pre-war figure for subscriptions and donations? It is down to something like £56,000 at the moment, is it not?—Of course, the British Travel and Holidays Association did not exist in this form pre-war. It was formed in April 1950, by the merger of two bodies, the Tourist and Holidays Board with the Travel Association, and I am afraid I have no figures, at least, readily available to me, of what the pre-war income of either of those bodies was—if, indeed, the first of them existed before the war.

1438. If there is any figure available, it might be worth looking at?—I think only the Travel Association existed before the war. I have not, I am afraid, any pre-war figure.

1439. If you could get a pre-war figure, perhaps you would let the Committee know?—I can make inquiries and let the Committee have that.* (Sir Frank Tribe.) I might say that the pre-war Grant in Aid from the Government to the Travel Association was only a matter of about £17,000.

1440. What I am rather interested in is to see whether the people who are the immediate beneficiaries, that is the hotel associations and the various holiday resorts, were paying any large sums before the war as compared with now?—(Sir Frank Lee.) Perhaps at some stage you will allow me to comment on your words "the immediate beneficiaries", because I think that does open up the broad question of the extent to which one can reasonably expect those bodies or organisations to increase their subscriptions to this Association.

1441. Some of them, I believe, are dropping their subscriptions off, are they not? Some of the more popular resorts are doing so?—Certain of the local authorities, Bognor, Sandown, Brighton and Margate, ceased their subscriptions in the year of account.

1442. What about the associations, the hotel proprietors and similar bodies, do they do anything?—Hotels and caterers subscribed just under £6,000 in 1952-53, and brewers about £2,600. I think the difficulty there, Sir, is a difficulty which applies over all this field, and to which I was alluding in my previous answer, that while of course it is true that some of the better hotels and certain of the well-known restaurants depend for a substantial part of their business on overseas visitors, the great majority of hotels and restaurants in this country are not in that position. They see very few tourists during the course of

the year, and this Association and the money it spends is by and large geared to attract overseas tourists to this country. To most hotels and restaurants, money spent on advertising in this country in order to attract the custom of residents in the United Kingdom going on holiday will, I am bound to say, always seem a better investment than subscriptions to the British Travel and Holidays Association, because the bulk of that money—over 80 per cent.—will be spent on what I will call general overseas publicity, not advertising the particular hotel in question, but advertising the attractions of the United Kingdom in a general way. I think it is very difficult for the Board of Trade or for the Association to prove to any individual hotel owner, other than perhaps a very small group of luxury hotels, that membership of this Association will bring an immediate and tangible gain to him.

1443. What steps do you take to stimulate subscriptions?—The President himself wrote a letter to the Chairman of the Association in April, 1952, which you will find reproduced in the Association's Report for 1952-53. The Association itself has made considerable efforts to maintain and if possible increase subscriptions. They keep a staff of six area representatives in this country who do little else than go round and try to beat up subscriptions and interest people in subscribing to the Association, and we in the Board of Trade have given this matter a very great deal of thought over the last two years or so. We have, for instance, considered whether we should try to get powers for a compulsory levy on the tourist industry. The problem there, Sir, is to define what we mean by "the tourist industry", because we again go back to the difficulty that only a certain section benefits from tourists to any marked extent, and consequently a levy charged on the hotel industry for the purpose of helping expenditure on overseas publicity would be, I think, manifestly unfair. I am bound to tell you, Sir, that I have come to the conclusion that while it remains desirable that we should endeavour to get increased subscriptions from the local authorities, the hotels, inland transport, shipping companies or travel agents and other trades, I have not thought it right to ask the Association to expand the number of their staff who exist solely for this purpose because, quite frankly, I do not believe that the additional revenue that they would get would really justify the effort in manpower which keeping a staff solely for that purpose would entail. I have the belief that we have to face the fact that this is expenditure which the State thinks is worth while in order to help maintain and, if possible, to increase the receipts in invisible earnings which I mentioned at the beginning of this afternoon's examination.

* Information supplied; not printed.

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

1444. I think the Treasury expressed that view in 1950, Mr. Figgures?—(Mr. Figgures.) I think so, Mr. Chairman, yes.

1445. Is that still their view?—Yes. I think one must accept the fact that in this case we are dealing with an activity where there is not that immediate connection between the advantage to the individual engaged in the trade and the national interest in promoting it. The shape of the British tourist industry is so different from the shape of the tourist industry in other countries, where the hotel and restaurant and general tourist trade can be induced to subscribe to a large extent. For example, I think the Committee is conscious of the difference between the hotel industry in this country and the hotel industry in Switzerland, the one not being really dependent significantly at all on foreign tourists, the other being ruined if it does not get foreign tourists. You clearly have a different situation and a greater ability to get the support of the actual industry itself in the one case than in the other, so that, while we would not wish to see the effort abandoned to raise the money from the industry, we think this would be a case where it would be wrong for the grant to be reduced if in fact we were not able to raise the income from private industry.

Mr. David Jones.

1446. Sir Frank, you said that the greater proportion of this money was spent in other countries, particularly in America, in order to attract tourists. Did it in fact attract any number of tourists in 1952-53?—(Sir Frank Lee.) I cannot say what number of tourists would not have come to this country had it not been for the expenditure which this Association made. Manifestly that is impossible, short of a cross-examination of every tourist when he arrives by the Customs authorities.

Mr. Hoy.] It is not unusual in the opposite direction.

Mr. David Jones.

1447. Whether or not they arrived as a result of the advertisement of this particular body, where did the tourists go when they arrived in this country?—As I understand it, there is a fairly well-defined number of centres to which tourists, particularly, of course, American and Canadian tourists (who in 1952 numbered about 220,000 out of a total of 730,000) tend to go. They tend to go to London, to Edinburgh, to Stratford, to Oxford, I am sorry to say, rather than Cambridge, and one or two other well-known tourist places.

Mr. David Jones.] I could myself think of quite a number of places other than Oxford and Cambridge which would give them a cross-view of British life without them going to either, but that is not the point.

Chairman.] I really do not think we can have these inter-varsity rivalries!

Mr. David Jones.

1448. Would it be fair to say in those centres which you have enumerated which have obviously benefited from the expenditure in the United States of America, that in fact you ought to expect reasonable subscriptions to this body from the hotel and restaurant keepers of those towns?—I think in an ideal world that would be true, but I think one has to ask oneself this: if I own a hotel in Stratford-on-Avon, I would feel, probably, that I would gain more by a direct advertisement in some American or Canadian newspaper than subscribing to this Association, which I would feel would probably have to mention Stratford in any event in its general information as one of the places—Shakespeare's birth-place and Swan of Avon, and so on—to which Americans or Canadians would be bidden to come.

1449. Are we to assume from that that you do not in fact get anything like a reasonable amount of subscriptions from these places?—I think that depends on the definition of "reasonable." I think, from my point of view as Accounting Officer, we get a disappointing proportion of subscriptions from those places, but, as I have endeavoured to say, I think it is understandable why we do not get more.

1450. If you cannot stir the conscience of the individual hoteliers of those towns, have you succeeded in stirring the consciences of the local authorities?—We do get subscriptions from a number of local authorities—they amounted to just under £30,000 in 1952-53—and many of those local authorities were authorities of places to which tourists would normally go. So you can argue that, to the extent that they subscribe to this Association without getting any very clearly defined tangible returns, their consciences were stirred.

1451. That would not apply to Brighton and Margate, I gather?—Well, whatever stirring they may have had in earlier years had ceased to operate in this particular year.

1452. Would it be the case that Brighton and Margate can sell their goods without advertising in America?—I am not very expert on the attractions, I am bound to say, of either place, and I could not say. I can only suppose they have shrewd commercial judgments there as elsewhere, and make up their minds accordingly.

1453. You think their consciences have not been stirred? I heard you say in reply to the Chairman that you have six representatives. I understood you to say that?—Not the Board of Trade—the Association.

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

1454. I am assuming at the moment you are representing the British Travel and Holidays Association?—Well, I do not profess to know the details of their business; they manage their own affairs under a Grant in Aid from us which is paid under certain broad conditions, and therefore I am frankly not in a position to give the Committee complete detailed information, as you will appreciate.

1455. Yes. You said that their principal job, I gather, was to try to increase subscriptions?—Yes.

1456. Would you know whether or not they did in fact get insufficient subscriptions last year to justify the six salaries paid to them?—The income from voluntary subscriptions is tending, unhappily, to decline. In the year of account it was £59,200, which is a little lower than in 1950-51, and for the current financial year the assumed income is about £57,000, but I think those figures conceal a certain considerable turnover. In so far as local authorities like Margate and Brighton, to which you referred, dropped out, these area representatives have got others to take their place, which is why there is not a greater decline shown in income.

1457. I was wondering whether you could give us any idea of what you think the income would be if they did not have any representatives at all?—Well, frankly, I think that is a detail on which I should find it difficult to answer with any precision. All I would say to you is that I think the income would decline still more sharply if there were no effort made to maintain it.

1458. You think these people justify their jobs, that you could not cut your losses by getting rid of these six people and take a chance on it?—I have no idea what these people are getting, but if we assume, for the sake of argument, they are not paid more than, shall I say, £1,500 a year each—which is an unduly high figure—I would have said there would be a real risk that if they were not there and no effort were made, the income would fall by a greater amount than their cost to the Association.

1459. Despite the fact that you have sought to advance arguments as to why it was not reasonable to expect people to subscribe to this Association rather than that they should themselves advertise in American papers, I wondered whether you felt in those circumstances it would not be better to take the bull by the horns, cut all the unnecessary expenditure by dispensing with these people, and take a chance on it?—I have not thought that, because, after all, £59,000 is £59,000. I am very anxious that the total sum spent by this Association should not decline, because I think it is money well spent and brings us a return—

a very substantial and valuable return—in invisible income. If there were a real risk of the £59,000 dwindling away to nothing, we should either have to cut the activities of the Association or throw that additional amount on the Exchequer, and neither of those results seems to me desirable.

1460. If present trends continue, in spite of all the efforts, it will dwindle away to nothing?—I think, with respect, you are exaggerating the fall. A fall from £59,000 in 1952-53 to £57,000 in the next financial year, 1954-55, is not really, I suggest to you, a dramatic fall, and I imagine that it might easily be reversed if only a few local authorities have their consciences stirred, perhaps by reading the proceedings of this Committee.

1461. How much did it fall between 1952-53 and 1953-54?—By £2,000. The figures are that in 1952-53 it was £59,209, and for the current financial year, that is 1953-54, and for the next financial year, the estimate is £57,000.

Colonel *Crosthwaite-Eyre*.

1462. What are the "general conditions" to which you referred under which this Grant in Aid is paid to the Association?—The Association is required to submit to us by November in each year an estimate of its income and expenditure and the amount of Grant in Aid which they would like to be provided in the Board of Trade Estimates for the coming year. That, of course, is discussed with them. Then, the actual issue of the Grant in Aid is regulated by us according to their cash requirements and they are allowed to keep only a reasonable working balance at the end of the financial year or at any time during the financial year. They must seek prior approval of the Board of Trade for any new service they undertake, which does not fall within the existing subheads of their account, for any expansion of their work, particularly one which would involve a continuing commitment—any proposal involving a point of financial propriety or principle and any long-term commitment. In regard to staff, they are asked to endeavour to follow broadly Civil Service rates of remuneration and to seek our prior sanction to the complements and scales of remuneration of their higher staff. In practice, of course, apart from those express conditions, they do keep in very close touch indeed with officials in the Board of Trade, who are dealing with the tourist industry, week by week, so we are aware of their plans and programmes.

1463. Do you have any directly appointed members of their Board, or whatever is their governing body?—No.

1464. In fact, the day to day control is on a voluntary basis?—Voluntary, subject to these conditions in relation to the grant.

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

1465. Subject to these overall conditions. Why is it then, Sir Frank, that you say so categorically, if I do not misreport you, that this money has been well spent?—I think this is a problem that any Accounting Officer faces in relation to a grant-aided body to which substantial sums of public money are paid. If you endeavour to maintain meticulous day to day control over that expenditure, you take, as I think, any real sense of responsibility away from that body. If, on the other hand, you do not endeavour to maintain such meticulous day to day control, you have to depend on a broad judgment based on the close acquaintance of the Department with the work of the Association, the experience of my financial officers in dealing with their accounts and their requests for cash advances, the experience of people like myself who, when abroad, make a point of going and inspecting their offices, and general contact with the public, including, I may add, tourists, who are in a position to assess what the value of their work has been.

1466. I did not quite mean that; what I meant much more was, not well spent in the accounting sense, but that it was usefully spent?—I can only go back to my first answer, that manifestly no direct correlation or close correlation of this expenditure with the receipts from tourists is really possible or valid. I think there one can only make a general assessment of the type of expenditure the Association is making and the direction in which they are making that expenditure. For instance, if I might illustrate the last point, we have just been discussing with them whether they should spend some additional money on overseas offices, and they have urged, and we have accepted that advice, that they should be enabled to open new offices in three places, in Los Angeles, Chicago and Frankfurt; in Frankfurt to help tap the very big potential German tourist traffic, including, I may add, the American Army resident in Germany. That is the sort of question they come and discuss with us, as to whether they should incur that sort of expenditure. Should they go on maintaining an office in Paris? They come and discuss that with us, and we form a judgment on whether that sort of effort is, broadly speaking, worth while.

1467. I think you said, which I agree with, that for the most part American tourists or other tourists go to certain selected spots in this island, and they will go there anyway. Is it really necessary to spend a lot of money encouraging them either to go to places they would go to or a lot of money in telling them about places they probably never will visit?—Over half the people who come to Europe from the United States never come to this country at all and really, broadly speaking, the effort of this Association is

an endeavour to persuade them, instead of going straight to France or Italy, as the case may be, to come to this country or, indeed, to come on to this country after a period in France or Italy. I do not think it follows by any means that the average American tourist, particularly, if I may say, the average American tourist of moderate means, automatically comes to this country and the beauty spots here, particularly with the development of Mexico and Canada as holiday centres of great attraction and closer at hand.

1468. Do you key your propaganda and advertisements in any way so that you can tell whether a particular advertisement or particular booklet has created any result?—That, frankly, is a question of detail that I could not really answer. As far as I know the Association has not tested out a particular booklet or a particular advertisement.

1469. Would not it be a good thing in order to see that the money is well spent?—Let me correct myself to this extent: I do happen to know from my visits to the New York office last year that they have had checks on certain of their feature advertisements by people who called at the office. They did ask them what had brought them to the office, and whether it was some particular feature in the advertising. For instance, you may remember that they sent a fleet of British buses across the United States, which cost a substantial sum of money, something in the order of £50,000, though that was offset by receipts of about £16,000, and it is very clear that the result of that particular piece of advertising was quite remarkable in the number of people, incongruous as it may seem, who did come to England because of their recollection of the buses being driven across the States.

Mr. Steele.

1470. Can you tell me how much out of the Grant which is made to this body is paid to the Scottish Tourist Board or what assistance is given to them?—I will have to have a minute, if I may, to turn that up. I am so sorry, it is a figure that I certainly knew when I was giving evidence before the Royal Commission on Scottish Affairs, but I do not carry it in my head and I cannot find it readily at this time, I am afraid.

1471. What I really want to know is if they had anything at all? My impression is that they had not?—Please believe I am just quoting this figure out of the air, but my recollection is that they got a very small amount, something of the order of about £4,000 or £5,000. I know it looks very small, but one must remember that this Association is not advertising England and Wales alone; it is advertising the whole of the United Kingdom, and I think the Scottish

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

Tourist Board recognise that. Indeed, relations between the Association and Mr. Johnston's body are, I am informed, always close and friendly, and they do recognise that in so far as this body spends these substantial sums it is spending them as much on behalf of Scotland as it is on behalf of anywhere in England and Wales.

1472. But it is true, then, that the Scottish Board is able to maintain itself and its publicity abroad mainly out of its own resources?—If I recall rightly, the Association's contribution to the Scottish Tourist Association is a contribution specifically made to the moneys which the Scottish Tourist Association spends on its advertising overseas.

1473. Yes, but the point I am trying to get at is that so far as the running of the Organisation and all the expense which this Scottish Organisation incurs is concerned, that is money they have raised themselves rather than any assistance which they get from the Government?—I frankly do not know what other sources of revenue the Scottish Tourist Association have. I quite agree that the only contribution they get from this body is a very small one, the exact dimensions of which I cannot recall.

1474. I take it that the moral of it all is that the conscience of the Scottish hoteliers and the local authorities is much better than we get in England?—I should hesitate to draw that moral because they may well be advertising in England itself, and in so far as they are advertising in England itself to attract those of us who live south of the border, the particular question of conscience in relation to overseas visitors does not really arise, unless we are regarded as visitors from overseas.

1475. Can you tell me if the Board of Trade have any knowledge at all of the figures spent in advertising in the United States by other people as well as the Association?—I do not know that we have any exact information. We, of course, do know that the shipping and air lines do spend a substantial amount of money in advertising, and so do people like the car hire firms and the coach operators. I certainly have no estimate of what that amounts to in any given year. The railways equally do a certain amount of advertising in North America and, I think, maintain an office in Chicago. Thomas Cook's, of course, also; and one or two other travel agents, advertise abroad.

1476. Would the Treasury be able to tell us, surely anyone who spends money in advertising in America must get permission?—(Mr. Figgures.) Yes, indeed, Mr. Chairman, for exchange control purposes the amounts spent overseas are known.

Chairman.] Would you like the Treasury to submit such information as they have?

Mr. Steele.] Yes, I would.

Chairman.

1477. You will do that, Mr. Figgures?—May I have a look at it, Mr. Chairman?*

Sir John Mellor.

1478. Sir Frank, what part of this money is spent in the United Kingdom?—(Sir Frank Lee.) The Association runs a tourist information centre at its headquarters in St. James's Street which, of course, is expenditure in this country, although it mainly exists to help overseas visitors. It also helps to operate a London hotels information service, particularly in Coronation year, to assist visitors to find hotel accommodation. But that is, broadly speaking, all it does in this country, except a very limited amount of work which is mainly propaganda and mainly consists of speeches by the Chairman in favour of extending the holiday season in this country, getting away from August and extending it to June and September, and a certain amount of propaganda in favour, therefore, of Bank Holiday on a day other than August Bank Holiday.

1479. I wanted just to be clear that it was not designed to spend money in this country to keep people at home for holidays?—[No, not at all. That has never been part of the purpose.

1480. Then, what is the purpose for advertising overseas our seaside resorts, because foreign tourists, as you have already said, come to see places like London, Oxford, Stratford and so on. They do not come to go to our seaside resorts, do they?—Well, I think it depends on the resort. I think there are a certain number who go to St. Andrews, for instance, which I believe is a seaside resort, and there are other places such as Rye to which others go, but I do not think the Association does advertise our seaside resorts, such as "Come to Southend," or "Ilfracombe," or something like that. It is rather, broadly speaking, the attraction of the beaches of England, the azure skies and seas, and so on.

1481. And no casinos?—That is a detail on which I am not informed.

1482. Does the British Council help at all in this overseas propaganda?—No, I think not, except in so far as the British Council may awaken in the minds of people who attend its lectures or take an interest in its activities a desire to come to this country. So far as that operates, of course, you may say they do help.

1483. Could not they make a useful contribution?—I frankly think that I would rather they do their own job, and if they

* Information supplied; not printed.

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

did that well it would make, I think, the indirect contribution to which I have referred.

Mr. Niall Macpherson.

1484. Is it possible to give a dissection of the way in which the Board of Trade grant is spent and the other amounts that are received? Is that given in any form? Is it given in the published accounts, for example, of the Association?—In the published report, Sir—I do not know if you have it—there is a dissection on pages 40 and 41. I do not know if you wish me to read the broad details?

1485. Is it possible to summarise it broadly? Might I ask, for example, what the cost of establishments maintained abroad amounts to, and what the cost of advertising proper is?—Expenditure on publicity overseas, that is to say, booklets, folders, posters, and so on, is roughly £½ million. The expenses of three offices, that is, New York, Paris and Toronto, which at the date of these accounts were all maintained, is between £110,000 and £120,000; salaries at home about £75,000. Those are the main items of expenditure. I could break down the overseas publicity more narrowly, if it would be of interest to you?

1486. Yes, it would be of great interest. Could we have that?—Literature, posters, and so on, £175,000; something called "World Press Publicity", £4,800; distribution, £24,300; films, £49; overseas travelling, £4,000; collection and collation of information, £8,000. Then, publicity overseas, advertising in the United States, £198,000. I have already given the figure for the New York office and the Paris office. Advertising at the Toronto office and public relations in Canada, £47,000. There are very small amounts averaging about £5,000 spent in Latin America, South Africa and Australasia.

1487. Could you say what the relationships between the Association and the B.B.C. are?—I could not, except that I know of nothing to the discredit of either.

1488. I was not suggesting that the relationship could be discreditable?—No, I am, frankly, not informed on that. I just do not know of any time in which the Association has wished to use the B.B.C., or any countermove. So I am afraid I just cannot answer your question.

1489. Would not you agree that to some extent they are doing the same things in overseas broadcasting, particularly in the work that the B.B.C. does in Canada and the United States of America?—My answer on that would be the same as I gave to Sir John Mellor in relation to the British Council, but in so far as the B.B.C. does attract people by its programmes to think about visiting this country, of course the answer to your question is, Yes, they do

do the same work. My attention has been drawn to an extract in the Twenty-Fifth Annual Report of the Association which starts off under the heading "Press and Radio. The Association takes this opportunity once again to pay tribute to the Press at home and overseas, and to the B.B.C. and overseas radio organisations, for their continued support". It goes on to say: "Facilities were provided for many Press and Radio representatives from overseas who visited Britain, in some cases under the Association's sponsorship, to obtain material for travel articles. . . . The home-town interview scheme was continued throughout the year. Representatives of our Press department interviewed and photographed nearly 1,000 overseas visitors for the benefit of their home-town newspapers. In conjunction with the B.B.C.'s North American service, interviews were also recorded with more than 100 American visitors for broadcasting on their home-town radio stations".

1490. I think that is important. Are you quite satisfied, then, as Accounting Officer that the fullest possible use of co-operation with the British Broadcasting Corporation is made?—I must qualify my answer to this extent, that I have to have, as I said in answer to a question already, confidence in the judgment of the people who run this organisation and accept that its director, Sir Alexander Maxwell, knows his job and will use the media at his disposal, whether it be the B.B.C., the Press or other forms, in every possible way. I have that general confidence and subject, if you like, to the qualification with which I began my answer, my answer is Yes.

1491. I am much obliged. I do attach importance to that. Do you know if there is any similar co-operation with the cinema industry with regard to shorts, and so forth?—I think the Association have themselves ordered one or two short films, which are suitable particularly for reproduction overseas, of general interest designed to attract tourists to Britain. There they have had the co-operation of the cinema industry. I do not know anything more detailed than that, I am afraid.

1492. You do not know of any cases, for example, where shorts—travelogues, I think they are called—were distributed along with British films?—No, I do not.

Mr. Hoy.

1493. Where would that expenditure on films be shown? I notice that you said that £49 had been spent on films. Where would the rest be shown?—I think that in the year of account they did only spend £49. The particular expenditure to which I am referring now is the expenditure which they incurred partly during this financial year and are going to incur in the next financial year. In the year 1951-52 I notice that £658 was spent on films.

9 March, 1954.]

SIR FRANK LEE, K.C.B., C.M.G.

Mr. David Jones.

1494. Could we have a copy of the last Annual Report circulated, Mr. Chairman, so that we can have a look at these figures?—Certainly, I can arrange for the Committee to have them. It is a published document.

Chairman.

1495. Thank you, if you will. Now, paragraphs 74 to 78 of the Comptroller and Auditor General's Report. Here it seems to be a case of the hotels receiving, Sir Frank, rather than paying, and you have no difficulty at all?—Yes, that is so.

1496. I think we might connect up the two sections. Do you know whether that these hotels who receive and who did increase their dollar earnings are subscribers to the British Travel and Holidays Association?—Oh, some of them are. I could not give you any detailed answer, I am afraid, on that point. I would like to point out a fact, of which I am sure you are aware: the amount which was paid to these hotels, totalling something over £300,000, was, of course, only a very small fraction of the amount which they had to find in order to make these expansions or these replacements, because *ex hypothesi* it was only a refund of the purchase tax which they had had to pay on certain items on which they had expended moneys. So it would be wrong to say that they were immediately better off because of this.

1497. Can you give us some idea of the increase in their takings?—No, I have no detailed figures of the increased takings of the hotels who received these grants.

1498. I understood that they had to make an estimate of their takings before they were entitled to the grant, and then they had to show that they had substantially achieved this increase before the grant was payable?—Not their takings, Sir. They had to show, first of all—

1499. Their bed-nights, or whatever they call it?—It is a revolting phrase called "United States and Canadian Sleeper-Nights". I apologise for sullyng the ears of the Committee with it, but that is the technical phrase, which means the increased number of visitors from the United States and Canada who stayed at the hotel during the year 1951. They, that is, the hotels asking for grants under the first scheme, had to give an estimate of the increase in this number of United States and Canadian sleeper-nights; and the question of whether they should receive the last one-third of the grant was judged on whether the performance in that respect came up to or got near to the estimate which they gave in their application.

1500. Can you give us some idea of the increase that they estimated, of those who achieved their estimate first of all?—37

hotels out of 110 achieved their forecast—I am just reading out the actual figures, because I find it is such a revolting phrase—in obtaining an additional 34,681 sleeper-nights.

Mr. Hoy.

1501. "Sleeper-nights"; that is bed and breakfast?—I assume it is. Thirty-four of the hotels which failed to reach their targets improved over 1949 by something of the order of 56,000 sleeper-nights.

Chairman.

1502. And quite a large number failed appreciably to reach their target?—Quite a number did. I am afraid we had to be more flexible in this scheme than we had originally intended.

1503. Why, when they failed appreciably to reach their target, with the exception of ten, did they get the full grant? Why were you more generous than the arrangement called for?—Quite frankly, Sir, I think the administration of this scheme proved in practice to be a difficult one. Leaving aside the question of the difficulties which some of the hotels had, particularly those of large organisations with central buying agencies, in producing documentary evidence about delivery and purchase tax arrangements, the actual provision of data about increased sleeper-nights proved extremely difficult to obtain mainly because a great many guests, particularly the Canadians, expressed great resentment at being asked to give personal details of the kind called for under the scheme; and even the police did not like the fact, I am told, though I was not personally concerned, that hotels were going beyond the requirements of the Aliens Act in asking for certain details which we had asked for under the original conditions.

Mr. Hoy.] Before you go any further, would you like to tell us what the question was that occasioned so much resentment?

Chairman.

1504. Why should they require to ask any questions? Presumably they would know the country of origin of these people?—Well, I understand that it was a question of whether they were Canadians. A Canadian is of course a British subject.

1505. But what had this to do with the repair of bed linen?—The test of whether these hotels should receive this grant was whether they had increased the number of visitors from the United States and Canada who stayed during any given time. Now, a Canadian who comes to a hotel signs himself as a British subject. He may not put his address, he may put the last address in this country. The hotels then, in order to check up whether they were getting near the amounts which would justify us paying this extra third,

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

had to ask them "Are you really a Canadian" and that did, I am told, cause resentment.

1506. Did they have to sign along the dotted line that they were Canadian or did you take the word of the hotels that they had had Canadians?—Of course that was part of the trouble. You just could not, with a proper regard to public funds, necessarily take the word of the hotel in every case, and that did involve further cross-checks which did cause a great deal of resentment.

Mr. Hoy.

1507. It was a good effort at killing off the tourist trade, was it not?—Perhaps it is not for me to say, but I did not myself lay down the conditions which the Board proceeded to try to operate.

Chairman.

1508. Now, take the hotels that were disappointing, and they were a fair number. What types of hotels were they, in certain districts or certain types of hotels, or what?—The hotels which failed?

1509. These failures, one wants to get at now?—I think they were spread, as far as I understand, fairly widely over the country but, of course, the hotels who applied at all under this scheme were primarily hotels in places to which American and Canadian tourists were likely to go in the places to which I referred in an earlier answer.

1510. These hotels, with ten exceptions, did receive their full grant?—Yes. As I say, Mr. Chairman, when the working of the scheme came to be reviewed, when the frustrations and difficulties which it had caused came to be fully appreciated, it was decided, after consultation both with the Hotel Grants Advisory Committee which we appointed to operate the scheme and with the Treasury, that we should treat this on a more generous basis and admit a greater measure of tolerance than had been assumed when the scheme had first been drawn up.

1511. The ten must have been rather serious failures?—The ten were people who had gone hopelessly astray in their efforts to achieve their estimate.

1512. Was there a relationship between the success and the amount of the individual grant to the hotel?—I do not think so. I do not think there was any correlation.

1513. What is the difference between replacement and re-equipment?—Re-equipment was something which, broadly speaking, involved some structural addition or alteration. You were making new bathrooms and you would have to pay purchase tax on your bath or on some of

the fittings. Replacement was the maintenance of stocks of equipment like bed linen, and so on.

Mr. Niall Macpherson.

1514. Was there any idea that the hotels should spend a part of, or perhaps, the whole of the saving in purchase tax on itself advertising?—No, that was never a feature.

1515. There was no condition to that effect?—No, this was quite frankly a subsidy to the hotels, an abatement of purchase tax to help to induce them to undertake this measure of re-equipment and replacement.

1516. I was wondering on what basis, then, it was decided ultimately either to accept the claim for the residuary third or to refuse it? To what extent was it within your power?—On the judgment of the Advisory Committee as to whether the hotel had made a real effort to meet the original conditions of the grant, and whether the reasons that they adduced for their failure to do so appeared reasonable and convincing or not.

1517. That is, failure to attract?—Failure to attract sufficient additional numbers of United States and Canadian visitors.

1518. Did you tell us—forgive me if you have—what was the operative period over which you took the increase in sleeper-nights?—Yes, it had to be in respect of the calendar year 1951.

1519. As compared with what?—Compared with 1949.

1520. Were you satisfied that it was possible to establish what I might call the norm of sleeper-nights, say, in 1949?—The Hotel Grants Advisory Committee operated on that basis, and I do not, frankly, know what check they made on any statements that hotels may have made about the sleeper-nights which they achieved in 1949.

1521. Was this, then, a scheme put up to you by the Association on behalf of hotels?—Representations were made to the then Chancellor by the hotel industry about the deterrent effect of purchase tax, which was, of course, at higher rates than obtain today, on the rehabilitation and re-equipment of hotels; and this scheme was one which was formulated in an endeavour to meet those grievances particularly, I think, in relation to the year when the Festival of Britain occurred.

1522. Who actually served on the Advisory Committee?—It was presided over by Sir Edward Hodgson, who was a former Second Secretary in the Board of Trade. There were Mr. Barrie, who is a partner in McClelland, Ker &

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

Co., chartered accountants of Glasgow, Sir Alexander Maxwell, who is Chairman of the British Travel and Holidays Association and Captain H. W. J. Powell, the senior partner in Gerald Eve & Co., chartered surveyors.

1523. Did they advise on the residuary third as well as on the original grant?—Yes, they did, and we also had a special working party in the Board of Trade itself which considered every case in which there was more than a 10 per cent. shortfall as compared with the hotelier's original estimate.

1524. Did they advise on the second scheme as well as the first?—No.

1525. They were not involved in that at all?—No.

1526. Was it possible to get any evidence of the increased dollar business resulting, apart from sleeper-nights?—No.

1527. It was just on the basis of sleeper-nights only?—Yes, that was really the only practical means.

Mr. Steele.

1528. Could you tell us, Sir Frank, where the hotels were situated that got the benefit of this provision? I do not want the details of the scheme?—As I said earlier, they were widely spread over the country,

but mainly in the areas to which tourists would normally go, London, Edinburgh, Stratford, Glasgow, Chester, Canterbury, Cambridge, and so on.

1529. The amount that was spent was £242,000, I think?—No, £305,000, £149,000 under Scheme A and £156,000 under Scheme B.

1530. I was looking at page 330?—(Sir Frank Tribe.) That was in the year. Paragraph 77 of my Report gives an estimate of the total cost of the scheme.

1531. I see, yes. Of the amount that was actually spent I was wondering how much was actually grant and how much was administration?—(Sir Frank Lee.) The whole of this expenditure was in the form of grants in relief of purchase tax. In so far as there were administrative costs in this scheme they were borne by the Board of Trade as part of its normal costs of operation.

1532. Was the Advisory Committee paid?—The Advisory Committee served without remuneration.

Mr. David Jones.

1533. Were there any of these assisted hotels in Brighton or in Margate, Sir Frank?—I could not answer that very relevant question without enquiry, but I will do so.*

TRADING ACCOUNTS AND BALANCE SHEETS, 1952-53 (VOL. II).

Chairman.

1534. Will Members turn to the Trading Accounts, Volume II, pages v and vi of the Comptroller and Auditor General's Report? I think we will take the accounts on pages 147 to 155 at the same time. The Comptroller and Auditor General's certificate has been qualified to some extent, you will see, Sir Frank, to the extent that the value of the loans can only be ascertained by a valuation of the underlying assets. Have you any reason to think that these assets are inadequate to meet the loans?—(Sir Frank Lee.) If you mean, Sir, do I know that if the assets had to be sold tomorrow they would repay in full the total of £4.7 million of loan, the answer is that I do not know that. The auditors who have audited the various company balance sheets have made a qualification of that sort, and very properly, and we have carried it forward to this consolidated balance sheet which we have prepared; and the Comptroller and Auditor General has reproduced that.

1535. You really have not any information?—You appreciate that a considerable proportion of these loans was made in pre-war days. They are loans to two companies which still remain owners of the estates which they operate, the South Wales Company and the Cumberland Company.

Now, inasmuch as a considerable proportion of this money was spent on properties in pre-war in days before building costs became inflated, it is not unreasonable, I think, to assume that if the underlying assets were now valued or had to be sold the loans would, in fact, prove to be adequately secured.

1536. They are essentially on buildings, I take it?—They are essentially on buildings, yes.

1537. The other reason is that the cost less depreciation stands at a much larger figure of £38 million, which appears to be in excess of the true market value when compared with recent valuations of similar assets. Have you any comment to make on that?—I think perhaps that I should begin by saying that the similar assets to which reference is made are factories, particularly former Royal Ordnance factories which the Board of Trade took over from the Ministry of Supply, the Admiralty and other Government Departments at the end of the war. Those were not, of course, built as factories for ordinary civil purposes. Manifestly the only way in which we could obtain a valuation of them was to arrange for the Valuation Office to make a valuation which was essentially, I

* Note by witness: The answer is "No."

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

think, a capitalisation of their current market value rents at a given date, which they did as at the 31st March, 1951. Now, in the other cases the assets represented by the figure of £38·8 million were mainly new buildings which the Board of Trade built and paid for in Development Areas. The only appropriate way, we thought, of putting them in this balance sheet, so that the Committee could get a fair idea of where the money voted for Development Areas had been spent, was to put them in at cost less depreciation: but, of course, we have to face the fact that these in many ways were not ordinary commercial buildings. They were quite deliberately put up in places where the cost was greater than would have been justified by ordinary commercial criteria and it is, therefore, possible (I would not want to put it higher than that) that in a great many cases if they had now to be sold the amount which a purchaser operating on ordinary commercial principles would be willing to give for them would be less than the cost less depreciation figure, because of the abnormal factors to which I have referred.

1538. When you say "less depreciation", are they of the temporary building type?—Oh, no.

1539. They are strong physical structures?—Yes.

1540. Depreciation does not enter into it to any very great extent, then?—We have thought it right, in agreement with the Treasury, to write them off at 2 per cent. per annum, on the Inland Revenue rates, and you will see in the income and expenditure account the item of over £1 million for that purpose.

1541. Here again, these buildings were built some time ago and buildings costs are steadily and continually rising?—That, of course, would be an offsetting factor, Mr. Chairman. Given the inflation since some of these buildings were built, it might well be that if sold now they would realise their value or, indeed, in some cases more than the value.

1542. But you have not made sample checks, or you have not got your District Valuers to make sample checks to give you some idea?—No, indeed we have quite deliberately not done that because we feel that to ask the Valuation Office to undertake that work would be an immense task and one, quite frankly, of doubtful value because frankly we do not regard these accounts as ordinary commercial accounts. They appear in the volume headed "Trading Accounts", but we, as you may have noticed, have assiduously refrained from calling them trading accounts because we do not consider that in these operations we are trading in the ordinary sense of the term. It is to a large extent a social expenditure and therefore I

would not wish to ask hard-pressed staff to engage in an exercise which would only bring us nearer to a similitude of commercial accounts when my contention is that the whole basis of this is not that of a commercial operation.

1543. These accounts, of course, comprise the whole of the trading associations. Is there any reason why they should not be separated? Do their results vary from association to association?—Yes, we did consider whether we should try to give the Committee, instead of a consolidated balance sheet of this kind, or perhaps in addition to it, separate balance sheets area by area. We thought it advisable not to do so because, first of all, we thought that the Committee would like to see the figures in the broad, how the broad amount of expenditure voted had gone. Secondly, in so far as conditions vary appreciably area by area, not merely geographical factors but, for example, the actual basis of tenure for buildings, rating liability, and so on, we thought that deductions might be made as to the difference between area and area which would be misleading, unfair and possibly depressing to the people whose areas might appear to be, shall I say, less commercial than others.

1544. Of course, we had that same problem with regard to the County Agricultural Committees, and there was a great deal of resistance for a considerable time to separate publication, but the Committee has overcome that and we now get full details separately. Is there really any reason why you should not publish these things?—Of course, as you appreciate, Mr. Chairman, each company operating in an area publishes its accounts in accordance with the requirements of the Companies Acts and we did make those accounts available to the Committee, I think, during the course of last year. It would be possible, though I would not want to recommend it, for us, as it were, to produce a Board of Trade balance sheet in respect of each area by attributing to each area a proportion of the notional charges for interest, overheads and so on. I frankly feel that, as you already have the constituent accounts of the limited liability companies which operate in each area, for us to prepare a Board of Trade account for each area, would be really a work of supererogation.

1545. Have you anything to say to that, Sir Frank?—(Sir Frank Tribe.) I can see the difficulty of it. When the Board of Trade provided this Committee, I think it was a year ago, with the accounts of these individual companies, they were so voluminous that I am afraid not many Members had the chance of looking at them. I was wondering whether it might be possible for a very short summary to be made showing, roughly speaking, how much capital is involved in each area and what

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

the net deficit or credit of that area is for the year. I should have doubted myself whether the Committee wanted separate balance sheets for each area; judging by the balance sheet before us they might only be confusing, but there is an interest in seeing how, for instance, South Wales is doing compared with, say, the North East or Scotland.

1546. Do you think you and Sir Frank Tribe might consider this point between you?—(Sir Frank Lee.) I am certainly prepared, of course, to consider something limited on those lines, if I might make one general reservation, Mr. Chairman. It is this. In the Board of Trade we do regard our development area policy as a whole; that is to say, it is a broad policy of carrying out the obligations laid on us by the Distribution of Industry Acts, 1945 and 1950. It is often chance as to whether a given firm, for instance, will go to a given development area. We, of course, have no powers of coercion, only persuasion, and, therefore, the results in a given area may be quite fortuitous and not due to the particular merits of the estate company in that area or, indeed, to any active will of our own. Equally, of course, as I have already explained, geographical factors vary so much between area and area that I do shrink from producing something which inevitably, and however much we write reservations in the foreword, may be used for a comparison between area and area, which I would regard as really somewhat invidious and unjust. Subject to that reservation I am very willing to consider the point.

1547. Perhaps you will talk it over with the Comptroller and Auditor-General?—Certainly. (Sir Frank Tribe.) Perhaps I might say that for three or four years past the Public Accounts Committee has been interested in the possibility of descheduling certain areas. If they found one of these areas was consistently giving a good profit and doing well, it might give reasons for considering some measure of descheduling. (Sir Frank Lee.) I could not for a moment accept the fact that whether the administration of factories in a given area was showing a profit or not, was really in any way a decisive criterion as to whether that area should be descheduled or not. It must be the general intensity or otherwise of unemployment and, indeed, the apprehension of continued unemployment or non-apprehension that must guide the President in deciding whether to deschedule. I frankly doubt whether the sort of thing I could give the Committee would really be material for a judgment on descheduling.

1548. Could you give us some comparative figures, say, the total number of persons employed in the trading estates per hundred thousand pounds of capital involved in the estate?—Yes, I think we could

do that. Indeed we did give the Committee some time ago, about two years ago, some information on the costs of factory buildings, the rents of factories and the administrative costs in the various development areas. I see I sent it to the Committee in June, 1952; it contained a statement for each area of the current annual rent roll for factories, the number of tenants, the square footage of factories completed and under construction, the number of estates and sites so as to try to give a rough basis of comparison. If necessary, in consultation with Sir Frank Tribe, I could see if that information could be brought up to date, if that would help the Committee.

Chairman.] With the number employed, yes, that is what I am interested to see.

Mr. David Jones.

1549. Would they convey anything tangible, Mr. Chairman?—We could, of course, give the number employed by each estate company without difficulty. I beg your pardon, you mean the number employed in the factories?

Chairman.

1550. The number employed in the factories?—Certainly, we could.

Chairman.] We cannot say whether it would convey anything until we see the figures. The figures may mean nothing or quite a lot.

Mr. David Jones.] Knowing some of them, and having regard to the completely different characters of the estates, I should have thought it would not convey a thing.

Mr. Hoy.

1551. I do not think we want the figures for comparison quite so much as to be able to make our own judgment. One has got to allow for the different areas in which the industrial estates lie, and so on, but I think if they are divided in that way, if I may say so, we might be quite competent to make a judgment without comparisons?—Certainly, I was perhaps being superfluous in my warning to the Committee that we should regard comparisons as dangerous and invidious.

Chairman.

1552. These figures are not necessarily published. The Committee asks for figures very frequently and then decides later on whether or not they are published?—I appreciate that.*

Mr. Hoy.] We probably would not publish them.

Chairman.] Under the new dispensation any Member can ask for any information but very frequently it is not published.

* Information supplied; not printed.

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

Mr. Niall Macpherson.

1553. Would any results of the various estate trading companies tend to indicate the degree to which the Board of Trade itself was succeeding in influencing trading concerns to go to these areas?—No, not in themselves. The real evidence on that point is the absolute increase in the number of employed as compared with pre-war days in the areas concerned, the greater diversity of employment in those areas, and so on. Those are not facts which would be deduced necessarily from the accounts of the constituent trading companies.

1554. Would it be possible to give any figures which would show the amount of space that was not being utilised?—I have no doubt that we could probably give a statement of the space already erected which happened to be vacant at some given date. Of course, as you appreciate, with 750 factories there is bound to be a certain amount of turnover from time to time, and the fact that a factory is vacant at a given date is not necessarily indicative of very much, except of a change of tenant.

1555. It might be possible, though, to give figures in such a form as to indicate the average amount of space, for example, that has been vacant during any particular year, say, at a certain date in each month?—Yes, certainly, I would be very willing to consider giving the Committee such information.

1556. That would be bound to give some indication of the success of the general policy of the Board of Trade in influencing concerns to go to these areas?—It might only give, I suggest, evidence of difficulties in letting some particular factory or factories. Some of these factories are in places which are unattractive to industrialists. They were put there in order to relieve unemployment in remote and difficult places. Now, if it so happens that one of those factories stands vacant for a time, because it is difficult, perhaps, to interest a tenant in that particular factory, it would be very far from suggesting that the general policy of the Board had failed or was not achieving the success that we think it has achieved.

1557. I merely thought that it might enable Members of Parliament in general, and Members of this Committee in particular, to get on the track of something going wrong in particular areas?—You see, we do not normally now build factories in advance. We build factories for a tenant who asks us for a factory, who is prepared to go to a certain place, who goes and looks at the site and is prepared to have a factory built for him there and rented to him. It may be that after a period of years, for whatever reason it is, he gives up his tenancy and that factory, as I said, may remain vacant for a

time until we can find some new tenant. I think it is very difficult to deduce very much from that fact; I agree that it happened all over the place, if you suddenly found half the tenants in South Wales, for instance, giving up their factories, you might deduce that there was something wrong going on in South Wales. But if it is a question, as it is, of only isolated factories in our total of, say, 750 factories which fall vacant from time to time, I really hesitate to make any broad deductions from that fact.

Mr. Niall Macpherson.] I do not press the point. I am much obliged for that answer.

Mr. David Jones.] Knowing South Wales fairly well, Sir Frank, you would not need to publish that fact.

Mr. Niall Macpherson.

1558. There is just one other point I would like to refer to. In your Report at the top of page 148 you say: "No provision has been made in the case of roads, sewers and general site development" although it would appear that buildings, including site development, are shown among fixed assets. To that extent there has been expenditure for which no depreciation is being made, is that right?—No provision for depreciation, I think it is.

1559. Yes, no provision for depreciation is being made. Is that the general practice so far as, let us say, local authorities are concerned?—Yes, I understand it is.

Chairman.

1560. Roads, sewers, and so on, are taken over by the local authority, though, I presume?—Yes, they are in most cases.

Mr. Steele.

1561. There is one particular estate that I know in which one or two factories have been built, but there is still a large amount of ground available which I take it is owned by the particular company. Can you give us any idea as to how much land you have still available doing nothing but which you have purchased?—I do not think I can give you a figure offhand for that, though I might be able to produce one over the whole country or for individual areas. Of course, we quite deliberately have cleared and have developed sites, sewers and roads in excess of the immediate needs, as a part of what we regard as a sound trading estate policy.

1562. Yes, I was only trying to find out how much you had actually spent in capital on which there was no return at all, and it would be interesting to know how much you have in that respect?—I am not sure that I could give you, without undue difficulty, the amount we had actually spent on an area which was not yet occupied by factories, but I could give you, I think,

9 March, 1954.]

Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

an estimate of the area which was suitable for factory development which is not yet occupied by factories. Certainly I could give you that.*

1563. That would be satisfactory. Now, if you turn to page 150 you will see under "Services Provided" two items for electricity and gas. I was wondering if you could tell me why the expenditure on gas is in excess of income, whereas the position in regard to electricity is the reverse?—Frankly, I do not think that one can expect too precise a correlation between these figures, partly because of the incidence of payment of bills, and that sort of thing, which means that an absolute mathematical equality is not obtainable. It may be that the incidence of expenditure on repairs or minor developments is not necessarily reflected immediately by a payment for services.

1564. But the same thing happened the year before?—I suggest that if you are still in the process, as indeed we are in a great many of these cases, of developing certain sites or estates that is bound to happen. There is bound to be a time lag before your expenditure can be fully reflected in a payment for services.

1565. On the question of canteens, I see you make a loss there?—There is a small loss. This almost wholly applies to Scotland, which is the only area in which the estate companies themselves, as distinct from their tenants, operate canteens. There again, I think the fact that there is an apparent loss is only fortuitous. It reflects a time lag before the increased prices which have been imposed in the canteens operated by the Scottish trading company take full effect.

1566. To get a better picture of Scotland, if we turn to page 152 you will see an item there "Notional charges for year: interest on Exchequer advances". Now, there it is deducted from the net deficit. Have you got the point?—Yes.

1567. If you turn to page 46 you will see in the Department of Agriculture for Scotland's accounts that they actually added the interest on Exchequer advances. This is a different method. I was wondering why you should adopt the method of deducting while in this other balance sheet it is done in a different way. I understand that this in the Scottish accounts is the usual way for it to be done?—I cannot give any answer for the Scottish Department of Agriculture, but in this account, as I understand it, we show a deficit on the income and expenditure account of £2.4 million. We then proceed to show how much of that deficit is accounted for by the notional charges. When you have deducted those in respect of interest, the Board of Trade overheads and the Valua-

tion Office overheads, you get a deficit of £15,400 which could be said, if this were an ordinary trading account, to be the loss on ordinary trading during the year. I have already made it clear to the Committee that I do not regard this as an ordinary trading account, but that is the difference between, as it were, the Board's outgoings during the year and its income. This is the form of account which, after prolonged consultation with the Treasury it was thought right to adopt; and it does have the effect, I suggest, of showing to the Committee, as I have said, to what extent the total excess of expenditure over income is accounted for either by the notional charges or by a shortfall of receipts over outgoings.

1568. Do not you think that your method has the effect of understating the deficit?—I think not. The income and expenditure account shows clearly how the deficit of £15,437 is arrived at in the account on page 150, and then the notional charges are added to it. I think there is no possible understatement there of the so-called losses.

1569. All I can say is that I find it a bit difficult to follow and I was wondering if the Treasury had something to say about it. Could they not find some simpler method?—(Mr. Figures.) I think perhaps it might be helpful if I started with the income and expenditure account. At that point the account accurately represents the position in the year. It represents the loss actually incurred on the operation, which is £15,000, and it represents also the notional additional loss which would have been incurred if all these advances had been made, not by way of grants as they have in fact been made, but by way of loans from the Exchequer. There is the notional charge there which would have been paid at the appropriate rate of interest. I believe the income and expenditure account represents absolutely fairly what has happened during the year, subject always to problems such as whether the valuations of the fixed assets are right and, therefore, whether the amount of notional interest is right. Now when we come to the Balance Sheet, we must obviously bring forward the loss of £2.4 million from the income and expenditure account. But we cannot leave it like that since for the most part that loss was notional. Moreover if we did leave it in without any adjustments our balance sheet would become less and less accurate. We would have built into it and carried forward into it the accumulated notional losses of the past. After a year or two it would be no good at all. Therefore we must deduct from the loss brought forward that part of it which represents purely "notional" payments, leaving us with the actual loss of £15,000. That loss is then treated in exactly the same way as the comparable loss in the trading accounts of the Department of Agriculture for Scotland—it

*Information supplied; not printed.

9 March, 1954.]

SIR FRANK LEE, K.C.B., C.M.G.

[Continued.]

is deducted from the Capital or Exchequer Account—i.e. written off. Thereby we keep our balance sheet in a state where it is not cluttered up with past losses in so far as these losses are notional losses. (Sir Frank Lee.) And it also has the effect of showing the actual amount which the Exchequer has paid out over the years, namely, the item of £53 million at the top, which is one of the items the Committee, I think, was most anxious to have.

Chairman.] I trust that is clear, Mr. Steele?

Mr. Steele.

1570. Yes?—(Mr. Figgures.) Shall we try again, Mr. Chairman? Perhaps it would be helpful if we put in a note on that one.

Chairman.] Would you like that, Mr. Steele?

Mr. Steele.

1571. I would like that?—I think this account is a difficult account. It was extremely difficult to draw up the form. It was even more difficult to prepare the account having agreed on the form. This is probably as complicated an account to construct as this Committee has had to consider. It might be valuable if we put in an account of our method of dealing with this notional payment and have it on record for future occasions.

Chairman.] I would be glad if you would.*

Mr. Hoy.

1572. On the value of the factories, Sir Frank, the remoteness of the area would, of course, inflate the cost of them?—(Sir Frank Lee.) Yes, it did indeed in a number of cases.

1573. And because of that the depreciation at 2 per cent. does not necessarily mean very much, does it, when one con-

siders the original cost?—I do not know that the fact that a factory necessarily costs more because it was in a remote site invalidates the depreciation charge. I would not have thought that was so. Perhaps I might just say, on the depreciation charge, that I think we are being very scrupulous in putting a 2 per cent. depreciation charge on a great many of these properties because most of them, except in Scotland, are let on a repairing lease, which means that the obligation to repair is definitely assumed by the tenant.

Chairman.

1574. Does it, Sir Frank? A repairing lease does not prevent the property getting older and older and older?—To that extent, of course, that is undoubtedly so, Mr. Chairman, but whether it justifies a charge of 2 per cent. for it from the beginning I am not at all sure.

1575. There is a certain allowance for buildings? The Inland Revenue make a certain allowance?—Yes, this is the Inland Revenue allowance.

1576. I think one can assume in 50 years' time, because that is what it means, your buildings may still be standing, but they may be obsolete?—Oh, certainly, I appreciate that. I would not want to overstress the point at all. It was that that I was thinking of.

Mr. Hoy.

1577. I am not quarrelling with the general policy of the Board of Trade, but many of these factories were, in fact, put there to satisfy a social problem?—Yes, and that is a general point I am endeavouring to make.

1578. You look at the actual value and not the money spent on them?—Yes, of course this balance sheet cannot reflect the social benefits which have flowed from this expenditure of money.

Mr. Hoy.] Obviously not.

*Information supplied; not printed.

The witnesses withdrew.

Adjourned till Thursday next, at 4 p.m.

THURSDAY, 11TH MARCH, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Col. Crosthwaite-Eyre.
Mr. Hoy.
Mr. David Jones.

Sir John Mellor.
Mr. Oliver.
Mr. Steele.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGURES, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS VI.

VOTE 9.

MINISTRY OF AGRICULTURE AND FISHERIES

(FOOD PRODUCTION SERVICES)

Sir ALAN HITCHMAN, K.C.B., Permanent Secretary, Ministry of Agriculture and Fisheries, called in and examined.

Chairman.] Will Members turn to the Civil Appropriation Accounts, Classes I to VIII, pages xxii and xxiii, paragraphs 86 and 87 of the Comptroller and Auditor General's Report? I have no questions on these paragraphs.

Mr. Steele.

1579. Sir Alan, will you look at the bottom of page xxii and continue on to page xxiii, in respect of lands in possession? Are these held on requisition?—(Sir Alan Hitchman.) Certainly, the bulk are on requisition. Yes, I think they are all under requisition.

1580. Can you tell me if you still have these lands?—We have, yes. The great bulk of them which we hold on requisition, are common lands so that the maximum production can be obtained from them.

1581. Do you include in the list the land owned by the Service departments?—Yes, some of it is owned by the Service departments, and we manage it for them.

1582. Finally, can you tell me why you farm some lands through the Agricultural Executive Committees and others through the Agricultural Land Commission?—The land that we farm through the Land Commission is land which we hold permanently. We own it, as against land which is requisitioned, and the policy is that the land which continues to be held permanently by our Minister should be managed by the Agricultural Land Commission who, for the most part, let it.

Chairman.

1583. I would just like to ask about the farming of common lands. Under what

authority do you farm the common lands, under the wartime authority?—Yes, under wartime authority.

1584. You still hold them?—Yes.

1585. Do you have any trouble, and by that I mean legal trouble?—I cannot call to mind any cases of legal trouble, and I think quite often it is generally welcomed, because it is the only way under the present law by which the land can be well farmed. The commoners are usually very happy to see us holding it.

1586. Now paragraphs 88 to 91, British Field Products Limited. You might just tell us exactly what this company does? Could you expand the explanation of the Comptroller and Auditor General?—Yes. The company contracts with farmers to buy their grass and lucerne, and it collects the grass and lucerne from the farmers and dries it and then sells the resultant product either as dried grass or to compounders, that is makers of compound feeding stuffs, who mix it with other animal feeding stuffs into a compound feeding stuff, cattle cubes, or whatever it may be. The company for a time themselves did some compounding, but they have now ceased to do it.

1587. The idea being that you cut out the uncertainty of the haymaking, is that it?—That is partly the idea. Also, the drying of the grass is a way of making a better quality product. You get up to 17 per cent. protein with dried grass or dried lucerne, whereas with hay if you get up to 10 or 12 per cent. it is very good hay indeed, but the other and perhaps more important factor is that it becomes much more mobile. Once the grass is

11 March, 1954.]

SIR ALAN HITCHMAN, K.C.B.

[Continued.]

dry, it is very much lighter and more easily handled and can be sold around the country; and one of the things we are anxious to develop—and that is why this project was instituted—is a way of making the best use of our grassland by cutting grass in the best condition in the time it is growing well and has the highest protein value, and being able to move it about the countryside.

1588. You provided £180,000; how much did the shareholders provide?—They provided £125,000.

1589. Who are the directors?—I have a list here. The Chairman is Mr. Samuel, of Marcus Samuel & Co., the City bankers, and the other directors are Mr. Anderson, Lord Melchett, who until recently was the Managing Director, Dr. Rosin, who is the Technical Director, Mr. Walston, who is a very large farmer, and Mr. Sanders.

1590. Do you know anything about the motivation of this company? Was it experimental and purely philanthropic, or was it purely commercial?—No, it certainly was not purely commercial; it was an experiment to see whether grass drying could be carried out economically on a factory scale.

1591. You have not got a Director?—No.

1592. How do you keep contact with your company?—We have an advisory accountant who has the right to attend Directors' meetings and frequently does so, and who now has to be consulted and in turn consults us on commercial issues of policy.

1593. That was subsequent to your additional loan of £250,000?—Yes.

1594. When were you first asked for this additional working capital?—For the additional loan—that was in April, 1952.

1595. Did you investigate before you made the loan or agreed to make it?—Oh, yes, it was investigated. The position then was, of course, that it was just at the moment when the harvesting of the grass was to begin. April is the time when grass cutting for drying processes can start, and that was a factor very much in mind in the decision to make this additional loan of working capital, to carry the company at least through the grass cutting and drying season.

1596. And then it was found that only half that amount was necessary? You loaned them £127,000?—We loaned them £127,000. A commercial bank provided the extra capital that they required.

1597. The full £250,000 was provided, or approximately?—It was obtained, but only part of it was obtained from us.

1598. That is what I want. They asked for £250,000?—They wanted £250,000, and they got it.

1599. You provided half the £250,000 instead of the whole you had contracted to provide?—Just so.

1600. At the time you made that, did you assume that you were going to get your money back, or were you in it also as an experiment?—We were guided, I think, by two main considerations. One was that we did want the experiment to be continued and the other was that we did not want farmers to be left with a crop sown with which they could do nothing except make hay which they did not themselves want and which they would have found it very difficult to dispose of. We thought there was a good hope that the experiment could be brought to a successful conclusion, and we wanted of course to keep the company going and not lose the money which had already been invested.

1601. In the second year your loss doubled. Was there any reason for that?—I do not know that I can attribute it to a special reason. It was in the second year that the company decided to go into the business of making a compound feed of their own in the hope of improving their chance of selling their dried grass as part of a compound, and that was not commercially as successful as they had hoped.

1602. What is the cause of the miscalculation? Are you paying too much for your raw material, or are you getting too little for your end product, or are your costs too great?—The cause of the trouble in the early part of the period—the period, I think, covered by these accounts—is that the costs were too great, given the price that was found in the end could be obtained for the end product. As a result of the measures which have been taken the costs have been reduced, but the market price has also fallen.

1603. What are the prospects? Are you going to get any of your money back?—We hope so, and of course the people who are in charge of the management are very responsible commercial people, and we certainly do not think the time has yet come to abandon the experiment, with the consequence, if we do, that as far as we can see we shall get nothing but scrap value for the plant and vehicles, and so forth.

1604. What was your statutory authority for making the second advance?—It was under the Appropriation Act.

1605. Did you explain to Parliament that your previous authority under the 1949 Act had lapsed?—We took a Supplementary Estimate and the normal explanation was given in the Supplementary.

Mr. Oliver.

1606. To revert to the last question put to you by the Chairman, although your statutory authority had expired, you seem to have been able to advance £250,000. What machinery of Parliament did you say you used for that purpose?—With the concurrence of the Treasury we sought to

11 March, 1954.]

SIR ALAN HITCHMAN, K.C.B.

[Continued.]

obtain a Supplementary Estimate, which was validated by the Appropriation Acts subsequently.

1607. The Appropriation Act, then, can validate what you did, because that is the point I am interested in?—Yes, indeed.

1608. Do you expect this company at any time to make a profit? Let me put it this way: do you expect them at any time to break even?—I think the answer to that is that we think it is too early to abandon this experiment and accept the complete loss of the £300,000 odd which has been put into it by the Treasury. We think that what is more important, as I say, is that the commercial interests who have sponsored the company still believe, and we think there is a quite reasonable ground for the belief, that it is worth carrying on to see if a going concern can be established. But I make no secret of it; it all does depend on the price that dried grass will fetch in the market against other competing feeding stuffs, and there is undoubtedly a very substantial commercial risk, and it may quite well be that they cannot succeed. But it has been made clear to the company that no more government money can be afforded to them in any way. If the company can succeed, then of course there is a better asset than if the company goes into liquidation, and one gets what one can out of the winding up.

1609. In other words, there is a prospect; is that it?—That is right; there is a prospect, yes.

1610. Is it working on the same scale now as it has been working on in the three years in the past?—The Chairman very rightly pointed out that in the second year a bigger loss was made. A component of that loss was that they decided, as well as actually drying the grass and selling the grass dried, that they would themselves make a compound feeding stuff and endeavour to sell that in competition with other feeding stuff manufacturers. They have now abandoned that particular enterprise, which was not the success they hoped it would be, and they have made substantial economies. They have, for example, reduced the contract price they are offering to farmers to sell them the grass and lucerne they dry.

1611. Tell me about the compound that they make. Are they practical men in this kind of business? Is there anyone with experience in this particular field of activity? When they started to make this compound one would have expected them to have some knowledge of the likelihood of making it a success. Are they practical farmers, or whatever is the necessary qualification?—One of the directors is a very big practical farmer, yes. Dr. Rosin is a technical expert in the dried grass

field. Another of the directors is a member of a bank, and I think, given that it is an experimental enterprise in a new field, you could say it has certainly very adequate commercial direction. I think the status of the bankers behind them—Mr. Samuel is now the Chairman—is very good.

1612. It is not so much the bankers; it is the men who are doing the job?—Yes. The deputy head of the banking firm which provided a lot of the money is now Chairman of the Board, and sees to appointments.

1613. Have the Ministry put anyone on the Board to look after their interests?—We have not actually appointed a director, but we have a consulting accountant, a member of Peat, Marwick, Mitchell & Co., the well known accounting firm. We have a consulting accountant who, if he wishes, can sit on the Board and who has to be consulted by the Board before there is any major change of policy.

1614. Now?—Now, and since the spring of 1952; I think, since we made the second advance.

1615. If you had had someone on the Board, you would have known what was actually taking place, I expect, would you not?—We could have done, but we did consider with the Treasury originally when the Company was set up whether we should appoint a director, and the view was that it was on the whole better to let the company make its own way, come to its own decisions and have the full responsibility. We were at least in a position, as a result of that, that we could take a quite independent line. We were not committed in any way to the course of events which has led up to the difficulties which have arisen.

1616. To the loss?—It is not, we understand, the normal practice, so we are advised by the Treasury, for the Treasury to appoint directors. It is normal to have the power to do so, but it is not normal to begin that way.

1617. Is the management precisely the same now? Have you made any changes as a result of the—I do not know whether to say "failure",—or, say, lack of success?—No. I think you could say so far it is a failure, certainly a very unfortunate incident; and there have been changes, yes. In particular, the managing director is now only an ordinary director.

1618. Have you made any similar advances to any other company with which you could compare this one?—No. The great point about this experiment is that it is an experiment on a factory scale. We have made advances to smaller farms, co-operative enterprises and enterprises of that kind. I think the total advances were of the order of £400,000, and until this

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B.

[Continued.]

year I think there had been no losses on those, but one or two of them are now in difficulties at this moment of time because,

owing to the present, on the whole, very favourable weather, the price of dried grass has fallen a very great deal.

CLASS VI.

VOTE 8.

MINISTRY OF AGRICULTURE AND FISHERIES.

Chairman.] Will Members turn to Class VI, Vote 8, Subheads G.2., G.3., and G.5., on page 351 of the Civil Appropriation Accounts?

Colonel Crosthwaite-Eyre.

1619. Sir, Alan, I understand you in your capacity as Permanent Secretary of the Ministry are Chairman of the Agricultural Improvement Council?—Yes.

1620. In that capacity you work with the Agricultural Research Council and the National Agricultural Advisory Service in so far as you make Grants in Aid under this subhead? Is that correct?—These Subheads G.2 and G.3 are the subheads of expenditure of the National Agricultural Advisory Service, which is our own service. They are directly employed people and are under our direct administration. They are qualified and experienced agricultural advisers who are spread throughout the countryside to advise farmers and help the Committees, and they also run certain experimental husbandry farms and experimental horticultural stations, but that is all a direct charge on our Vote; it is not a Grant in Aid.

1621. It is not a Grant in Aid?—No, they are civil servants, and they are directly employed, just as I am myself.

1622. I am thinking back now to the Minutes of the Public Accounts Committee on the 5th June, 1951, when your predecessor gave evidence, and from that (certainly as I read it) it would appear that the Agricultural Improvement Council, of which you are Chairman, does rather allocate this money. That Council is the body which distributes the various grants or the various sums?—That, I think, is not quite the position. The Agricultural Improvement Council is really an advisory body of which, as you say, I am Chairman. It is the practice at its meetings for the Ministry to report to it developments in the way of new programmes of improvement on the experimental husbandry farms and horticultural stations. If there were a major question of policy on the advice the Service should be giving, supposing for example a new technical development had appeared and it was a question whether our officers should advise farmers to use it, we should clearly take their advice on it; but they are advisory, and the attribution of money is in the end, of course decided by the Minister in agreement with the Treasury in the normal way.

1623. These sums which you show under this Subhead G. are bulk sums which are distributed between various projects?—Yes, various projects, and, of course, the salaries of the officers, and so on.

1624. Why do you not consider it necessary to show in detail the allocation? May I put it this way: Is it not rather unique for sums of this nature, having been voted by Parliament in bulk, to be used by the Ministry for a large number of separate commitments without specifying how that sum has been expended?—I think there possibly is some confusion on this. This sum of £400,000 is primarily the salaries and current expenses of running these experimental husbandry farms. I suppose we could break them down into the individual institutions, but it never has been thought necessary to do so.

1625. I was thinking more of Subhead G.2, your capital expenditure, than of Subhead G.3?—It is a large number of miscellaneous sums. We have four or five of these farms and four or five of these experimental horticultural stations, and it ranges from building new cottages to putting up a hedge as a wind-break, and all that sort of thing, and I do not think it has ever been thought that a total breakdown was appropriate.

1626. If I remember correctly from previous evidence which was given by your predecessor, you consult the Treasury under Subhead G.2, if we may confine ourselves for a moment to that, giving the sum you need in any year for capital expenditure, supporting that by your estimate of what will be spent on each particular farm. Having got the sum, it is not necessary for your Ministry to allocate the sum according to your estimate. You can overspend or underspend on any particular farm, and if I may remind the Treasury again of their evidence given before the Committee in 1951, they do not know of any similar case in any other department where this is possible?—I am afraid I can say no more on this than that I understand it has not so far been thought to be the practice, and my first reaction is undoubtedly that to allocate the money in great detail would not be appropriate.

1627. Of this £250,000 under Subhead G.2 which the Treasury sanctioned for your expenses, can you tell me how much was overspent or underspent on each of the

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B.

[Continued.]

farms for which you submitted an Estimate to the Treasury?—I certainly cannot at this moment. If you would like me to put a note in I think perhaps that would be the best thing.*

Chairman.

1628. Does the reference to experimental farms include Rothamsted, for example?—No.

1629. They are of a different type?—Quite a different thing, yes.

1630. They are experimental farming, and not the scientific side?—They are not research institutions.

Colonel Crosthwaite-Eyre.

1631. I think you have four experimental farms at the moment. Is that correct?—No, we have more than that. We have about nine experimental husbandry farms, and then some horticultural stations.

1632. How many horticultural stations?—We have four stations and a sub-station and then there is a fruit variety testing station and three establishments in Wales, also horticultural.

1633. Of these establishments you have mentioned, how many are private companies?—None of them.

1634. None of them?—They are all institutions directly under the Ministry; they are not private companies.

1635. Where, then, do you show the money that you grant, for instance shall we say, to the farm in Anglesey, which is a private company? I am referring to the Llanfeirian Estates Company?—That is not my responsibility. That is Mr. Peter Scott's enterprise, I think, and my recollection is that that is grant-aided by the Development Commission. I do not think we grant-aid it.

1636. That does not come under the Ministry at all?—No.

1637. Who is that under, did you say?—I think the Development Commission grant-aid that, but I am speaking out of recollection.

1638. It does not come under the Ministry of Agriculture at all?—It does not come under the Ministry for grant-aid purposes, no.

Chairman.

1639. Perhaps Mr. Figgures could give you something on this?—(Mr. Figgures.) I could not possibly give you any detail, but I can confirm what Sir Alan says, that the assistance to that body is paid out of the Development Fund.

Colonel Crosthwaite-Eyre.

1640. What about, for instance, the farm in my own Division, the Efford Park Farm?—(Sir Alan Hitchman.) I am sorry; I do not know your Division.

1641. The New Forest Division, in Hampshire?—That is a horticultural station. That is one of these that is directly under the Ministry.

1642. I would like to ask you one or two questions about that. Apparently the Ministry of Agriculture in developing the farm, or considering what buildings it will put up, is not responsible to the Ministry of Housing and Local Government; they can do what they like without any regard either to the wishes of the local authority or the Ministry of Housing and Local Government. Is that correct?—I am sorry; I could not answer that without checking on it. I am just not informed on it.*

1643. In regard to this station, who lays down what experiments they will undertake?—That is done on the advice of the Agricultural Improvement Council. There is a sub-committee of the Council which advises us on that, and normally we follow their advice, though in the end the Minister takes responsibility for it, and the officers of the National Agricultural Service naturally discuss it with the committee which advises us.

1644. When you say that naturally the Minister takes responsibility, I agree, but what sort of control—not necessarily day to day, but immediate—is kept to see that the money expended there is going into useful agricultural experiment?—There is the Director of the station who is a member of the National Agricultural Advisory Service and who has a diploma in horticulture or agricultural degrees, as the case may be, and then he is supervised by the headquarters technical staff of the National Agricultural Advisory Service under the direction of Sir James Scott Watson, the Director General, and he and his officers visit these places. They get reports; they approve the programme of experiments before they are laid down at all; and, as I say, the whole programmes are under the general guidance of the Agricultural Improvement Council and its Experimental Husbandry Farms Sub-Committee.

1645. As this station is directly under the Ministry, what is its purport?—The purpose of these stations—

1646. No, of this particular station?—This particular station is a horticultural station. The purpose of the station is to take the new developments which come from possibly the Glasshouse Research Station, or Rothamsted, or any of the research stations. They get a new development to a point at which it appears that it is capable of widespread application under commercial farming conditions, and their primary objective at these stations is to take such developments and apply them under commercial conditions, in the climatic and other circumstances of the different

* Information supplied; not printed.

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B.

[Continued.]

parts of the country, and also to act as demonstration centres to local growers, in the case of the horticultural stations.

1647. Let us continue with that for a moment. How much money has the Ministry put into that farm (a) by way of capital, and (b) by way of year to year grant for its running?—I will have to send that in. I have not the figure here.

1648. Can you tell me how much revenue it has made by sales or by services it has supplied?—I just have not got the detailed figures. I will include that in my note. Some of these stations make a profit and some do not, but, of course, their primary objective is not to make a profit.

1649. No, but one would expect them to pay for themselves, would one not?—Well, not necessarily. You see to the extent that they are carrying out sometimes rather large-scale experiments, quite often elaborate recording work has to be done which an ordinary farmer would not do, so on that account alone they have to have additional staff to do that kind of work. If they are carrying out, for example, experiments in the feeding of calves the rations have to be measured out and certain measurements or weights have to be taken which would not be required under commercial conditions.

1650. Surely I am correct in saying that the last branch you are talking about is done not in these experimental farms but on the farms which are attached to the universities?—No, they are also to some extent done at these farms; for example, some of the experiments into the use of antibiotics in feeding stuffs were done at the farms. They were also done on the stations, but by agreement with the research stations it was useful to have help from both.

1651. Do you have in your possession accounts showing expenditure both by way of capital and revenue for each farm?—Yes.

1652. The Ministry see these each year?—The Ministry prepare them, yes. (Sir Frank Tribe.) I might say, Sir, that there is a figure on page 358 which shows that the sales of produce from various experimental husbandry farms and horticultural holdings under the service was about £½ million in the year, the fifth figure on page 358.

1653. Item (4)?—Yes.

1654. One further question on this. When you sell your produce from these experimental farms what steps are taken to see that they do not, shall we say, spoil the market for the small private farmer or horticulturist, as the case may be?—(Sir Alan Hitchman.) Well, taking the farms first of all, of course, up till now, at any rate in the case of most products, they have

been sold to the Ministry of Food at a fixed price and the question of spoiling markets really has not arisen. In the case of the horticultural stations I am sorry I should have to enquire the answer to that. I imagine ordinary sense is used but I cannot say the precise way in which it is applied.

1655. So, really, if I may put it this way, what it comes to is that it is money which is voted certainly under Subhead G.2 and possibly under Subhead G.3 to some extent?—Under both, yes.

1656. It is voted in bulk by Parliament, distributed by you, but although based on an estimate need not follow the pattern of that estimate. Is that correct so far?—That is correct, yes. We should have to explain to the Treasury if there were wide divergencies, I think.

1657. You do not have to account to Parliament at all?—No.

1658. Certainly, in the case of the farms there is no record of what capital has been embarked, what the running expenses are, or what the individual returns are from any particular farm, that is available to Parliament?—Yes, I think that is so.

1659. Thirdly, equally as far as the wages paid to the National Agricultural Advisory Service are concerned, how that service is combined or put together and what wages are paid, they are again outside Parliamentary control apart from the block grant which is given to you under Subhead G.3?—I am afraid I said something which was misleading. The actual wages of the farm workers on the farms are under Subheads G.2 and G.3, but the salaries of the Advisory Service members are in the salaries estimate, Subhead A I think it is, and they are published in the Estimates.

1660. In fact, what it comes to is that under Subhead G.3, if I may go back to the previous question, there is a far bigger element of annual subsidy to the experimental stations than, perhaps, your first answer would have led me to believe?—You mean, because some of the salaries are not covered in this?

1661. Yes?—Yes, that is so.

1662. There is a big proportion?—Yes.

1663. Finally you will let me know by way of a note what steps are taken in regard to these farms to see, and I am talking about horticulture now?—Yes.

1664.—that the produce does not compete with local people?—Compete unfairly, yes.

Colonel Crosthwaite-Eyre.] If we have that information, Mr. Chairman, then we shall be able to see how these farms are progressing.

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B.

[Continued.]

Chairman.] Yes. I am not quite sure what your examination is leading to, Colonel Crosthwaite-Eyre. I gather these farms are essentially experimental, and that being so, although they may be run economically there is no idea basically that they shall show a profit.

Colonel Crosthwaite-Eyre.

1665. No. What I wanted to find out, first of all, was if these sums that are granted in bulk on an estimate submitted to the Treasury are available in bulk to the Ministry without necessarily reference to the estimates for which they were granted. That, I think, the Ministry agree?—Yes. We obviously follow the estimates, but it is, certainly, not a condition of the form of the grant to us by Parliament that precise allocations are made to individual establishments. (Sir Frank Tribe.) I might say, the Estimate figures are available to my officers and if in any case I found that the Ministry had spent the money in a way in which Parliament had been led to believe it would not spend it, I would regard it as my duty to comment on that.

1666. No, Sir Frank, it was not that. An estimate is submitted for six particular farms and you might say they were all equal in the estimate, but in fact you could spend three-quarters of the money on one farm and the rest on another?—If so, I should get to know about it, and if I thought it was of sufficient interest to Parliament I should report about it.

1667. In 1951, as I say, it was brought before this Committee and the then Chairman said it was unknown in any other Department for this practice to be continuing?—(Sir Alan Hitchman.) Mr. Chairman, I was not, as you know, the head of this Department at that time, but I seem to recall having read the Minutes to which Colonel Crosthwaite-Eyre refers, and although my memory is not particularly clear on that now, I think to some extent that covered the question of the research institutions which are quite different and which are not in the same way under the direct control of the Minister; and it may be there is some confusion there. I should certainly be very happy to put in any note that is desired in order to answer the questions that have been put and which I cannot answer immediately.

1668. It is difficult, because we are really dealing, you see, with the elements of three separate things here: research, experiment and the private companies which, as you say, are provided for by the Development Council?—That particular one is.

1669. That particular one. I think you told me that none of these farms are private companies?—No, none of the farms are.

Colonel Crosthwaite-Eyre.] Those are the research stations?

Chairman.] The experimental stations.

Colonel Crosthwaite-Eyre.

1670. No, the research stations, I think I am right in saying?—Some of them are companies but on the other hand Rothamsted is, I think, a trust. I could not off-hand recall, but I think it is a trust. It has been in existence, I think, for over 100 years and is a trust and is grant-aided on the same status as a university.

Chairman.

1671. May we just get this clear: You said you had nine farms, four horticultural institutions, one fruit variety testing station, and three establishments in Wales. I am not quite clear about the classification?—Yes.

1672. How many of those are limited companies, if any?—None of them.

1673. They are all branches of the Department?—They are all direct Government establishments.

1674. Under Subhead G. does anything go to limited companies?—Nothing.

1675. All this goes to what are branches of the Ministry of Agriculture?—Just so, yes. They are formally on exactly the same status as the headquarters office.

Colonel Crosthwaite-Eyre.

1676. Perhaps I might just ask one other thing. If I may take Efford again, because it is in the New Forest, could you give us a short paper saying what experiments they have carried out since they have been going?—Yes, certainly, and the experiments they are currently conducting, the current programme.*

Chairman.

1677. Mr. Figgures, the Comptroller and Auditor General said that he kept an eye on the allocation of the actual cash to these various institutions and related it to the original estimate put in to the Treasury. Do the Treasury also take cognisance of this?—(Mr. Figgures.) I think, Mr. Chairman, our control will arise as it does normally in this sort of affair. The Ministry puts in an Estimate to us at Estimate time, there is the normal cross-examination on it, the discussion of whether there is any fat in it, and so on, and a figure is agreed. Then comes next year and a new Estimate arrives and an automatic drill is at once operated to compare the last Estimate with the current one and with the estimated out-turn, and any variations between any of these figures automatically leads to questioning. If there is no variation between them then all goes well. If there had been a significant variation during the year, and

* Information supplied; not printed.

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B.

[Continued.]

I am not talking about this Vote in particular, this is quite general drill at Estimate time—if there had been a significant variation during the course of the year and the Treasury had not known about it in advance, almost certainly we should ask why. We might be satisfied with the explanation or we might not, but we would certainly ask the question. In so far as that point arises I do not see any reason to think that this particular Estimate is handled in any way differently from ordinary Estimate procedure. (Sir Alan Hitchman. May I say we do, of course, get Treasury sanction, for example, if we wanted to make a substantial new piece of capital expenditure at a particular farm. I can imagine, for example, the building of, say, a row of four cottages. We should have to get specific sanction to do that and then we should have to apply the money in accordance with that sanction and we should be told, for example, by the Comptroller and Auditor General if we had applied that money to some other project without further sanction.

Mr. Steele.

1678. In connection with what has happened, the exact situation on experimental farms, my understanding of it is that they are really demonstration farms. Is it the case that farmers are not prepared to have anything on a piece of paper or anything scientific, but they have actually got to see it in operation before they are prepared to accept it? Is that the purpose of the demonstration farming?—I may correct you on the first point, they are experimental farms and they do experiments. They also are demonstration establishments as well, but they are most emphatically experimental stations. They do experiments in different methods of cultivation and liming and fertilising and that sort of thing, and then they demonstrate the best result to the farmers in the locality to show what can be done under those conditions of climate in particular. They also do experiments. It is not only demonstration, they do experiments.

CLASS VI.

VOTE 9.

MINISTRY OF AGRICULTURE AND FISHERIES (FOOD PRODUCTION SERVICES). (Continued.)

VOTE 21.

DEPARTMENT OF AGRICULTURE FOR SCOTLAND (FOOD PRODUCTION SERVICES).

Mr. A. GLEN, C.B., M.C., Secretary, Department of Agriculture for Scotland, called in and examined.

Chairman.

1679. Will Members turn to pages xxiv and xxv, paragraphs 92 to 95 of the Comptroller and Auditor General's Report. Fertilisers Subsidies? Sir Alan, this general fertiliser subsidy was introduced in April, 1952. It was back-dated to 1st July, 1951, so, in fact, you subsidised farmers on fertilisers they had already bought before the Act. Why was that?—(Sir Alan Hitchman.) The reason was that in the Annual Review in 1951 an undertaking was given that this subsidy would be paid in respect of fertilisers from the middle of the year, but the statutory authority could not be obtained until 1952 and the scheme made under it had, and it was always intended that it would have, this retrospective effect.

1680. You had pledged yourselves to the farmers?—Ministers had given that undertaking, yes.

1681. You took power to reduce the contribution if another contribution was pay-

able under another scheme. Had you the grasslands scheme in mind? There are two schemes, there is the general fertiliser scheme and there is the grassland scheme?—The requirement, I think, was to have regard to other schemes, and I suppose that was the other scheme in mind.*

1682. So that the two schemes had to be kept in mind together?—Yes.

1683. But when it came to actual practice why did you take no account at all of the two and pay both?—We paid both because the essence of the ploughed-up grassland scheme was that it was a grant in respect of ploughed-up grass and we wanted to maintain the incentive to farmers to plough up old grassland and fertilise it.

1684. Sir Frank, can you give us any information as to how it worked out in practice?

* Appendix 10.

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B., and
Mr. A. GLEN, C.B., M.C.

[Continued.]

Mr. Hoy.] Perhaps before Sir Frank replies, Mr. Chairman, it might be as well if Mr. Glen would say that he agrees with the replies that have been given on behalf of the English Ministry. Do they apply equally or do they not?

Chairman.

1685. Yes. You do come into this, Mr. Glen, do you not?—(Mr. Glen.) Yes. The position for Scotland is very much the same as in England except that our grassland scheme had certain differences, but essentially I think the position is the same. What you have just said, that the two subsidies were paid in full, that is to say, calculated on the gross cost of fertiliser, is true in Scotland as it was in England.

1686. Now, have you any comment, Sir Frank?—(Sir Frank Tribe.) As has been explained, the operation of these two schemes seems to have gone on without any regard one to the other, although Parliament said "Regard shall be had." It works, as I understand, something like this: the fertiliser cost to any one farmer and the general fertiliser subsidy are based on the controlled maximum price whether or not the farmer paid something less than the controlled maximum price for the fertiliser he bought. The general subsidy is paid on that instead of having at least deducted the subsidy in respect of the first scheme and only paying the subsidy on the second in respect of the net figure. The result has worked out in an extraordinary way. In one case I have come across the result is that the farmer paid £121 for his fertiliser and he got back under the two subsidies £139.

1687. Was he an English or a Scots farmer?—This was in Scotland. I am told that in this particular case the farmer was a cunning man and bought the fertiliser at below the maximum controlled price, but he was paid his general subsidy on the maximum controlled price with the rather startling result that he got more in subsidy than he paid.

1688. What have you to say about this, Mr. Glen?—(Mr. Glen.) The justification for the two payments, as Sir Alan Hitchman has said, is that the objects of the two subsidy schemes were quite different. The grassland scheme came first in time and it was designed to make the farmer do certain things to grass which would produce results in crops. Then along came the general subsidy which was to relieve the farmer in general, all farmers, of their heavy and increasing fertiliser costs. Now, if the first subsidy had been scaled down because of the second subsidy, the recipient of the first subsidy, that is to say, the marginal farmer who was drawing special subsidy for treating rough grass, would have got less advantage over the general farmer

than he did. That was the kind of justification behind giving him both subsidies in full. There is this other point, if I may say so; I have already said that the grassland subsidy came first in time and, therefore, at the time when it began to be paid it would not have been possible, I think, to have regard to the general subsidy which followed later.

1689. I know. In that case, why put the words into the Statutory Instrument? You had regard to the two things, and having regarded one you ignored it?—Well, I think it is fair to say that regard was had. The whole thing was considered on its merits as to whether some way of modifying the second subsidy could be arrived at, but I think our conclusion was that it was not right to modify the second subsidy, and further than that, that it was extremely difficult administratively to do it for the reason I have stated, that the timing of the two schemes was different.

1690. Yes. A good deal of this double payment arises from the fact that you back-dated your general fertiliser subsidy, does it not?—That is so, yes.

1691. Did you explain to Parliament when the Order was introduced that it would this effect of double payment?—I do not know whether the point was discussed. The point was discussed with the Treasury, of course. (Sir Alan Hitchman.) If I could just add one word on the principle, just to amplify the point which my colleague has made, regard was had to the running together of these two subsidies and the reason for continuing the two was, as he has said, that it was desired not to reduce the advantage given to the man who did the ploughing up; and when, in England and Wales, and I think in Scotland also, we introduced specific ploughing-up grants, we did withdraw the grassland fertiliser grant which was attached to ploughing up, and in fact, the ploughing-up grant was at £5 an acre whereas the maximum under the other one was £4 an acre, so we not merely maintained the principle of giving the extra inducement to the farmer to plough up his grassland, but increased it. (Sir Frank Tribe.) It was the same fertiliser in respect of which both these subsidies were given. (Sir Alan Hitchman.) Exactly so, why not?

1692. I think we will get Mr. Figgures to answer that question, why not?—(Mr. Figgures.) I do not know whether, Mr. Chairman, I usefully can. The fact is that we were as surprised as, no doubt, the Committee was, to discover this was happening. We discovered it some time before the Committee did, but rather late in the day. We had discussions with both the Departments in 1952, and the Departments put to us the arguments which they have deployed this afternoon. I do think

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B., and
Mr. A. GLEN, C.B., M.C.

[Continued.]

it would be fair for me to say that we did not, in fact, make up our minds about it because it appeared at that time when we were having these discussions that, as it was put to us, the water was over the dam, the milk was spilt, or the damage was done, whichever you prefer. It was impracticable administratively to go back on what was being done and it was also at the same time urged that it would have been almost as impracticable administratively to have made the distinction in any case. That being so, we recorded our views that we had been surprised by this and felt that there was little more we could do about it.

1693. So, it comes to this, does it not, Mr. Figgures, that the Treasury, having seen in the Statutory Instrument that regard should be had to any other subsidy, was simple enough to believe that regard would be had to any other subsidy?—When we discovered that payment was, in fact, being made under both Orders, and as we thought there was a possibility of 100 per cent. payment, we were surprised and asked questions.

Mr. Hoy.

1694. You are not thinking of this payment of 120 per cent?—We did, in fact, say, at one point “So he could in fact get more than 100 per cent.”, but we were told he could not. We were not told at that time of this trick which was naturally found North of the Border.

Mr. Steele.

1695. I object to the word “trick”?—May I withdraw it, Mr. Chairman?

Mr. Steele.] It seems to me it was a present.

Chairman.

1696. What about the wording of the Statutory Instrument? Surely, was not that worded so that you could not get two fertiliser payments?—(Sir Alan Hitchman.) As I understand it, the wording was “the Minister shall in determining the amount of contribution under this scheme have regard to the amount of grant or contribution payable under any other such enactment,” and the answer, I think, which Mr. Glen and myself give is that he did give regard to it, and having given regard to it decided to do what he did. (Mr. Figgures.) We would not take a legal point on it. We were surprised because there were two fertiliser subsidies with the same effect. We did not take the legal point that it was *ultra vires* to make the two payments.

1697. I gather, surprised and hurt?—Also further educated, Mr. Chairman. Part of the problem arose, and, as it appeared to us, only part of the problem, that the grassland fertiliser subsidy in fact appeared to have been given the wrong name. It was, in fact, a grassland ploughing subsidy and if it had been called so probably a great part of our concern would not have arisen

in the first place. (Sir Alan Hitchman.) Returning to the point which I made just now, when we introduced ploughing-up grant we did withdraw the grassland fertiliser subsidy.

1698. What is the amount of the grassland ploughing-up subsidy now?—£5 an acre. (Sir Frank Tribe) The subsidy was still paid on fertilisers whatever the name of it was. (Sir Alan Hitchman.) And still is. There still is a ploughing-up grant and a general fertiliser grant, and we take the view that if the farmer does go to the expense of ploughing up this old grass he needs the two grants.

Mr. Oliver.

1699. I see from the Comptroller and Auditor General's Report that “The Treasury reluctantly agreed that payment of contributions should be made under both schemes and that both payments should be related to the gross cost of the fertiliser.” So it would appear that you got the Treasury's benediction?—Indeed, yes.

1700. What about the case that Sir Frank pointed out where someone got, as against £121 which he paid, £130 odd in subsidy? May I direct this question to you, Mr Glen: is this to be repeated?—(Mr. Glen) All I can say on that one is that we ourselves have made some examination and we could not find any case in which a man had in fact received 100 per cent. Generally speaking, the limitations on the grassland scheme, certain ceiling levels of benefit, are such that with the 66½ per cent. general subsidy, a man could get up to about 99 per cent. We have not actually traced any case of 100 per cent. or over, but, of course, the Comptroller and Auditor General has resources and methods which are more effective, perhaps, in ferreting out such cases than we have; and our task was made a little more difficult by reason of the fact that the general subsidy is a United Kingdom subsidy and is in fact paid by the Ministry of Agriculture, so we could not be very sure what the general position was. I am quite clear that these cases of very high payments, payments of over 100 per cent., must be extremely rare, but even if it were so, even if a man got 100 per cent., I would just like to make this point, that the general fertiliser subsidy was part of a price settlement, part of a recoupment of farmers' costs. It might have been in any other terms; it might have been in terms of prices of cereals, in which case no question would have arisen about the grassland fertiliser subsidy. It is only because, as someone has said, it was labelled “fertiliser subsidy” that this curious position of a man getting the whole cost of his fertilisers arose.

1701. But I understood, and still do understand, that the idea was to relieve occupiers of land of part of their expendi-

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B., and
Mr. A. GLEN, C.B., M.C.

303

[Continued.]

ture on fertilisers, but according to the Comptroller and Auditor General's statement, it goes from 80 per cent. to 100 per cent. How many, as far as you know, got the whole 100 per cent. cost of the fertilisers?—We have not been able to trace any cases at all, but there may have been one or two. They would have to be farmers who had used nothing but potash fertiliser. In those cases a man could get the 66½ per cent. plus 30 per cent. Of course, in some particular case, if he got his fertilisers at a bargain price, then, of course, he would have a profit on the deal.

1702. Is it intended that they shall have the whole of the cost or only a part of the cost? That is the thing I am concerned about. I understood it was a part of the cost as an inducement to the farmer, but it would appear that some will probably get the whole and such part as they pay must be negligible?—That might well be so. Of course, the farmer who is eligible for both is a rare bird to start with. The generality of farmers get the general subsidy but the farmer who got 100 per cent. or more, or even 90 per cent. or more, is the marginal farmer, the upland and hill farmer, and the man who has got to plough rough grass. The conditions are quite clearly laid down in the scheme and are quite exceptional. The areas concerned are not enormous, but it is true, and one admits that such a farmer would get nearly his full cost of fertilisers and that might be quite a reasonable thing to do. There are other grants, for instance, the one which has taken the place of that fertiliser grant, the £5 ploughing grant, which may well recoup the farmer in full for the cost of his ploughing operations

Mr. Blenkinsop.

1703. Mr. Glen, first of all I notice that the actual grassland schemes, both the English and the Scottish grassland schemes, have now come to an end?—Yes.

1704. But the Scottish scheme came to an end some time after the English scheme?—Yes.

1705. Was there any particular reason for that?—Yes, it was continued on the basis of the farmer opting; it was continued after February, 1952, when the ploughing grant came on, until the end of June on the basis that the farmer could claim whichever of these two, the ploughing grant or the fertiliser grant, was the more favourable.

1706. There is no danger of his getting the new ploughing grant in addition to the other two?—No.

1707. Did you take any legal advice on this question whether you were entitled to make both grants? I know the Treasury have said that they did not query that themselves, but did you yourselves make any enquiries on the legal point?—No, we

20216

did not take it on the legal basis. We took on it its merits and practicability.

1708. You would agree that the actual statutory instrument did refer to "having regard to" the amount of the other grant? An ordinary layman, would you agree, might suspect that that did mean that Parliament did intend that one grant should supersede the other and they should not be taken together?—Well, all I can say is that it should have said so a little more definitely and clearly.

1709. I think it may well turn out from this that Parliament will take a rather different view of the language it may use, but so far as you know there was no statement made in Parliament on the Scottish side when this matter was before Parliament, Members of Parliament were left to form their own conclusions?—I do not think so. I have not studied the debates lately.

1710. Sir Alan, you do not know of any reference being made to this matter when it was before Parliament?—(Sir Alan Hitchman.) I understand that when the higher rate of grant scheme was introduced, these words were used: "Also to encourage the breaking up of old permanent grass in order to extend the tillage area, we provide for grants up to two-thirds of the cost of fertilisers applied to land ploughed up from grass". The clear intention, and I think it was made clear to Parliament, was to use this fertiliser subsidy in such a way as to encourage ploughing up and it is on that ground that we do not think it anomalous that the two grants were paid together for a time until a specific ploughing-up grant scheme was introduced, which now operates.

1711. Mr. Figgures, just on a point of clarification for the future, if a statutory instrument does say, as this one did, that Ministers shall have regard to any other payments, would you in the Treasury in future think that that did give discretion to the Minister as to what he should do? It is important?—(Mr. Figgures.) Subject to legal advice, I think those words would mean what they say, that is to say, literally that wherever you make one payment you must consider what you are paying under another head. I would not take it to mean that you must deduct from the one payment the amount you are paying on the other, merely that you must consider what you are going to have to pay on the other.

Sir John Mellor.

1712. Did I gather from Mr. Glen that in his Department statutory instruments are regarded rather as memoranda than as statutory documents?—(Mr. Glen.) Oh, surely not, Sir.

H

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B., and
Mr. A. GLEN, C.B., M.C.

[Continued.]

Mr. Steele.

1713. Sir Alan, I want to put it to you that these words "any contribution payable under any other enactment or scheme" are common form to all subsidies in the Ministry of Agriculture in so far as legislation is concerned? Is that so?—(Sir Alan Hitchman.) I quite expect it is so.

1714. The other thing is that there are subsidies paid under the Hill Farming Act, and my understanding is that these words appear in that Act as well, and I believe that the principle is applied that if the farmer makes an application under the Hill Farming Act for a subsidy cognisance is taken of the fact that he may be getting a subsidy under another Act; and therefore that is taken into account and the words really mean what they say. Is that so?—Yes. I think you are thinking of the grants made under the marginal production schemes. That is to say, the two things are brought together and it is not cumulative, but I do not think that means that these words require that that should happen.

1715. Well, in any case the principle is applied in those other Acts in so far as a farmer can make an application for two subsidies, and cognisance is taken each of the other?—Yes.

1716. And the subsidy is so altered in that sense. What I feel is that in view of what has been done in the past, you are applying an entirely new principle in this. Would you agree or would you not?—We are not now because the particular scheme has come to an end, but when we did operate these arrangements I agree that a different arrangement was adopted, but I understand—I was not there—that it went to the highest level and the view was taken that in the circumstances of these subsidies that was appropriate. The view on the hill farming subsidies and, I think it is, the marginal production subsidies, is different because the circumstances, it is thought, are different.

1717. I would have thought, if we had two subsidies like we have here, first of all the farmer would apply under the first subsidy and having received an amount under that subsidy he would then in applying for the second, get only that proportion of the subsidy which was applicable to the amount he had paid. Would that not have been a much more sensible method of doing it?—I am sorry, I do not think I have quite followed that.

1718. My point is that if the cost was £100, and under the first scheme he got £50, then he makes application under the second scheme. Would it not have been better if he had only got his proportion of the second subsidy in accordance with the £50 that he had paid rather than the total amount? Surely that would have

been the logic of it?—Well, I do not think it was. The principle was that it was necessary to give an inducement to plough up grassland and that the inducement was as provided for in the scheme, which goes up to two-thirds of the cost of the fertiliser. No doubt this is a matter of opinion, but the view was taken by the Minister and those responsible at the time that it was appropriate to maintain that advantage to the farmer who ploughed up his grassland and that the view you have advanced was not the appropriate view?—(Mr. Glen.) Might I add to the reply? I think one thing that has to be borne in mind is that the general subsidy was indeed a general subsidy and applied to all farmers. The earlier scheme was highly selective and was intended to be so and was intended to induce certain categories of farmers who had to be induced to plough up rough grass or apply fertilisers to rough grass in Scotland to do so, and the only way to keep their lead in a field of rising fertiliser prices, the only way to keep that inducement alive to the full extent, was to pay both subsidies in full. That is the argument on merits. On practicability I do suggest it would have been extraordinarily difficult to apply an Order made in 1952 backwards to June, 1951, when the first scheme was in operation.

1719. You say it would be administratively impossible?—Very difficult.

1720. I take it the farmer must make the application?—Yes.

1721. Surely in his form of application he could say whether he had applied under the former scheme? Was the farmer told he could apply for both, and when did the Ministers make up their minds that this was the way it was to be done? Was it before these regulations were put before Parliament or afterwards?—The farmer was told he could apply for the selective subsidy very early on in 1951. The Grassland Fertilisers (Scotland) (Amendment) Scheme, 1951, is the scheme we are considering. He was entitled to apply under that and then he was also entitled to apply under the 1952 Instrument nearly a year later. By this time some of them, at any rate, had received their payments under the first subsidy scheme.

1722. Was the farmer told that he could apply under both and was he told at that stage that he would get his subsidy on the full amount paid for the fertiliser? Did he know he was going to get this bargain?—Those farmers eligible for the selective subsidy were permitted to apply on those terms, yes.

1723. I am thinking about the advertisements, the agricultural papers and the various forms of publicity, which would be used to inform the farmers that these subsidies were available?—Yes.

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B., and
Mr. A. GLEN, C.B., M.C.

[Continued.]

1724. When that was done and the farmers were told at that point that they could make application for the second subsidy, were they told that it would be based on the 100 per cent. cost to them?—They were not told that it would not be so, and therefore it followed.

1725. It naturally follows that they were not told?—They were not told that their general subsidy would be diminished by the amount of their selective subsidy. (Sir Alan Hitchman.) Or alternatively. The decision was that both schemes should be maintained.

Colonel Crosthwaite-Eyre.

1726. I think you said, Sir Alan, that the subsidy was payable on the maximum price of the fertiliser and not on what the farmer paid?—There was a controlled price.

1727. The maximum controlled price?—The subsidy was set out in the Parliamentary scheme and the subsidy was so much a ton related to the composition of the different fertilisers.

1728. But it was based on the maximum controlled price and not on what any individual farmer happened to pay for it?—No, for example, in the case of super-phosphate, the subsidy was £4 17s. 0d. a ton and it was a specific subsidy per unit of weight of the fertiliser. In the case of basic slag there were varying rates of subsidy by weight related to the percentage of potassium in the fertiliser.

1729. Did I get what you said wrong? I think you did mention that?—(Sir Frank Tribe.) As I understand the position, what Sir Alan says is right, but those figures he has quoted in the schedule are worked out in relation to the maximum controlled price, and therefore the farmer gets that automatically even though he may have bought the fertiliser at under that controlled price.

1730. That is the point I was getting at, and it is so, that the Ministry in assessing the amount of either of these subsidies took the maximum controlled price and not what the farmer paid?—(Sir Alan Hitchman.) I am sorry, I should really have to verify this. Actually what happened was that Parliament approved this scale of subsidies. How that precise scale of subsidy was determined and on what basis the scheme submitted to Parliament was precisely calculated, I would not like to say without verification but the precise rate of subsidy was laid down by Parliament and it was that subsidy which was paid. Once Parliament had decided the matter it was out of our hands as to what we paid.*

Mr. Hoy.

1731. But, Sir Alan, you would agree that Parliament would be advised by the

Minister who was introducing the Order which permitted these payments, would you not?—Oh, yes, no doubt. Certainly these were the Minister's proposals and I do not understand that they were amended.

1732. You would not dissent from the opinion of the Comptroller and Auditor General that these were in fact the maximum prices?—Well, this is a question of fact.

1733. It either is a fact or it is not?—In any case I think it is a fact, but whatever the fact is it is at the moment in doubt.

1734. We do not know?—No.

1735. Mr. Glen, did you say that you could not have a control over these subsidy payments as one was paid through the Scottish Department and the other was paid direct by the Minister of Agriculture?—(Mr. Glen.) I did not mean to imply that. I only meant that was one of the complications. If we had had to ascertain exactly what a man had already received by way of selective subsidy when his application came up for a general subsidy, there would have been quite a complicated piece of administration to do. I do not think I said it was impossible, but it would have meant a great delay in the making of these payments, which would have been a great pity.

1736. Yes, I did not suggest that you felt it was not possible, but what you did suggest, if I may say so, was that you just did not have that control over them as the same farmer was receiving payments from two different sources?—I did not mean to imply that.

1737. But in fact he was, was he not? He received one payment through the Scottish Department and the other from the Ministry of Agriculture?—Yes, the selective fertiliser subsidy was paid by the Department and the general one by the Ministry.

1738. So it was two forms of payment?—Yes.

1739. So you would not have knowledge of what the second payment was? Did you think it was as a result of that that this particular farmer paid £121 for these fertilisers and got £139 to compensate him for his payment?—I would say that he was just lucky, he was not breaking any of the rules, as the rules had been laid down.

1740. I am not saying that he was unlucky?—Let me put it this way: had we known of that case and we were satisfied that it was within the four walls of the scheme, then we would have congratulated him.

* Appendix 10.

20216

H 2

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B., and
Mr. A. GLEN, C.B., M.C.

[Continued.]

1741. This is the strangest kind of procedure. So that we can take it that if in future somebody does a Department, provided it is done legally, you will send him a message of congratulation? That is in fact what you are saying, you know. I am not seeking to take away the responsibility from the Scottish Office, but I think I remember that when this was introduced to Parliament it was, in fact, done as is normally done if there are two Orders, the one covering the English Ministry of Agriculture and Fisheries is taken first, on which there is a long debate, and so I think that the main responsibility falls on the Department that Sir Alan Hitchman is replying for. While that may be so I do not think you could get rid of the responsibility so far as the Scottish side is concerned?—I do not think we would seek to do so.

1742. Do you think then, Sir Alan, that when this was introduced your Minister made it perfectly clear to the House that these farmers could in fact draw these two subsidies and could draw them to such an extent that the Comptroller and Auditor General could prove in at least one case that a farmer is getting £18 more than he actually paid himself for the fertilisers?—(Sir Alan Hitchman.) I do not know whether he did in fact make that clear, but the information I have is, as far as England is concerned, that it is, I am informed, conceivable that in a few cases the payment was actually up to the level of 100 per cent., but we think it was very unlikely because of the way prices, in fact, moved and the operation of the £4 ceiling. We have not been able ourselves to trace any particular case, but I do not think on the information I have that the Minister would have wished to conceal from the House that this might have happened.

1743. What was the total contribution paid by the Department under this subsidy service?—The subsidy payable under the Ploughed-up Grassland (Fertilisers) Scheme was two-thirds of the cost of the fertiliser, subject to a maximum, first of all, of £3 an acre, and then after the 1st July, 1951, subject to a maximum of £4 an acre, and the rate of the general fertiliser subsidy, the one which was subsequently introduced, was 30 per cent. of the cost, approximately, in the case of phosphatic fertilisers and 15 per cent. in the case of nitrogen fertilisers.

Mr. David Jones.

1744. Mr. Glen, would you say that some part of the reason for this payment of subsidy in excess of the amount paid for the fertiliser was due to the fact that both the Department of Agriculture in Scotland and the Minister of Agriculture in England were handling these subsidies?—(Mr. Glen.) No, I do not think so.

1745. I was wondering whether you would agree that in those circumstances there is a case for abolishing the Department of Agriculture in Scotland and placing it all on the Ministry of Agriculture?—An alternative plan would be to abolish the Ministry of Agriculture!

1746. I do not mind whether the Minister is in Edinburgh or in London as long as somebody is handling it by himself. You said it would be a complicated piece of administration. Why would it be complicated?—Well, in the application for the general subsidy, which is the later one, we would have to prove exactly what he had got in his previous application for the selective subsidy. We would have to send that information to the Ministry who would have to make some calculations in every case and there are a great many cases. It sounds quite simple in one case but it is an administrative job in a multitude of cases.

1747. Would not the Ministry have records?—The Ministry have the most elaborate records, Sir.

1748. Could you have put a question on the form to the applicant when you sent him the form of application asking him to state what, if any, he had received?—Certainly.

1749. And you did not do that?—We should not necessarily believe that. You see, you have to verify that kind of thing.

1750. If you were so doubting as that in Scotland you could then put the procedure of checking with the Ministry in operation, but you would have got a figure, at least, if he had received subsidy under the earlier scheme?—Yes.

1751. Which you could have used to deduct the cost from the applicant himself?—Yes, but we did not want to.

1752. You did not want to?—There was a decision on policy not to do that.

1753. You did not want to, but you were conscious of the fact that there might be cases of paying out more subsidy than the farmer was actually paying and you did not want to do anything about that?—No, I do not think that was realised, possibly, and indeed we have not been able to confirm that from our records.

1754. That he was getting more?—Yes.

Mr. Hoy.

1755. It might be interesting to see the Comptroller and Auditor General?—He does not tell us everything.

Mr. David Jones.

1756. Is there any reason to question the Comptroller and Auditor General's contention that there are cases?—Of course not, we accept that.

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B., and
Mr. A. GLEN, C.B., M.C.

[Continued.]

1757. Then there are cases?—I accept the Comptroller and Auditor General's statement that there is a case. I do not think he has said "cases" yet.

1758. Do you agree that that ought to have been anticipated by your Department?—And stopped, do you mean?

1759. "Anticipated" in the first place; we will come to "stopped" afterwards. Was not it realised by anybody in either Department—I do not care who answers—that this effect would arise from this operation?—It was not only expected, it was, in a sense, approved. The points we have tried to make earlier in this discussion were all designed to show that, on merits, we did not see any fault in the farmer receiving on average almost the whole of his expenditure on fertiliser.

1760. In spite of the fact that, as far as I understand it, both of the schemes provided that the Minister must take into account any contributions that farmers might receive under any other scheme? Are you now saying that in spite of those words being inserted it was still believed?—It is a question of what the words mean, of course. It might only mean that the Minister should take account of the facts in the sense of reviewing them. It does not say that he should decide to exclude precisely all other payments.

Chairman.] Just one more question: I think, Mr. Glen and Sir Alan, that a good deal of this cross-examination has arisen from the fact that these words were in the Statutory Instrument and I think the Committee feels that the House read into them an entirely different meaning from the interpretation that you have given. I think also the Committee is not convinced that the House was entirely fairly dealt with. That is my own opinion, but I just want to put this to you: in future it would be advisable, would it not, not to put words of that kind in unless they have the meaning that the House would normally attach to them? Do not you think that would be wise?

Mr. Hoy.

1761. Do you think there could be rival interpretations, Sir Alan?—(Sir Alan Hitchman.) I think that this is a matter for legal advice. I cannot positively affirm that in my Department our legal adviser was specifically asked whether these words would justify the particular interpretation that has now been advanced for them. I can affirm that the matter was considered at a very high level and I think it is very probable that legal advice was taken, and if the legal advice is that these words do bear that interpretation, then I think that, so to speak, they are proper words, and if the House was misled I think it would have been because the explanation given at the time the scheme was introduced was

not as adequate as perhaps, in the light of hindsight, might have been desirable. Could I just say one other thing? I do think, if I might just add one word, that there is a confusion here and it is, if I may say so, a very understandable confusion. The high grant under the Ploughed-up Grassland (Fertilisers) Scheme was undoubtedly understood as compensation not merely for the cost of fertilisers, but also for the cost of ploughing up, and I think that is confirmed by the fact that when a specific grant in respect of ploughing up was introduced this particular scheme was withdrawn, and if you consider the Ploughed-up Grassland (Fertilisers) Scheme as a scheme not merely to contribute towards the cost of fertilisers, but also in essence a scheme for compensating for costs of ploughing up, then I do not think the anomalous circumstance which has attracted so much attention is really so objectionable as at first glance it undoubtedly appears to be.

Chairman.

1762. Might I put it this way, that if, as Mr. Figgures explained, words mean what they say, you stand perfectly innocent; the trouble is that the Committee and possibly the House did not quite realise that these words meant what they said?—That may well be, yes.

Chairman.] They interpreted them in the way that they have generally been interpreted in past Acts.

Mr. David Jones.

1763. May I just put one further question in that connection? Sir Alan, does that mean that you are now telling the Committee that in your view the fact that somebody might draw more than 100 per cent. was intended by Parliament as a sort of reward for ploughing up rough grassland?—Yes. I think that the particular circumstance was very unusual and I am sure that no case has been traced in England and Wales of that, and while we cannot absolutely say it was impossible we think it very unlikely, and I have no doubt the difficulty was that the two schemes were introduced at different times and the combined effect of the two schemes was never explained to Parliament at any one time; but had the point been raised, for example, by a Member when the second scheme was introduced, had he said: "Is the first scheme to be withdrawn and, if it is not, then does this mean that a particular farmer can get up to 100 per cent. of the cost of his fertilisers?", I think the answer which would have been given then would have been "Yes", and whatever the Minister at the time would have said, should that happen he would regard it as not undesirable because the first grant was required to compensate for other costs than the pure costs of the fertilisers.

20216

H 3

11 March, 1954.]

Sir ALAN HITCHMAN, K.C.B., and
Mr. A. GLEN, C.B., M.C.

[Continued.]

Mr. David Jones.] Are you therefore saying to the Committee that the Minister was not in fact quite fair with Parliament when he introduced the scheme?

Chairman.] I cannot allow that question, Mr. Jones. You cannot ask the witness to testify against his Minister.

Mr. David Jones.

1764. The implication is, if a Member had asked the question, that it ought to have been said by somebody?—I must be clear on this. As you realise, Sir, I am not saying it was not said, I just have not read the debate.

Colonel Crosthwaite-Eyre.

1765. I would just like to clear this, if I could. Under the first scheme, the Ploughed-up Grassland Scheme, did the Ministry ever make an apportionment of the grant in so far as there was a certain element, say, for ploughing up and a certain one for fertiliser?—No.

1766. How did they arrive at the sum, then?—They estimated the cost, I imagine, of doing a ploughing up, having to take a composite average. Obviously some of it was much harder to do than others. Then they estimated the cost of the controlled fertiliser treatment; and then a conclusion was reached, and these things have to be somewhat rough and ready, that an appropriate inducement, taking these things together, was the grant that was proposed.

1767. Surely that is the very question I asked you, if they did estimate it then they did break up the various elements in the grant?—No, I think they took the two costs together and then decided that an appropriate grant for the total was so much.

1768. You just said, in answer to the question that they did make these estimates to arrive at it?—I said, very possibly they did. I am sorry, I do not know.*

Mr. Hoy.

1769. I do not want to prolong this, but there are just a couple of questions I would like to ask. I have heard Sir Alan say on two or three occasions that this was considered at a very high level. Now, I am not very clear as to what he means by this. Does he mean the Order or the effect of it?—What I would say is that the decision to let the two schemes run together was considered at a very high level.

Mr. Steele.] Which means that there was some doubt about it?

Mr. Hoy.

1770. When you say it was agreed at a very high level, that must have been because some doubt was raised as to its working. What I want to know is whether it was considered at this high level before or after the effect became known?—I understand it was considered before the second scheme was introduced in the way it was.

1771. And those who were at this very high level had some doubt as to the working of this scheme, and it was because of that that this high level conference was held, and they must have foreseen, surely, some of the things that have happened which have become apparent to this Committee, but in spite of that they came to the decision that both these subsidies would be paid?—That is right; they decided that the circumstances justified that, yes.

* Appendix 10.

Sir Alan Hitchman withdrew.

CLASS VI.

VOTE 20.

DEPARTMENT OF AGRICULTURE FOR SCOTLAND

Chairman.

1772. Will Members turn to the Comptroller and Auditor General's Report on Class VI, Vote 20, paragraphs 110 and 111, on pages xxvii and xxviii? Mr. Glen, in regard to this road, of course, the Ministry of Agriculture was not involved?—Agreed.

1773. Who made the original estimate of £25,000?—The County Council.

1774. Did you check it?—No; that is to say, we did not have a technical survey of the proposal made by engineers of the Department.

1775. But if I remember rightly, Sir Edward Bridges, when he came before this Committee explaining the new policy of the Treasury, suggested that on technical matters the Treasury tended more and more to leave the decisions and the judgment to the Departments?—Yes.

1776. They themselves did not attempt to check the technical side. Here is a question of a technical nature involving the cost of a road. The Treasury leave it to you and you leave it to the County Council, so, in fact, there is really no check from a Parliamentary standpoint?—If you are asking me, Sir, whether our

11 March, 1954.]

Mr. A. GLEN, C.B., M.C.

[Continued.]

engineers should have inspected the site of the road and agreed a realistic figure with the County Council road surveyor, I would say this, that, in the light of events, undoubtedly that ought to have been done.

1777. I think that is quite obvious, but what is your normal practice if a County Council asks for a road? Do you take their estimate and then approach the Treasury on their estimate?—No, since this experience we invariably send our engineers and make an estimate on technical advice of our own, but this occurred in 1946 and as there were some wartime arrears, and so on, which had accumulated and a general eagerness to get on with schemes of crofter roads, and a good many of them were on the tapis, some of the estimates were taken on the basis of the County Council's recommendation, and this is one of those.

1778. And it was not until two years afterwards that your engineers made a survey?—Yes.

1779. What about the revised estimate which had jumped from £25,000 to £65,000? Was that also a guess or was that a serious estimate?—The £65,000, I think, was the County Council's figure. Our engineers went into it at that time and thought that that was an under-estimate and they then produced a figure of £65,000, I think it was.

1780. £96,000?—I am sorry, £96,000, as being a realistic figure. They still thought the County Council were inclined to under-estimate.

1781. What is the length of this road?—8½ miles.

Colonel *Crosthwaite-Eyre.*] Are we allowed to ask where this is, Mr. Chairman, or is that secret?

Chairman.

1782. Oh, yes, certainly?—It is in the Island of Harris.

Chairman.] A "congested area," as you notice.

Colonel Crosthwaite-Eyre.

1783. Could I just ask, to get my ideas straight, is it a road going, therefore, from the East Coast to the west, to serve the West Coast?—Not quite, it is actually on the East Coast.

Chairman.

1784. It is from where to where?—It is a kind of semi-circular piece of land sticking out into the sea a bit, and there are nine little townships lying between the two main centres of population, which are Tarbert, the capital of the Island, and Rodel, the little port about ten miles or so to the south, or less than that in a direct line. This road goes round in a very, very

rough semi-circle and takes in these nine settlements or townships. May I just do a little exposition, Sir?

1785. Please do?—There were two things available before the road was started, a track which was pretty bad and went over rocks and through bogs, and so on, and was quite impassable in bad weather, and the sea. They went round in boats. In recent years there has been a shrinkage of population, naturally, in these townships and indeed, unless the road were forthcoming it was perfectly clear that from a social point of view that part of the island was going to be written off; and so this project seemed to us a good one.

1786. On what basis was your £96,000 estimate made? It seems a very expensive road?—If I may go on with the general description, this track which is being developed into a road goes over rocky outcrops and deep bogs and nobody knew quite how deep the bogs were until they started trying to build up a road. The sort of standard cost per mile which used to be used in rough calculation was £3,000, but that figure, I should make clear from the beginning, was the cost in pre-war days and just after. It was the estimated cost of making a road, but not of under-building, which might cost you as much again, and, indeed, in some cases which I have investigated cost as much as £7,000 in addition to the £3,000 for building up. It is really a matter of causeway building. So, the £3,000 a mile for roads in those parts is just quite unreal and this particular site in Harris is the worst highland road of our experience.

1787. So that your £96,000 was more or less of a guess too?—Well, it was at least what you might call a committee guess in the sense that our engineers were on the spot and did investigations and tests of depths and so on and ascertained the ready availability of material, because you have got to use the material on the spot, of course, and as far as they could go into it without actual excavation that was the nearest figure they could produce. That should have been the 1946 figure. I think there is no doubt about it, that the starting point was something very near £100,000, the reasonable starting point.

1788. Was the work adequately supervised? Who carried it out?—This is a County Council project, you see.

1789. A County Council road. In view of the enormously increasing costs and the mounting cost did you take steps to see that the thing was adequately dealt with?—Well, we are not satisfied on that. We have been trying to get this particular County Council, which has a great mass of obligation to make decent roads, to use more modern methods and acquire some heavy machinery for road-making which

11 March, 1954.]

Mr. A. GLEN, C.B., M.C.

[Continued.]

would accelerate the work and possibly in the end cheapen it, but they have financial difficulties and they have preferred so far to proceed to a very large extent with hand labour and minor machinery. That is all that they have got at present.

1790. But surely, if you are providing a very large proportion of the cost you have a certain amount of sanction to insist upon their doing it efficiently?—Yes, it is a little difficult to insist on a County Council doing things out of the rates when it makes representations that it cannot do it out of its available financial resources.

1791. But you could always make representations that unless they did it efficiently you could not do it out of your funds?—Then they would not have the road at all. We have that problem.

1792. Surely when it comes to figures like this, rather astronomical figures, one really has to wonder whether the population of 600 justifies the enormous cost of the road?—That, of course, is a sociological and political question which is far above my head.

Mr. Hoy.

1793. Would you just make it clear which County Council is involved?—*[The witness gave the name of the County Council.]*

Chairman.] Mr. Figgures, you see what has happened in this case? The Treasury rely on the Department and the Department rely on the County Council and the County Council rely on hope, I gather.

Colonel *Crosthwaite-Eyre.*] Or the Treasury, in fact.

Chairman.

1794. Or the Treasury. One really makes a complete circle. What are you doing to prevent yourself being committed to expenditure of this character—I do not mean this particular road—this particular type of expenditure where you get, as Colonel Crosthwaite-Eyre has pointed out, a circle which comes back on you and you find that there is no real check anyway?—(Mr. Figgures.) I think, Mr. Chairman—and I am sure I do not need to say what we thought about this particular exercise—our only real safeguard, as Sir Edward Bridges told this Committee, is with the Department. In this particular case it was clear, for reasons which one can quite well understand in 1946, with the shortage of staff, they did on that occasion pass the thing through without any investigation of their own. It is true, even if the investigation is made it may go wrong with roads in difficult country, and that is perfectly well understood, but still, one gets an estimate which is within the region of the likely instead of this one which was a figure which was not related to the cost of building the road in the Island of Harris

at all, as far as we can subsequently see. I do not think there is anything more we can do, Mr. Chairman, than that. It did not occur to us at the time, I think, to ask the Department whether they had checked it. We assumed they had. We would, I think, wish in these cases to ensure that we had investigated a little further.

1795. I think, if the Treasury is to be protected, and Sir Edward Bridges' dictum is that they rely for technical checks on the Department, that the Treasury must insist that the Department should apply the technical checks?—There is a second check we theoretically have, Mr. Chairman. The County Council made the estimate and we agreed to make a grant of 75 per cent. The proper safeguard in that case is that the County Council should bear the cost of its own mistake. The difficulty is that, when it is a case of this kind and the error which is thrown up is of this order of magnitude, with a local authority with the limited resources of the County Council, receiving so much of its resources from the Exchequer by another way, and with these political and sociological considerations which Mr. Glen has already mentioned, our power really to insist on that one which is our ultimate safeguard turns out to be a broken reed.

1796. Of course, the Treasury bears an enormous amount. You bear 75 per cent. then, and in all probability there is a pretty heavy grant under the Equalisation Fund?—Certainly, that is what I was referring to, very heavy indeed in that particular county.

1797. What is the actual proportion of the cost that falls on the Treasury in this case, do you know?—I have a figure in my mind, but it is so startling that I dare not give it without checking it.

1798. Perhaps you will let us have it, checked?—Yes, I will.*

Mr. David Jones.

1799. Mr. Glen, who fixed the standard cost of £3,000 a mile? You said generally the local authorities took it, but have you any idea who fixed it?—(Mr. Glen.) Actually I think it is rather the County Council's figure. I have a letter here from them which talks about a basic rate of

* *Note by Witness:* Since 1948-49 the percentage of the County Council's expenditure covered by the Exchequer Equalisation Grant has varied between 54.5 per cent. and 61 per cent. and has averaged 58 per cent. Assuming that the road in due course is completed at a cost of £135,000 and that the figure approved for grant remains £115,500, the Exchequer contribution will be £114,682. If, on the other hand, the whole £135,000 were to rank for grant, the Exchequer contribution would be £120,825.

11 March, 1954.]

Mr. A. GLEN, C.B., M.C.

[Continued.]

£3,000 per mile. As I said that does not necessarily include the building-up of the land and making the road. The County Council formed their £25,500 estimate on the basis of what they called a basic rate of £3,000 per mile. I rather think it is a left-over from before the war.

1800. Before the war?—That is so, and they went on to say this, that “no particular cognisance was taken of the exceptional difficulties which would be encountered in constructing a road between Kendebeg and Stockinish and no allowance was made in the estimates beyond the ordinary basic figure of £3,000 per mile which in other schemes has proved and is proving satisfactory for the work. We have done schemes which have cleared at £3,000 a mile.”

1801. Was this figure approved by anyone in your Department? I suppose it must have been?—It was accepted and submitted to the Treasury.

1802. And are there any other local authorities in Scotland using it, do you know?—I do not know about that.

1803. I should not imagine so?—The answer is No, it is their basic figure.

1804. What have you now done to improve your method of estimating?—We send an engineer, or possibly two engineers, to check the scheme.

1805. Would you think, even on sociological and political grounds, a figure of £225 per person for 600 people is a reasonable figure to incur?—Are you asking me to say—

1806. This is what it would have cost anyhow?—Yes. It is very difficult to adopt this criterion at all, because if you take these nine townships with a total population of 600 and relate them to this road, if you say that it is not appropriate that a road should be built for each 200 people, or if the population of these townships had been half what it is, that does not in our view on political and sociological grounds lessen the importance, indeed, the necessity, for having a road if people are going to live there at all. So I rather feel that this particular criterion is not one that can be applied.

1807. I gather the road has still not been completed?—No.

1808. Is it usable?—It is usable from both ends.

1809. But not right through?—There is a small piece of about two-thirds of a mile or so not yet completed.

1810. In between?—In between.

1811. So they still cannot use the road from one end to the other?—Not from one end to the other, but as it is in the middle the southern group have access to the little port of Rodel and the other group

have access to the capital, Tarbert, and you have now on the road such things as buses, hot midday meals for children, and so on, and there has been a tremendous revolution in the life of the community already with the uncompleted road. I thought I should make that point clear, Sir. We really do feel quite strongly in the Department that it is quite wrong to regard this scheme as in any way a nugatory one. Admitting that the original estimate of cost was just haywire, and suggesting that we might start with the £96,000 figure, what has happened since that, the excess over that, is not out of the way, having regard to the costs and the difficulties encountered. One thing, for example, was that at about the £96,000 period an apparently inexhaustible supply of gravel suddenly petered out and they had to bring the materials from further away; so the excess over £96,000, I think, can be explained.

1812. If you take the £96,000 the ultimate expected cost is nearly half as much again?—Yes, I agree.

Mr. Hoy.

1813. I would agree that it is not our job to argue whether this should be spent on 600 people, it might be very important to do so, but what I am more concerned about is this, when it was first decided to go ahead with this road in 1946, how long did your Department estimate that this road was going to take to build, because you were not head of the Department then?—Four or five years, I am told.

1814. So that it has taken considerably longer than was at first anticipated. What is the reason for that?—As I say, the difficulties, engineering difficulties and so on, have indeed proved very much greater than was anticipated at the beginning.

1815. Would you say that the difficulties were greater than the County Council were competent to undertake?—Oh, I do not think so.

1816. If you do not think so, then, Mr. Glen, would you agree that the County Council who are carrying out this contract have got the men and material to do it with?—It is local labour, of course, and they have it available. All they are short of is cash.

1817. There has not been a great shortage of that, apparently. What I am suggesting to you is this: they have got the plant to do the job with or is that not one of the reasons why this job has proved so costly?—I think it is one of the reasons why it has proved so long, certainly, and I think I said earlier on that we do think that this County Council should be better equipped in the way of heavy roadmaking machinery.

1818. Would not you agree that it is costly? We have got to find some basis for this. It has cost £135,000 up to the present time. Is not that correct?—Yes.

11 March, 1954.]

Mr. A. GLEN, C.B., M.C.

[Continued.]

1819. You have still got two-thirds of a mile to do. Has anybody estimated what it is going to cost?—That is included in the £135,000.

1820. So that the total cost will be £135,000?—Yes.

1821. What is preventing this two-thirds of a mile linking with the eight miles of road?—The Treasury's refusal so far to give us authority to pay higher grant. This proposition is resting at the Treasury's door at the moment.

1822. You mean, the Treasury approved a grant up to £115,500?—Yes.

1823. It is going to cost an additional £20,000 to finish, is that right?—Yes, I think so.

1824. And the Treasury say to you, "Well, you are not going to get £20,000 out of us"? Is that right?—Well, that is not quite fair to the Treasury, if I may say so. The position is that they made a perfectly sound financial offer which ought, in all commonsense, to have been possible to carry out, but in point of fact it is not quite good enough to ensure the completion of the road and we realise that, in order to persuade the Treasury to authorise a bit more, we have got to put up a very good case and we are awaiting that case from the County Council.

1825. How long has this been waiting?—The County Council stopped actual working about three months ago.

1826. Were there any other stoppages due to lack of continuity of grant or plant over this long period?—I do not think so. It has not been actually stopped before.

1827. But it has been delayed?—Well, it has taken a long time in the sense that if the County Council, I suppose, had put 2X men on to it instead of 1X men, it might have been done more quickly.

1828. Do not you think that all these delays are, in fact, one of the main reasons for the very high cost of the road? There can be nothing more costly than that sort of thing?—I do not know. I just would not venture an opinion on whether it is less or more costly to do a thing slowly with a small number of men. It depends on the job. It is a technical point.

1829. I do not like pressing on this, but taking this £96,000 estimate, for instance, in 1950, was that an estimate after a survey by your people?—Yes.

1830. So that there is no shelving the responsibility from that period, in fact your own experts thought that £96,000 would do the job?—Yes.

1831. So they are £40,000 out?—Under the then conditions of labour.

1832. At 1950, I appreciate that. So that they are £40,000 out in a couple of years?—Well, there is just one thing I

would like to say about the £96,000. It was based on our being able somehow to persuade the county authority to get some better plant on to the road, and indeed, in terms of what you, Mr. Hoy, have just said yourself, to speed the whole thing up, which ought to be a more economical method, though one cannot really judge.

Chairman.

1833. Might I just intervene here? When was the road actually started? When was construction actually begun?—I think it was begun in 1946.

Mr. Hoy.

1834. In April, 1947, was it not?—I beg your pardon, April, 1947.

1835. In 1950 your estimate was £96,000?—Yes.

Chairman.] So, there have been three years' construction on the road, and therefore the jump of £40,000 is not on the whole of the road, it is on a mere section of the road?

Mr. Hoy.

1836. That is just what I am saying, Mr. Chairman. The work was begun under the surveyor in April, 1947, and I do not know how much was done, but it was only after three years' work was done that the revised estimate was taken. I presume that obviously the first three years was costing an awful sum of money? In fact the final estimate was for the part already completed and what remained to be done?—Yes.

1837. With due respect, do not you think that the County Council are a great deal to blame for this abnormal cost? Your Department is bound to administer, and it is bound to accept responsibility ultimately for this, you cannot get out of it, but what I want to know is what part the County Council played in it?—We, of course, accept the accounting responsibility and the general responsibility for the work. I would hate to assign any responsibility to people not represented here.

1838. Anyway I have no doubt it has been a little lesson to the Department?—In the sense that we will bring in our engineers at the very beginning of every scheme in the future, yes.

Colonel Crosthwaite-Eyre.

1839. Mr. Figgures, why did the Treasury select the figure of £115,500 as the proportion of the total estimate that they would sanction for grant?—(Mr. Figgures.) I cannot give you an answer justifying each individual figure. The figure which we had agreed to previously was £96,000. We are now told £135,000, that is, an increase of £40,000 on which we were asked to give a 75 per cent. grant, and I think the basis for the decision was that we did not think that this was reasonable; we think it is

11 March, 1954.]

Mr. A. GLEN, C.B., M.C.

[Continued.]

quite unreasonable that three times running we should be asked to increase the amount of money. We accept the fact that the job is going to cost this amount of money, but we do not think the taxpayer should have to bear more than a certain proportion of it. It is very doubtful, of course, and this is the basic point, whether the approval would ever have been given for the work to start in 1947 if we had then known what it would ultimately cost. It is no question about whether it ought to be done, it is a question of priority, and we think when a thing happens of this kind the body responsible ought to bear some of the cost.

1840. I was going to ask that, because you said, Mr. Glen, if I quote you correctly, that work is held up now pending further application to the Treasury for a grant?—(Mr. Glen.) Well, might I put it this way, that we are awaiting representations from the County Council on the whole project and their proposals as to what is to be done about the remaining two-thirds of a mile of road.

1841. If I may just ask the Treasury one more question, at the moment I am correct in saying that it is the Treasury's opinion that the balance of £20,000 has got to be found by the County Council concerned?—(Mr. Figgures.) That is our latest letter to the Department, yes.

1842. Why did it take, Mr. Glen, from April, 1947, when the work started, until March, 1948—that is, 11 months—for an inspection to be made by one of your Department's engineers as to what was going on?—(Mr. Glen.) I think we began to get information about what was happening, and so sent our engineers. I am not very clear why that should be regarded as an excessive period, because we had no reason to suspect in the early months of construction that the County Council were finding difficulties. We then learned that they had.

1843. May I put the question to you in a more general form? Where a sum of this nature like £20,000 is involved, is it normal for your Department to leave 11 months from the beginning of a particular task before you would send an official to visit and see what is happening?—Well, I have already said that we now send an official engineer at the beginning, invariably.

1844. So it is not now the practice. Where money for which you as a department are responsible, say, for 50 or 75 per cent. of the amount, you would send an official in the very early stages?—May I say, it was not our practice not to do so. It was just this spate of works in 1946, a few of which were accepted at their face value, and we very much regret it in this case, at any rate.

1845. Now, as I understand it, in 1948, when the revision took place, it took the

County Council six months to formulate their new proposal for £65,000, but it took the Department two years to formulate their estimate of £96,000. Is there not some rather long delay in that?—I have not particularly studied the timing of it.

1846. May I put it to you that the local authority forwarded you their estimate in November, 1948. Treasury approval for the £96,000 was not obtained until February, 1950. Is that not rather a long time?—I had not realised that the lapse of time was detrimental at all. We reported to the Treasury on the 25th March, 1949, and on the 4th May, 1949, a joint inspection of the road was made by the Department's engineers with the County Surveyor. At the date of the inspection, 3½ miles of road in certain sections had been formed and roughly surfaced at a cost of £40,000. The estimate of the total cost of making the road, arrived at by the County Council on the basis of ascertained costs at that time, and taking into account the more expensive constructional operations of some of the work still to be done, was £93,000. The Department's engineers estimated the cost at £96,000, and Treasury approval to increase the offer to 75 per cent. of this amount was sought on 13th February, 1950.

1847. I do not wish to press this too much?—The administrative steps did not follow very quickly, but they were mixed up with technical examinations of considerable elaboration, I think.

1848. I think you said, in answering an earlier question, that the figure of £3,000 a mile for Highland construction you felt should be increased by £7,000, in view of the under-pinning and other special works that you would encounter?—I did not quite say that. I was interested in that figure, and I got out facts of other cases where it had been adopted and I found that the £3,000 referred solely to the road and that, while there might sometimes not be any additional costs, in certain miles of Highland road you might spend as much as £7,000 on under-pinning a road which crossed a bog, or a similar sum per mile in cutting through rock, and all that kind of thing. In other words, £3,000 does not really mean a thing.

1849. Even if you take those two figures together, you would only get to £10,000 a mile, would you not?—Yes.

1850. Whereas this road has cost £16,000 a mile?—Yes.

1851. I did not want to go back on that, but could you tell me of any other case, or do you know of any other case, of a road in the Highlands where the cost has been anything like £16,000 a mile?—We had one, I think.

1852. That one is good enough. There is no parallel or similar case?—No, this is quite the worst. I am told that we have

11 March, 1954.]

Mr. A. GLEN, C.B., M.C.

[Continued.]

paid—at least we have a case—at £16,500 a mile for a road of particular difficulty, so that the figure can apparently be almost anything, depending on the difficulties.

Mr. Steele.

1853. Have any of the Treasury officials been to have a look at this road or the district?—Yes, we have had Treasury officials up to look at our countryside, but not, I think, to Harris.

1854. They have not been to Harris?—I may say they are very welcome visitors any time they care to come.

1855. Would it be true to say that in Harris, where these people are living, the conditions under which they are living are probably of the last century?—Yes, I think that is true.

1856. And in point of fact, so far as this road is concerned its use to these people will be outside our conception altogether?—I certainly think it will be an immense practical advantage when it is finished.

1857. Is it true that in 1946, when this project was first mooted, these people had probably come home from the Services and at that stage were unemployed?—That is so; yes.

1858. The Treasury, in their wisdom having decided that no more money should be spent on completing this road, the project has been stopped, and are these people unemployed at the moment?—No, Sir, I think not. They do of course live rather seasonal lives in these parts. They would not, I think, be reverting to unemployment because of this road. Indeed, it might be the other way round. The County Council might find a little difficulty in raising their teams of men again. I do not know as to that, but I should say that the absence of work on the road is not, I think, causing unemployment.

1859. Is that because the hydro-electric scheme is drawing people to the mainland?—That may well be so.

1860. I understand the whole social object here is to keep the people on the island?—Yes.

1861. Would it be true to say that Eric Linklater got the theme of his book "Laxdale Hall" from what has happened in this island?—It may be. I do not know.

Mr. Blenkinsop.

1862. Do I understand that you are now tightening up your control on local authorities and that you are not going to give them as much freedom from check as has been the case in the past?—It is not a gradual process. It was our invariable pre-war practice to go into technical and financial details of all these projects very, very carefully, from the beginning; but in 1946 a few of them slipped through without this vetting, but we have resumed that, and is it now our invariable practice.

1863. Perhaps I could put the question rather better. You still do wish to decentralise as far as possible? You still do wish to leave as much of this work as possible to the local authority where you are satisfied with the qualified staff and engineers and so on that they have available to them?—I am not sure that we are entirely happy about that. The local authorities have their own independent responsibility, with which we cannot interfere. We can only control them to the extent that they come sometimes for projects of this kind and ask us for money. Then we can apply a certain amount of pressure, but even then only to a limited degree, I think.

1864. But there has been a general pressure to try and reduce the amount of central check on local authority work, where the central government department is satisfied with the standard of technical advice available in that local authority area? There have been many reports on that?—I think that is so, yes.

1865. While naturally wanting to tighten up on these cases, you are not wishing this to destroy your general desire to leave as much initiative as possible in the hands of local authorities?—Actually, we leave the whole initiative to the local authority. The local authority is just as keen on roads and piers as we are.

1866. But limiting the kind of technical check to cases where you are satisfied that the technical advice available to the local authority is unsatisfactory?—Well, I think after this case we will want a complete check every time.

1867. I am merely putting this to you as an example of why it is necessary for there to be some bureaucratic control in the interests of effective financial control?—Yes.

1868. And the demand for complete liberty of a local authority does not work, you say, too well?—Quite, yes.

Mr. Oliver.

1869. Is not the difficulty in this case the fact that you had employed crofter labour to make this road?—Well, of course, we did not employ it, but the authority did.

1870. I know you did not?—It is difficult to say anything much about crofter labour.

1871. You have had a long innings and I do not want to prolong it, but this is the second point, how can anyone in a skilled job like road making assess the capacity of crofters, with all their good qualities? I am not decrying them as men, but I am speaking of authorities road building, a highly specialised job. Who in Heaven's name could say £5,000 or £6,000 or £9,000, because you cannot assess it?—Quite.

1872. Is that not right?—Yes.

1873. I should have thought so. Then in 1950, when you had a total check and you decided on £96,000, was there nobody

11 March, 1954.]

Mr. A. GLEN, C.B., M.C.

[Continued.]

in the Scottish Department or anybody in the Treasury who looked into this matter, where the estimates came from? If they had come from a large contractor, they would have been reliable, but if you were depending on crofter labour, no one on earth could make an estimate?—There is something in that.

Chairman.

1874. I would just like to put two points, one to you Mr. Glen, and one to the Treasury. The road was started in 1947. In 1950 you got about 3½ miles built?—Yes.

1875. Then your estimate of the total cost was £96,000?—Yes.

1876. Since then you have increased your estimate by £40,000?—Yes.

1877. But that increase of £40,000 must be on the final five miles? It is not on the whole road, because you knew what the first 3½ miles cost you. So, apparently, not only have you had to increase your cost very sharply from your original estimate, but the whole of the increase of £40,000 is the increase on the last five miles of the road, is it not?—Yes; plus surfacing the whole thing.

1878. In fact your cost has been going up like *that*?—Yes, subject to there being left to the last the operation affecting the whole road, surfacing, I would say I think that was right, Sir.

1879. There has been a steady skying of the actual cost per mile?—Yes. That may arise partly because they left out the more difficult parts. It is perhaps a joke, Sir, but I think it would be natural to complete the sections which could most easily be completed first.

1880. I should have thought they would have started at one end and worked to the other, or started at the two ends and worked to the middle. I want to ask Mr. Figgures this: the Treasury are proposing to bear up to 75 per cent. of £135,000, is it?—(Mr. Figgures.) No, of £115,000, Mr. Chairman.

1881. And that means that the County Council will therefore have to bear the total cost of the £20,000? Will you tell us, then, when you send us in your note on this, how much of that £20,000 the County Council really will bear and how much the Treasury will bear, and then we shall get some idea of what valuation in sacrifice the County Council put on this extra mile of road?—By all means, Sir.

The witnesses withdrew.

Adjourned to Tuesday next, at 4 p.m.

TUESDAY, 16TH MARCH, 1954.

Members present:

Mr. BENSON in the Chair.

Colonel Crosthwaite-Eyre.
Mr. Hoy.
Mr. David Jones.
Mr. Niall Macpherson.

Sir John Mellor.
Mr. Oliver.
Mr. Steele.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. F. E. FIGGURES and Mrs. D. C. L. JOHNSTONE called in and examined.

CIVIL APPROPRIATION ACCOUNTS 1952-53 (CLASSES I TO VIII).

CLASS IV.

VOTE 13.

FESTIVAL OF BRITAIN, 1951.

Mr. G. A. CAMPBELL, sometime Controller, Festival of Britain Office, Lieut.-General Sir CHARLES KING, K.B.E., C.B., sometime Chairman, Festival Gardens, Ltd. and Mr. W. A. PROCTER, an Assistant Secretary, Ministry of Works, called in and examined.

Chairman.

1882. Will Members turn to page xiii of the Civil Appropriation Accounts (Classes I to VIII), paragraphs 38 and 39 of the Comptroller and Auditor General's Report? Mr. Campbell, your years and our Parlia-

mentary years do not seem entirely to coincide. We have the results for the summer of 1952, not the financial year, 1952. Could you give us roughly what the results are for the season which includes the summer of 1953?—(Mr. Campbell.) Yes. May I

16 March, 1954.]

Mr. G. A. CAMPBELL,

[Continued.

Lieut.-General Sir CHARLES KING, K.B.E., C.B., and Mr. W. A. PROCTER.

explain that Sir Charles King, the Chairman of Festival Gardens Ltd., is here, and I suggest, Sir, as in previous years, perhaps the Chairman would reply on Festival Gardens?

1883. Certainly, if you please?—(Sir Charles King.) The question you asked related to the summer of 1953?

1884. Your year includes the summer of 1953, which is not our year?—We have now, only yesterday, finished the accounts up to the date of liquidation, which is 15th December, and, of course, nobody has seen these accounts yet, though I have a copy here. They were signed only this morning, as a matter of fact, but I think the Committee would like to know.

1885. Yes?—They can be expressed, of course, in many ways, and one expression is that over the last two years together, if you omit interest on loans, we made a small profit of about £1,000.

1886. In paragraph 38, as I read it, the Comptroller and Auditor-General says you made a profit of about £3,000 after charging interest of £24,000. Does that mean that you had a loss of £23,000 after interest on the next year?—We did better that year than we did this last year.

1887. Anyhow, you end up with a small profit?—A small profit over the two years taken together. (Mr. Procter.) Would you like me to say anything about paragraph 38, which I have looked into?

1888. If you please, yes?—The point, I think, was that the net outturn of the trading account was £2,990, but that at the same time the deficiency on the revenue and expenditure account decreased by £28,000. The reason for this, I think, was that the company obtained a payment by the L.C.C. of some money that the L.C.C. owed them for the amphitheatre and tea-house.

1889. That is capital?—Yes, in order to supply them with some ready cash in order to carry over until the next season. I am referring to the point in paragraph 38 of the Comptroller and Auditor General's observations.

1890. Yes, I see. So that your surplus was due to an injection of capital?—No, not all the surplus. There was a slight surplus, but in order to give the company enough cash to carry on with its preparation for the coming year the L.C.C. advanced the date of this payment which they owed to them.

1891. The operational expenditure is on a basis of revenue and expenditure other than capital?—Yes.

1892. Now, as I read this paragraph you made a true profit of £2,990?—Yes.

1893. The question of repayment of capital by the L.C.C. does not enter into that and ought not to enter into your sub-

sequent year?—I agree. My remark was, directed to explaining the apparent anomaly that arose from the remarks in paragraph 38 which showed that while the strict revenue account increased during the year by the amount which was mentioned, £2,900 odd, nevertheless, the deficiency decreased by a greater amount.

1894. You are referring to the last line but one?—Yes.

1895. I see, yes?—Perhaps I misunderstood your point.

1896. What I wanted to get at was, what was the outturn of your trading year?—(Sir Charles King.) For which year, Sir, are you actually enquiring?

1897. The year to which the paragraph refers ends in 1952 and your final year is 1953, I take it?—Yes.

1898. What was the outcome of the trading of 1953?—If I may explain, Sir, we closed our accounts at 31st March, 1953. We closed at the end of the financial year and therefore the expenditure during the winter counted against that, in other words, the maintenance during the winter when we were not open, and the figures up to that date I can give you straight away.

1899. I thought you said you had your accounts now up to last December?—Up to 31st March, 1953, was one date of closing. After that, 15th December, 1953, was the final date. We did not leave them open because we shut down.

1900. What happened from March, 1953, to December, 1953?—Those are the figures I have in front of me here. I do not know how much detail you want?

1901. I just want the outturn?—I will work that out. I have got two years together. (Mr. Procter.) We have a statement by the company here which shows that the outcome of the year ending 31st March, 1953, when everything had been taken into account, was a loss of £288.

1902. Not a surplus of £2,990?—No.

1903. Then you finally closed your accounts and I believe handed over to the L.C.C.?—(Sir Charles King.) That is so.

1904. You had, very approximately, nine months. Now, what was the outturn for the nine months? If you have not got it it does not matter?—(Mr. Procter.) We have both got it, Sir.

1905. I only want it once?—(Sir Charles King.) It is the same piece of paper. (Mr. Procter.) Well, Sir, there is an actual season, 1st April to 17th October, 1953, and the figures there show that a deficiency was incurred of £43,499. Then, from 18th October to 15th December, 1953, the Company was being wound up and a small income was experienced over the realisation operations amounting to £3,847.

16 March, 1954.]

Mr. G. A. CAMPBELL,
Lieut.-General Sir CHARLES KING, K.B.E., C.B., and Mr. W. A. PROCTER.

[Continued.]

1906. Then it means this, that in the previous year you lost a few hundred pounds and in the final year you lost approximately £39,000, is that correct, in the nine months?—(Sir Charles King.) Yes, that is it.

1907. And the L.C.C. have now taken over and you will eventually present final accounts for the Department?—Yes, and if I might emphasise, Mr. Chairman, the loss of this £40,000 is in fact just about equal to loan interest.

1908. Yes. The point is that you had a very much worse season than you had the previous season?—Yes.

1909. Now, with regard to paragraph 39, what was the issue between the Gardens and the contractor?—The final issue?

1910. Yes, what were you arbitrating about?—How much money we had to pay the contractor.

1911. That was for the original work of laying out the Gardens?—The main contractor, yes.

1912. On the whole what was the result of the arbitration? Did you feel you got the better over it?—We had over-reserved to the extent of some £8,000 odd, which was recredited. The reserves shown in the accounts were over-generous to the tune of some £8,000 odd.

1913. You had reserves for more than you anticipated?—Well, we estimated what we thought was a sufficient reserve and we managed to make a slightly better settlement.

1914. How came it that you had to go to arbitration? How was it you could not agree if you had estimated the amount you owed so reasonably accurately?—In actual fact, we did not actually go to arbitration. The contractor applied for arbitration and in the course of considerable investigations they were all prepared for arbitration and we actually reached a settlement without going to the arbitrator.

Mr. Oliver.

1915. Did I understand you to say that your accounting year was not the same as the Parliamentary accounting year?—If I said that, I must have misled you. We finish our accounts on the 31st March normally, when they are kept open, but as we have gone into liquidation we closed the accounts earlier. Did I say it was not the same?

1916. I thought so?—I am sorry, I should not have said so.

Mr. Oliver.] It was the Chairman who led with that remark. I understood you to say, Mr. Chairman, that the accounting year for the Festival Gardens Ltd. was not the same as our year?

Chairman.] I am sorry, I was thinking of the last year.

Mr. Oliver.] The questions that you put, I presume, would have got all the information, but it so confused me that the paragraph as it stands in front of us seems to be meaningless.

Chairman.] I am very sorry, it was the final year I was concerned with.

Mr. Oliver.

1917. Yes. The other point is about the net surplus for 1952-53 of £2,990 after charging loan interest of £19,667 due to the Festival Office. What does that mean?—(Mr. Procter.) It means that the Festival Office lent this money and that the loan interest on it was due to them. Also the L.C.C. had lent some other money and interest was also due to the L.C.C.

1918. Who was the Festival Office, what was the corpus of those people?—(Mr. Campbell.) May I explain? It was a separate Department set up in connection with the Festival of Britain, and it has been abolished since the Festival has now been wound up. Authority was given to the Festival Office to advance certain sums of money to the company, Festival Gardens Ltd., and this money was charged at a rate of interest (2 per cent., as it happened), and 2 per cent. interest was paid to the Festival Office on the sums which were lent to the company. The London County Council also advanced money to the company on the same terms, so the £19,000 is the interest that was payable to the Government Department that advanced the money to the company and the £4,000 is the interest payable to the London County Council who also advanced money to the company.

1919. So you were able to pay interest to both these bodies, and I see there was no repayment on the 1952-53 loans, is that right?—(Sir Charles King.) Quite right. (Mr. Procter.) Actually £270,000 was paid off the Government loan in 1951. In 1952 and 1953 no repayment was made. No interest, either, was paid in the latter two years in order to keep the company in funds. It is shown in the accounts as General King says. It was not actually paid.

Colonel Crosthwaite-Eyre.

1920. I, like Mr. Oliver, am slightly puzzled because in paragraph 38 the Comptroller and Auditor General says: "The net surplus for 1952-53 was £2,990", yet Mr. Chairman, you elucidated that really there was a deficit of £200?—I think the answer, Sir, is that it has taken a lot of sorting out and, as General King says, the accounts have only just been signed in their final form.

16 March, 1954.]

Mr. G. A. CAMPBELL,

[Continued.]

Lieut.-General Sir CHARLES KING, K.B.E., C.B., and Mr. W. A. PROCTER.

1921. Perhaps the Comptroller and Auditor General could help me. The account you were given was a signed account, was it not, Sir Frank?—(Sir *Frank Tribe*.) Yes.

1922. But it seems somehow to have altered in its outturn between the time it was submitted to you for audit and the evidence we have heard today?—I was quoting from the audited revenue and expenditure accounts of Festival Gardens, Ltd. for the year ended 31st March, 1953, which showed excess of revenue over expenditure for the year carried to balance sheet of £2,990.

1923. What I cannot understand is how this statement made to the Comptroller and Auditor General in the signed and audited account is now changed in evidence before this Committee today?—I am afraid I have not quite been able to follow that either. (Mr. *Procter*.) I think that we shall have to look into that and submit a note, if we may.*

Mr. Campbell, Sir Charles King and Mr. Procter withdrew.

TREASURY MINUTE ON PARAGRAPHS 55-59 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir HAROLD EMMERSON, K.C.B., K.C.V.O., Permanent Secretary, Ministry of Works, called in and further examined.

Chairman.

1926. Will Members turn to the Treasury Minute on paragraphs 55-59 of the Third Report of last year's Committee of Public Accounts? There are just two paragraphs in the Minute. My first question is to the Treasury: Mr. *Figgures*, will you look at the first three lines of paragraph 2 of your Minute? "It would, in Their Lordships' view, be undesirable, even if it were practicable, to place a complete ban on changes in the scope of building schemes which suggest themselves after the work has begun." Could you tell me the inwardness of that, because it is so obvious that I do not quite understand why it is there or what it implies?—(Mr. *Figgures*.) I think it is there, Mr. *Chairman*, because we had rather gathered from the Committee's Report that if such a ban could be imposed it would obviously be a major protection for everybody, but frankly we do not think it possible.

1927. Can you point out to me anything in the Committee's Report which suggests that the Committee ever had such an insane idea?—If we have attributed something to them, Mr. *Chairman*, that you did not intend, I can only apologise. (Sir *Harold Emmerson*.) May I say, Sir, there

Colonel *Crosthwaite-Eyre*.] I should be grateful if that could be done.

Chairman.] Would Members turn to pages 228, 229 and 230, the accounts themselves? I have no questions.

Colonel *Crosthwaite-Eyre*.

1924. Is it normal for amounts to be outstanding so long before settlement? I am talking now about Subhead C, which I think is the correct one. Should it take quite as long as that to settle with the various contractors and people that you employed?—(Mr. *Campbell*.) I think so, Sir. I think we settled these bills very quickly. We were told by the contractors that it was the speediest settlement they had had with a Government Department for a very long time.

1925. That is not saying much, perhaps?—Well, I think probably they would have said it in respect of commercial firms too, which had a contract in respect of £2 million.

seems to be a sentence in the middle of paragraph 59 of the Committee's Report which is relevant to this: "Moreover it appears undesirable to Your Committee that works, however novel and difficult, should be started before their scope has been determined."

1928. That is an entirely different thing from saying that if their scope has been determined and something turns up that it shall not be considered. I think this Committee would stand by that last Committee's Report, and would you yourself disagree with that sentence: "It appears undesirable to Your Committee that works, however novel and difficult, should be started before their scope has been determined." Would you dissent from that?—I should not dissent from that. I should have to say it is not always possible, but as a statement of desirability I fully agree with it.

1929. Exactly. That sentence was put in because the Committee found time and time and time again that works were started which in a very short time were doubled in cost and doubled in scope, but that sentence surely has no real relationship to the first sentence in paragraph 2 of the Treasury Minute? Mr. *Figgures*, there was this feeling, I think, in the minds of the Committee last year that departments

* Information supplied; not printed.

16 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

tended to under-estimate their requirements and the cost of their requirements lest the Treasury should come down and forbid them. That, again, is highly undesirable?—(Mr. Figgures.) Very undesirable, Mr. Chairman.

1930. And really there has been a steady under-estimating of requirements, and naturally the Ministry of Works, getting half a tale, give half an estimate. What is being done to deal with this problem that, with practically every building that you start for departments, you get an estimate and within 12 months the estimate has doubled and within two years it has quadrupled?—I do not think I could go with you, Mr. Chairman, as far as that. If I may first of all say this, obviously this Committee has only to deal with those things which go badly wrong. As a generalisation of what has happened across the whole field of building activity, I do not think that doubled in a year or quadrupled in two years would be true. But I would not dissent from this, that, both for the reasons of increasing costs and for increases in scope and plans, there have been many occasions during the last year when, both in this field and in other fields we have eventually been faced with a bill which was far larger than that we had anticipated at the beginning and about which, as I think you implied in your questions, we might have felt very differently in the first place had we known the full extent of the total cost.

1931. Now, the second half of paragraph 2: "The Ministry of Works have recently introduced . . . new arrangements designed to improve this control by ensuring that increases in cost due to changes in plan are clearly distinguished, in the Ministry's submissions to the Treasury and in its own departmental procedure, from the inescapable increases in cost due to rising prices". Does that mean that the Ministry will not report increases in cost due to rising prices?—No, not necessarily, Mr. Chairman.

1932. Not necessarily?—[Not necessarily. The extent to which they have to come back for new authority in the event of an increase in prices is determined by general delegated powers and general understandings between the Treasury and the Ministry of Works.

1933. What exactly are those understandings? How great has an increase in costs owing to rising prices to be before they report it to you?—I am not sure whether we have them with us or whether the Ministry have. They certainly exist and are quite well understood between us. (Sir Harold Emmerson.) There is just one general comment I would like to make in addition to what Mr. Figgures has said, and that is, I think, that the cases which

the Committee have criticised—and about that I make no complaint—have been cases which occurred in the very difficult post-war years, 1946 to 1949 particularly. Of course, they have been brought to account in later financial years and have come to the Committee's attention. On the last point, about variations, I think the normal rule is to report to the Treasury a variation due to an increase in cost if it is more than 10 per cent. of the approved expenditure.

1934. How far are your troubles due to the fact that departments come before you with half-baked schemes?—It is difficult to give a general answer to that. I should say that in the great majority of the hundreds of jobs we do the scheme is certainly not half-baked, as you put it, but is fully worked out and goes through smoothly in accordance with the normal procedure. If I might give an example, I am thinking of an ordinary post office or an employment exchange or local office of that type, where the whole thing is worked out in accordance with an agreed programme and an agreed standard, and nothing untoward happens. The difficult cases, where the requirements are not fully worked out, are really in relation to these research establishments and some of the schemes like this training school that was considered last year.

1935. Yes; with regard to this training school you start off with a cost of £75,000 and end up with a cost of £330,000?—Yes, that was largely because of the change in the nature of the requirement or the size of the requirement.

1936. Exactly. You are not to blame for it if a department comes to you with one scheme and, while you are getting on with the job, increases its demand for an entirely different scheme. It is £75,000 and £330,000. They must be entirely different schemes?—Oh, yes. It was a very considerable extension of the original proposal and, as I explained last year, there was far more work involved in the adaptations of the buildings than we expected.

1937. May I ask the Treasury what happens when you find that owing to increased costs a building or a scheme is going to cost very considerably more than you had anticipated? Do you attempt to cut down or do you just put up your hands and say, "Well, costs are costs; we can do nothing about it"?—(Mrs. Johnstone.) We do certainly try to cut down. We look through the details of the scheme as far as we can and pick out things which we suggest to the Ministry might be cut out to offset the inevitable increases. It is sometimes possible to do more in that direction than it is in other cases.

1938. It may be, Mr. Figgures, that this Committee, having a selected group of accounts before it, gets a jaundiced view?

16 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

—(Mr. *Figgures*.) I do not want to convey that impression to you. These cases do not give us any less concern, I hope, than they do the Committee. But none the less, it would not be fair to say that because that is happening in those cases it is happening over the whole field; that would not be fair to the operating departments.

1939. Then they would all come here?
—They would all come here, and you would never finish, I fear, Mr. Chairman.

Mr. *David Jones*.

1940. Mr. *Figgures*, I see from the top of page 19 that the difference between the two estimates have been divided up, and it looks as though the additional work cost almost as much as the original estimate. In those circumstances, would you regard the revised scheme as the same scheme as the original, or would it be an entirely different scheme?—It depends, Mr. Chairman, on whether you can regard the expenditure which you have incurred to date as complete in itself, or can be made complete in itself. Then you are able to say, "Well, we are faced with the choice between doing this and something different, that is, adding a wholly new piece of work on". In other words, it is important to know whether you can make something useful out of what you have already done. If you can, then you can regard the new scheme as an entirely different scheme and treat it as such. If you cannot you are in difficulties because then you have to decide whether you are prepared to accept nugatory expenditure and lose what you have put in already to save putting in more; that is a very much more difficult decision.

Chairman.

1941. That suggests that somebody has started a scheme which, when completed, would be nugatory?—It could be if there were a change of use. I am not addressing myself to this particular question—I take it Mr. *Jones* did not want me to—but we are putting a general proposition.

Mr. *David Jones*.

1942. Yes. It seems to me in this case that the revised estimates were made very largely to improve the scheme rather than to carry out the original proposition, and I wonder whether the Treasury would say in those circumstances that the scheme was originally authorised without there being anything like sufficient information available (a) as to the purposes for which the eventual scheme was to be used, and (b) all the facts being available before sanction was sought?—(Mrs. *Johnstone*.) I think it is true to say that there was a serious under-estimating of all that this scheme involved.

Mr. *Hoy*.

1943. I would like just a little further explanation from the Treasury on paragraph 1 of their Minute. Does that mean that in future the department carrying out the work, which would be the Ministry of Works, will in fact be held responsible both for the original expenditure and for any excess?—(Mr. *Figgures*.) Yes.

1944. That is just what it means?—Yes.

1945. I just wondered what control the department carrying out the work, which in this case would be the Ministry of Works, is going to have. I do not want to hark back to the case of the Post Office, but the Post Office obviously changed its mind half a dozen times, and it resulted in its original estimate being sent up from about £75,000 to £305,000. Would, in fact, these permissions have to be secured by the Ministry of Works, and would they then be responsible?—That is right, Mr. Chairman. If the Post Office in this case had come to the Ministry of Works and said, "We want you, instead of building it this way, to build it that way," it would be the Ministry of Works who would have to come to the Treasury to get authority for that change. In other words, there would be no danger of giving authority to the Ministry of Works for one part of it and to the Post Office for another part of it.

1946. No. What I am thinking of is this, Mr. *Figgures*: the Post Office obviously has got to convince somebody that the change ought to be made. Now, would that not be the Treasury?—Oh, yes. We must distinguish between the method by which the argument is carried on and this point, which is the pure drill of conveying the authority. The drill of conveying the authority has to be to the Ministry of Works, but of course the Ministry of Works at the request of the Post Office will not automatically come to us and say, "We want this authority." They themselves would be critical of it. They are the experts in what is the right sort of expenditure for accommodation, and before we agreed to that we should want to know (a) the justification of it from the Post Office and (b) the advice of the Ministry of Works on whether it was a desirable thing in terms of their own expertise.

1947. Sir Harold, I do not want, as I say, to hark back on this Post Office case, which we went into so very thoroughly last year, but I think this is what the Chairman meant by a "half-baked" proposal. In fact, you had a proposal for doing a job costing, as I say, some £75,000, which eventually came out at about £305,000. At the least I think you would agree it was not a very well thought out proposal, and that is what the Public Accounts Committee took exception to?—(Sir *Harold Emmerson*.) Yes, I would

16 March, 1954.] Sir HAROLD EMMERSON, (K.C.B., K.C.V.O.

[Continued.]

agree, of course; but it is very difficult now to recapture the atmosphere of that period, when there was a feeling of desperate urgency to get the job done. There certainly was a tendency to press the Department and, I must admit, for the Department itself to get the work done without perhaps full regard for all that was involved. That is an attitude that we have now to resist, and I think that later experience would show that the number of such exceptional cases is diminishing.

Colonel *Crosthwaite-Eyre*.

1948. I do not want to hark back, Mr. Chairman, but might I ask Sir Harold this? You stressed "urgency" just now in answering Mr. Hoy. How does urgency come in when this particular scheme was started in July, 1946, and was still under way in May, 1950?—The immediate urgency was in getting the buildings ready for occupation by the Post Office as a foundation, as it were, of their training school. My recollection is, Sir, that we discussed it last time. After their first experience, the Post Office found that they needed additional buildings, including residential accommodation, amenities and so on, which were added to the scheme subsequently. The original urgency was to get the accommodation for the trainees.

1949. Which, in fact, did not happen for four years?—Oh, yes. The training started quite soon after.

1950. I do not want to go back on this. Might I ask the Treasury one question? You said on estimates like this every effort was made to cut down where the sum proposed to be spent was exceeded, as in this case. Would it be possible to ask you by how much you did cut down this particular Post Office scheme?—(Mr. *Figgures*.) Certainly; I do not think I can give you an answer now, nor would we like to suggest we did succeed in this particular scheme in making any cut. Mrs. *Johnstone* said that, of course, the scope for economies varies from one scheme to another.

Colonel *Crosthwaite-Eyre*.] Would it be true to say in most cases that the Treasury is successful or only seldom successful in cutting down where this over-expenditure occurs?

Chairman.] Perhaps, Colonel *Crosthwaite-Eyre*, you would like to have a list of the things that the Treasury cut out of these particular works?

Colonel *Crosthwaite-Eyre*.] I do not wish to put the Treasury to a lot of trouble on it.

Chairman.

1951. Is it easy, Sir Harold, to specify disallowance by the Treasury on this particular scheme?—(Sir *Harold Emmerson*.) I personally doubt whether it is worth-

while, for this reason, that in the process of cutting down the first stage of criticism is in the Ministry of Works in respect of the proposals that are put up to the Ministry by the client Department. It is only when the Ministry is satisfied that the thing is reasonable or has carried suggestions as far as the Ministry can, that the application goes to the Treasury. Then, of course, the Treasury itself may and often does curtail the scheme in some way, but in order to get a complete picture of what has happened on a particular scheme it would be necessary to start earlier than the reference to the Treasury.

Colonel *Crosthwaite-Eyre*.

1952. I do not think it would be worth it, Mr. Chairman. I only wanted to discover whether or not the Treasury were usually successful in their efforts?—(Mrs. *Johnstone*.) No, I think more often than not we do find the Ministry of Works itself has done all the elimination that is possible.

1953. No pruning is possible when it gets to the Treasury?—Possibly not.

Chairman.] That is a rather different tale.

Mr. *Steele*.

1954. Sir Harold has more or less answered the questions I wanted to put. I wanted to get the sequence of events quite clear. I understand now that a department, having decided that a scheme is necessary, approaches the Treasury to get the scheme approved in principle. Am I right? Having got the scheme approved, they then ask the Ministry of Works to put out their plans and do the estimating?—(Sir *Harold Emmerson*.) Yes, that is probably the case. I will put it rather in another way: that, if the policy is approved by Ministers, then the Department responsible for carrying out that policy will put a proposal to the Treasury in principle. If that proposal is approved in principle, then, if it involves accommodation—and that is the case we are taking—it is for the Ministry of Works to see how the accommodation can be provided to meet those needs. On the question as to which Department goes to the Treasury, that depends of course on the Department carrying the Vote. If it is an allied service and the cost is therefore borne on the Ministry of Works Vote, then the Ministry of Works would make the approach to the Treasury. On the other hand, if the Department is carrying the cost on its Vote, then that Department would make the approach to the Treasury on their scheme on the information the Ministry of Works had provided. I think the Committee will remember last time, Mr. Chairman, on this Post Office training scheme there was rather an exception to that general procedure. In that case, although the Ministry of Works was

16 March, 1954.]

Sir HAROLD EMMERSON, (K.C.B., K.C.V.O.

[Continued.]

carrying the cost of the scheme on the Ministry of Works Vote, it was the Post Office at that time that was responsible for making application to the Treasury. Following the Committee's action in calling attention to that, that procedure has been changed.

1955. Is it the Ministry of Works, then, having got the policy and the principle and the desire, either of the Treasury or of the Department concerned, who determine what quantity and quality in accommodation will be provided and make an estimate accordingly?—Yes, broadly that is so. Sometimes the Department is unwilling to accept what the Ministry of Works considers desirable. In other words, there is disagreement and the case then is submitted to the Treasury for settlement.

1956. If the Ministry of Works, then, are actually responsible for the estimate, in the case of any change in policy of a department or any departure from the original plan which is put forward by a department, I take it, they have got to go to the Treasury to get approval?—Certainly the Treasury would have to give approval, and normally if the cost, as I say, were borne on the Ministry of Works Vote, the Ministry of Works would go to the Treasury seeking that approval.

Mr. Niall Macpherson.

1957. If I might hark back, is this Royal Ordnance Factory in question now being used by the Royal Ordnance? I understand these were three hostels attached to the Royal Ordnance Factory which were adapted for the Post Office?—Yes, that is so.

Chairman.] I hardly think that arises.

Mr. Niall Macpherson.] What I have in mind is this, that if that is so, I am wondering whether these three hostels would not be also now being used for the Royal Ordnance factory.

Chairman.

1958. I presume they are being used for the Post Office?—They are used solely for the Post Office.

Mr. Niall Macpherson.

1959. I understand that. What I am really getting at is this: was this a case where somewhat unsuitable buildings were forced upon the Post Office because they were available?—I should not like to say they were forced on the Post Office. The position really is that at that time the Post Office were very anxious to have buildings provided quickly for this training school. These buildings which had been used in connection with the Ordnance Factory were available and the Post Office, perhaps unwillingly, accepted them as a basis for a training school.

1960. The argument being that otherwise they would not get the training school because materials were not available? Is that so?—Certainly.

Mr. Oliver.

1961. At the bottom of page 18, there is mentioned the difference of £187,295, and then over the page there is shown how this sum is divided. Are you following me?—I am afraid not. (Sir Frank Tribe.) The latter part of paragraph 58 of last year's Committee's Report.

1962. "The difference of £187,295 between the revised estimate of £117,910 for the first three hostels given in December, 1946, and the estimate of £305,205 given in July, 1949, was said to be made up of £66,860 for under-estimation, including provision for requirements not originally foreseen, £64,925 for additional work, including welfare services, £44,275 for increased labour and material costs and £11,235 for contingencies." You spell those things out clearly, but you do not spell out the £66,860 for under-estimation. That is the point that seems to be difficult to explain. You speak of what it costs you for additional work, including welfare services; then you also spell out the increase for labour and material for contingencies. Now, this seems to be the point which requires a little elucidation?—Perhaps I could explain that all these figures were given in a memorandum supplied by Sir Harold Emmerson to last year's Committee and printed as appendix 12 to last year's Committee's Report. Those figures were based upon the information which Sir Harold supplied to last year's Committee.

1963. So it is available?—It is available and printed with last year's Report.

Chairman.] We are really on the Treasury Minute, not dealing with our Report. We cannot go into too great detail on the figures in the Report.

Mr. Oliver.

1964. I am sorry; I appreciate that now. There is just one point I would like to direct to the Treasury: when reports are made to the Treasury of increasing costs—of course, if there are additions it is obvious that the estimates are going to be higher; you cannot be offering new facilities and new things without the estimate growing and growing and growing—apart from saying, "You cannot have this", or, "We do not recommend you to have this or that", have you any experts at all in the Treasury to say that on this increase which is being asked for—say for under-estimation—who can go down, apart from talking about figures, and who can look at the job and say obviously that there is some extravagance here?—(Mr. Figgures.) No. We have no experts. Our experts on

16 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

buildings are in the Ministry of Works; our experts on roads are in the Ministry of Transport, and so on.

1965. You must depend on Sir Harold's department for doing that work?—Entirely.

Chairman.] On the Treasury Minute on paragraphs 60 to 63, New Government Offices, Whitehall Gardens, I have no questions.

Mr. Hoy.

1966. Sir Harold, has the contract for the second section of the Whitehall Gardens office now been placed?—(Sir *Harold Emmerson.*) The answer is "No", we have learned our lesson and we do not propose to start a second contract until everything has been tied up.

1967. We had a lot of discussion last year over bills of quantities and drawing plans, I think you remember?—I hope to avoid it on part two and so save the Committee's time.

1968. You are now busy with all these things?—Yes, certainly.

Mr. David Jones.

1969. I do not know whether this question ought to be addressed to Sir Harold or to Mr. Figgures, but in paragraph 2 of the Treasury Minute on paragraphs 60 to 63 there is an implication, if not a definite affirmation, that it is believed that it would have cost more money if the scheme had been delayed than it actually cost because of over-spending. Is there any evidence to prove that if you had delayed the implementation of the scheme until you had new plans, specifications and quantities you would have in fact saved any money?—(Mr. *Figgures.*) I do not know whether there is anything which we could quote specifically on that. I think, in fact, it gets rather near to special pleading, if I may say so, Mr. Chairman. There is no question that the costs were lower at the beginning than at the end, because that is the way prices went, but, of course, our urgency might have been succeeded by a period of slack building activity with falling prices. I do not think we could justify our action in going ahead with this thing urgently on the fortuitous circumstance that in the following five years prices rose.

Chairman.] No, I think perhaps it is wise. On the Minute on paragraphs 64 to 65, Control of Works Expenditure, I have no questions.

Mr. Hoy.

1970. Sir Harold, what arrangements have you made to ensure that your professional officers notify your headquarters promptly of likely increases in the costs of these schemes?—(Sir *Harold Emmerson.*) All I can say is that we are constantly improving the procedures for this control.

We are engaged in the better training of professional staff and we have quite recently strengthened the financial control organisation at headquarters. We have early this year created a finance division with an Under-Secretary of Finance, whose duty it will be to exercise general oversight over financial arrangements and procedures and financial policy in the Ministry. And again, referring to what I said earlier, I think there has already been a considerable improvement in the last two years over the earlier period. I think it is shown, if I may say so, by the presentation of the accounts that there is a much closer relationship now between expenditure and estimates. We are, I think, generally improving the position.

1971. Mr. Figgures, are these modifications to which Sir Harold has just referred, the modifications mentioned in the close of the Treasury Minute on paragraphs 64 to 65?—(Mr. *Figgures.*) Some of the changes mentioned by Sir Harold have taken place since the Treasury Minute was drafted and some had taken place before.

1972. You are quite satisfied, of course?—I do not know what Sir Harold would say about that. I do not think any institutions are perfect, but I think everybody is doing their best to improve the situation.

1973. I am not asking for perfection, neither is the Committee, but I think what was disclosed in last year's Committee showed that something ought to be done. You agree that something has been done?—Yes, indeed, very definitely.

1974. All we are interested in seeing is that they are carried out to prevent the repetition this year of what happened last year?—Yes.

Chairman.

1975. Now, the Minute on paragraphs 66 to 68. Mr. Figgures, what progress has been made by the Foreign Office in this review?—We have been told, Mr. Chairman, of the completion of the review, but I think it would be much more satisfactory for the Committee if Sir Harold were to explain it to the Committee rather than that I should.

1976. Sir Harold, what do you say about this matter?—(Sir *Harold Emmerson.*) We have, with the Foreign Office, reviewed the recommendations that were made by this Committee which considered standards, and certain adjustments have been made in the recommendations in the direction of greater modesty in the requirements. I think what we have done, and this is perhaps one of the most important things that has come out of the review, is to agree very emphatically on the need for discrimination. Both

16 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

the Foreign Office and ourselves recognise that it would be a great mistake to regard the recommendations as setting anything in the way of a fixed standard, that requirements have to be considered in relation to a variety of factors, particularly the importance of the post and local conditions and experience, climate and so on. We agree that the recommendations should be taken simply as a guide to the planning of diplomatic buildings rather than anything in the way of a fixed standard.

1977. Are the general standards you have agreed on going to be more austere and simple than they were in the past?—Yes, they will be. As I say, they are not regarded as standards so much as recommendations for guidance in considering what is appropriate according to local conditions.

1978. May I put it this way, then, that when you build a new diplomatic building overseas, is it likely to be simpler and more austere than previously?—Yes, I should say definitely it would be.

1979. Considerably?—It is difficult to say because, as I explained to the Committee, I think last year, we have tried to meet the requirements of the particular post. What it does mean is that we shall look much more critically at the proposals and certainly err on the side of austerity, if that is the way to put it, rather than being over-generous.

1980. What about Rio?—Well, that is past praying for, is it not?

1981. You have finished now?—Yes.

1982. I see there is a Committee of the Foreign Office and the Ministry of Works. Has the Treasury any finger in the pie, Mr. Figgures?—(Mr. Figgures.) No, we received the reports, Mr. Chairman, but we did not sit in.

Mr. Oliver.

1983. It would be rather difficult, Sir Harold, really to know how costs are going to run out, would it not? It would depend on the place where you are building. An Embassy, say, in New York would be a much more important thing than an embassy in some minor country, would it

not?—(Sir Harold Emmerson.) Oh, yes. That is our view, that there can be no real standard, that it is a case of taking account of all the local conditions and the importance which the Foreign Office attach to that particular post as well as conditions of climate, and so on.

Mr. David Jones.] Just one question to Mr. Figgures: the last sentence of the Treasury Minute says: "My Lords would prefer to await the results of this review before commenting further". Now that they have received the review, could we have their further comments in the form of a paper, as they suggest they would be prepared to give in the last sentence of this paragraph?

Chairman.

1984. Can you say anything about that, Mr. Figgures?—(Mr. Figgures.) If it would help, Mr. Chairman, I think I can say all we think we really can say now. The review has shown the need not for standards and for rules but for certain guides and for the need to examine each new job as a job in itself, not determining, because something has been done at X, therefore, it must be done in the same way at Y. What should be done is the minimum necessary subject to the proper reasonable requirements of each post.

Mr. Hoy.

1985. I wonder if anything had been said about the jobs that it was at one time suggested might be done in Rome and Paris and elsewhere? I presume these have all been brought to a standstill, they are not going on?—(Sir Harold Emmerson.) Some are going on. There is a reference to them in the New Works Statement. Others have been postponed.

1986. In any case I do not want to hammer it this afternoon, but I take it that greater care is being exercised with these large amounts that were mentioned in earlier stages? You know we were faced with some considerable estimates especially in connection with buildings in Paris and in Rome?—I can assure the Committee that very great care is being exercised. The scheme in Rome that you were referring to is certainly not finalised.

CIVIL APPROPRIATION ACCOUNTS 1952-53 (CLASSES I TO VIII).

CLASS VII.

VOTE 3.

PUBLIC BUILDINGS, GREAT BRITAIN.

Chairman.

1987. Will Members turn to the Civil Appropriation Accounts (Classes I to VIII), paragraphs 112 to 115 of the Com-

troller and Auditor General's Report, on pages xxviii and xxix? Sir Harold, could you tell us something about this estimate which started at £1 million, is later

16 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

estimated at £1,500,000, then suffers a reduction to £1,264,600, and now seems likely to be round about £2 million? Could you give us the history of this?—(Sir Harold Emmerson.) I should first of all like to say that I think this must be regarded rather as a programme of construction than as a definite scheme. This is part of a general programme of development in connection with development of scientific research by the Department of Scientific and Industrial Research, and this particular station at East Kilbride was projected as a post-war development. When it was announced in Scotland, by the Lord President of the Council of the time, a figure of £1 million was given. That figure was not in any way an estimate; indeed, it was not a figure that the Ministry of Works had given. On the later figures the position is that the Ministry of Works has been working on this programme with the Directors of the Laboratories.

1988. The D.S.I.R.?—There is a Director of the Mechanical Engineering Research Laboratory and under the head of the laboratory there are other directors in charge of each particular aspect of the research work. We have been working with them. They have to formulate their requirements. They tell us what the requirements are and our engineers make proposals to them as to how the requirements can be met; in many cases our engineers are able to suggest variations which will result in economies. When a scheme has been worked out provisionally between our engineers and the directors, on our side our engineers have to put their proposals forward to our administrative staff and on their side the directors have to put their schemes to the headquarters of D.S.I.R. I may say that in working out the schemes the research station has the advice of a research board which is not an executive body, it is an advisory and consultative body. In fact, that board takes very great interest in the development, but it is D.S.I.R. that takes responsibility for the requirements. This programme was being worked out generally on the lines I have indicated, submissions being made to the Treasury for approval of particular parts of the scheme. The first stage was the construction of workshop buildings and general purpose buildings, a canteen and boiler-house and various services, and so on. Most of the work on that part of the programme, the first stage, was, you might say, normal construction work. In the second stage, that is, the construction of the laboratories, a very high proportion of the work indeed is engineering work, and a very high proportion of the cost is on engineering plant.

1989. And do you provide that?—Most certainly.

1990. What exactly do you mean by "engineering plant"?—It is fixed plant that is required for the purpose of the laboratory. In the case of this hydraulic laboratory which has made some progress a great deal of work in the foundations of the building is engineering work, large tanks and so on, all of which, of course, have to be specially designed and form a much higher proportion of the cost of the building than would be normal.

1991. What about moving plant, for instance, compressors? Would you supply that or would that come separately?—In this case we supply everything except, say, the portable machinery.

1992. Prime movers?—Machine tools we should provide, but any of the instruments or smaller items would be provided by D.S.I.R.

1993. You provide all the electric motors, for instance?—Oh, yes. If I may just continue, this programme had been developed rather on these lines with submissions to the Treasury at the various stages, when the Treasury felt that some review was called for in view of the growing cost of the scheme, and the difficulty on our part, and on the part of D.S.I.R. in saying what the ultimate cost would be. It was following that review by the Treasury that this limit of £2 million was put on the cost; that is; on the expenditure to be incurred on the programme. It was not in any sense an estimate of what was planned but a limit on the total expenditure, and it is now for D.S.I.R. to keep within that figure of £2 million in respect of the rest of the programme; because of that, quite a number of items which were originally in the programme and down for development have been postponed, and indeed, I think, in some cases taken out of the programme. The D.S.I.R. have had to drop some of their original proposals.

1994. When you started this scheme how far were you cognisant of the extent of it and the amount of plant which you would have to provide? Had you full and complete working drawings?—Oh, no.

1995. Have D.S.I.R. felt their way as they went along, is that what happened?—D.S.I.R. had a general plan for the development of a research station, the size of the site, the general layout of the roads, the number of staff they would have there, the requirement for canteens, for administrative buildings, and so on, but it was quite impossible, I think, for them to have any cut and dried plans for individual buildings; and our experience is, in this type of case, and on atomic energy research, that where you are dealing with a research scientist he himself is developing his ideas very much as he goes along, and that is what has happened after the first stage. The first stage, as I said earlier was setting up general

16 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

purpose buildings and canteens, and so on, and that was a comparatively straightforward job on which we had little real difficulty in working out what was needed and in making an estimate of cost. I think indeed that the actual expenditure is less than the estimate. The estimate as mentioned in paragraph 114 on the first stage was £495,000. In fact, the actual expenditure was £420,000, but on the later stages we certainly had to work out the drawings with the research scientist very much as we went along.

1996. When did they say to you: "We want this type of building and we want this type of plant"? Did you know at any one time, except right at the end, exactly what D.S.I.R. expected you to provide?—All we knew, I think, and all anyone knew at the beginning was the general scale of this station. We worked out with D.S.I.R. these three stages or groups of buildings, starting with those that were fairly straightforward like the workshop buildings, the canteens and so on. When I myself visited this site, as it then was, last summer the canteen was full of machinery which was waiting to be put into other buildings which were then being constructed.

1997. What I want to get at, Sir Harold, is this: at what point did you know what amount of machinery you would have to provide? Before you started providing machinery did you know the total amount of machinery you would have to provide?—In respect of, say, the hydraulic machinery laboratory we knew what was required in the whole building, including all the machinery. We had to, because it affected the foundations, the design and construction of the building, but we did not know then what we know now, exactly what is required for certain other sections of the station.

1998. Such as the heat transfer laboratory?—Because they had not been worked out.

1999. Is the unknown included in the £2 million?—Oh, yes. £2 million is the limit on the total cost of the building.

2000. In effect the position of the scheme is this: D.S.I.R. wanted an industrial research station, and eventually they got permission to spend £2 million as their upper limit and they really did not know exactly how or where or on what they were going to spend it?—The limit of £2 million was fixed by the Treasury as a ceiling on the total expenditure and D.S.I.R. are now in the position of having to make the best use they can of that £2 million, and it means that they have had to cut out some of the laboratories which they now accept as being less urgent.

2001. Is the hydraulic station here in any way different from the hydraulic station in Oxford, which was considered by the

Committee in 1952?—At the moment I really could not compare the two. I think it would be for D.S.I.R. to let you know.

2002. Could you let us have a memorandum as to the difference between the Oxford station, so far as it concerns hydraulics, and the Scottish one?—Might I leave it that I will certainly see that the Committee has a memorandum on that point, whether from the Ministry of Works or from the D.S.I.R.?^{*}

2003. Yes, let us have a memorandum. We would not ask you to give us a memorandum on hydraulics?—Certainly.

2004. Mr. Figgures, how far in a scheme of this kind does the Treasury look to the Ministry of Works to control expenditure? Obviously on bricks and mortar, yes, but on the question of the layout of the scheme, on the plan and on the very broad scope of the scheme, do you look to the Ministry of Works to control the D.S.I.R.?—(Mr. Figgures.) I do not think it would be fair to say that over the whole scheme, Mr. Chairman. Over that part, which is, as you say, bricks and mortar, the layout of the site, sewerage and roads, yes, we look to the Ministry of Works. On the rest, the lay out of the laboratories and the design of the laboratories, as Sir Harold has told you, it is a joint affair, the engineers and the architects in the Ministry of Works and the research engineers and scientists in D.S.I.R. in the particular research station working it out between them. (Mrs. Johnstone.) What we have in fact done in the later stages of this scheme is to discuss it by three-cornered talks and three-cornered correspondence between the Ministry of Works, the D.S.I.R. and ourselves. (Sir Frank Tribe.) According to my information, as I record here, in October, 1952, the Department told the Treasury that they—that was D.S.I.R.—had regarded £2 million as the absolute limit on this scheme. I am not quite certain if the Committee has gathered the opposite impression, that it was the Treasury who told D.S.I.R.?

2005. This is your report, Sir Frank, but the Ministry seems to have told somebody that the cost might be anything from £2 million to £5 million?—(Mrs. Johnstone.) I think it is fair to say that the Treasury took the initiative in eliciting the statement from D.S.I.R. that the Comptroller and Auditor General has just mentioned. We said: "Where is the total cost of this scheme going? Is it going up to £5 million?" We asked that question both of the Ministry of Works and of D.S.I.R. and we were gratified to get from D.S.I.R. the assurance that they did not want it to go beyond £2 million.

^{*} Information supplied; not printed.

16 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

2006. Who is responsible for the statement that the Ministry had no alternative but to accept the Department's requirements? Those are Sir Frank's words in about the tenth line of paragraph 114. Do you accept that, Sir Harold?—(Sir *Frank Tribe*.) They are my words, but they are taken from the Ministry's papers. (Sir *Harold Emmerson*.) I think the position is really quite a simple one. Our engineers can and do very emphatically make suggestions to D.S.I.R. as to ways and means of saving money and meeting their requirements more economically. What we cannot do is to veto the provision of equipment or reduce the quality of the equipment required by the scientists if they say that that is essential to their work. In other words, the scientists must have the last word on this, but, in fact, we have got very close liaison with them. The D.S.I.R. headquarters are, from our experience, very anxious indeed to keep within this figure of £2 million, because they have a number of other research programmes, and we have found D.S.I.R. generally very ready to consider and accept proposals that our engineers have been able to make. But, strictly speaking, we have no authority, nor would we claim the right, to veto something which the research scientist said was essential to his conception of the laboratory. This limit of £2 million is from our point of view a very useful check, but it probably means that D.S.I.R. are leaving out of their programme of construction items which they had originally intended rather than finding new economies in work which has been agreed as having priority.

2007. Mr. Figgures, you have fixed a ceiling of £2 million. Did you fix that as a nice, round lump sum that you felt you could afford or did you fix it on any rational basis?—(Mr. *Figgures*.) I think perhaps it would be helpful if I started from the beginning, so far as we see this, and explain to the Committee how this £2 million arose. I think it would be very dangerous for the Committee to have the idea that the research station as such, as it was initially announced by the Lord President in November, 1947, and as it has subsequently developed, is something which exists clearly on paper or in anybody's mind at any time from then to now. The concept is a mechanical engineering station to be put down in East Kilbride, the new town, so that it might form part of the growing part of the town, to do a job which nobody denies is absolutely essential, research into mechanical engineering. That station is capable of almost infinite extension. The idea was to have a core of administrative buildings and around it to build a series of laboratories. Now, Treasury authority for a sum of money for that has not been given at any time; no total sum has ever been authorised by the

Treasury for that scheme. We agreed initially to the announcement that a station should be developed there, but that was without any estimates being made. At that time, necessarily, we had only the vaguest ideas as to what it could eventually come to. It may come to very large sums over half a century, and I think it important to deal with that point quite early because at the top of page xxix there is a suggestion of £2 million to £5 million when it is completed. I do not believe those words really mean anything.

2008. That is a quarrel you must have with Sir Harold?—I do not believe Sir Harold and I are ever in disagreement about this. At a certain moment in time those in D.S.I.R. headquarters who were concerned with laying out what this thing might potentially become laid down a series of some ten laboratories; and the Ministry of Works officials, on looking at this and having discussions with the people concerned, were able to make certain extremely rough estimates about what this might eventually come to. But nobody can say that those ten will be the first ten laboratories that are built. It is quite possible that some of those will be dropped and will be replaced by others as the scheme develops. Now, if I may come back to the specific points which we have been concerned with, we were asked to give authority to what was called stage one, which was primarily the workshops, the general purpose buildings, the canteen, the boiler-house and electrical sub-station. We gave our authority for that. We have been asked to give our authority for the hydraulics laboratory and we have been asked to give our authority for the heat transfer station and perhaps for a wind tunnel, though that is still doubtful. That far our authority has gone. But we saw these desires spreading out for new construction around this central core and we were concerned to know what was our forward commitment—not that we had actually put our pen to it—what D.S.I.R. and this mechanical engineering research station were relying on us doing. We therefore asked: "Where is this going? We have authorised this for part one, we have authorised this amount for the hydraulics laboratory and we have authorised this for the heat transfer laboratory. Now, on the papers we have, which we know you are working to, there are lots more. This is going to come to a very large sum. What, in fact, are you, D.S.I.R., planning? What are you going to come and ask us to agree to in the coming years?"; and to that D.S.I.R. replied: "We do not think that we shall be asking you in the foreseeable future to spend on equipment for this station, having regard to what we are going to ask you to spend on equipment for other

16 March, 1954.]

SIR HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

stations and the total distribution of our resources, more than £2 million". That emerged at the meeting which took place, the three-cornered meeting which Mrs. Johnstone has referred to. Now, a large part of that £2 million is already committed. There is, however, a margin left. What is to be done with the margin? Clearly not all of these ten laboratories can be fitted in; there is no hope of that. Certain of them will be chosen and will be put in and others will be adjourned to a better day. It may well be that there will be quite considerable changes in the desires of those who are responsible for this station as to what should come next. It would be quite wrong to have the idea that here is a research station which can be either completed or not completed. It is one of those things which never will be completed. This is a growing corpus for a mechanical engineering station built round this central corpus of the administrative block. That is as I understand it, but it may well be that the Committee would like to raise this in more detail with Sir Ben Lockspeiser when D.S.I.R. appear.

Mr. David Jones.

2009. Do I gather, then, Mr. Figgures, that you have now set an upper limit of £2 million on this scheme for the foreseeable future?—Yes.

2010. Do I gather from what you have just told us that you are satisfied that all the buildings and equipment provided with this £2 million will, in fact, be workable equipment in the sense that they can be of themselves completed and used and that they will not be half completed in order to complete spending the £2 million?—I would not like to prophesy, but what I can say is that D.S.I.R. themselves believe that with what has actually been spent and what is built and with what they can build for the additional money they think they can have a useful core of a research station which will not oblige them to come to us next week and say: "This is no use. We must spend another £1 million to make it useful."

Mr. Hoy.

2011. From paragraph 114 of the Comptroller and Auditor General's Report in the Civil Appropriation Accounts I see that between January, 1952, and April, 1952, the estimate for this hydraulics laboratory went up from £505,000 to £565,000. Why was this, Sir Harold?—(Sir Harold Emmerson.) Apart from increases in costs it was due to the better estimate of the requirements of the research scientists.

2012. That is the only reason for the additional £60,000 in four months?—Yes, certainly.

2013. May I ask you, then, still on the same paragraph, about the heat transfer laboratory which from April, 1952 to September, 1952, went up from £371,000 to £506,000. Is that for the same reason?—It is due to the requirements of the research scientists. The present estimate for the heat transfer laboratory is £422,000, due to changes in the other direction, but, of course, we have not started work on the heat transfer laboratory yet.

2014. You see, there are big additions to the original estimates in a very small space of time and we often wonder, when you describe them as being reasonable, whether they are reasonable or only reasonable to scientists?—The changes that the scientists are making, as I tried to explain, are because they change their ideas of what is required. In fact, the latest estimate I have for the heat transfer laboratory is £422,000, which shows a considerable saving on the estimate that was given in the Report.

2015. Do you think that these savings are coming about because they feel that perhaps the Treasury and yourself are paying much closer attention to what is going on?—I think there is certainly a full realisation by the D.S.I.R. and the Director, as Mr. Figgures said, that if they are to get the best value out of the £2 million they must make economies wherever they can. I think that is having an effect on the general conception of the laboratory within the large programme.

2016. The last figure of the estimates cost which you have given us for this heat transfer laboratory has now gone down from £506,000 to £420,000, I think you said?—£422,000.

2017. I think you will agree that that is a good reason for looking just a little more closely at all the plans that are coming forward?—Oh, yes, certainly.

Colonel Crosthwaite-Eyre.

2018. Stage one, as I understand it, was for the general purposes buildings. Were they erected for any given number of people?—Some of the buildings, certainly the canteen, for instance, were based on provision for a certain number of people, but it has again been very difficult to foresee what the final needs of this station would be.

2019. May I put it this way to you: can you tell me how many people the canteen, to take that as an example, would accommodate?—I am afraid I would have to let you know that, I have not that here.

2020. Can you tell me how many people are employed on this site at the moment?—No, may I let the Committee have that?

16 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

2021. You see, the object of these questions is as to whether, in fact, the general purposes block is at the moment sufficient to accommodate double the staff that is being housed, or possibly in view of these changes of estimates, far larger than would be required in the foreseeable future?—I can assure the Committee from my own personal observation when I visited East Kilbride that the buildings that are up are being fully used. In fact, in the case of the canteen, not used as a canteen, but to make good deficiencies in the other accommodation.

2022. I wanted to ask you about that. How does it come that the canteen is full of machinery?—It simply is that the D.S.I.R., in order to bring in the various items of research, have had to move staff and machinery from Teddington, London, up to East Kilbride, and some of the machinery has been put temporarily into the canteen.

2023. Does that mean that the buildings to house the machinery were not ready on time?—It is partly that, but also that the D.S.I.R. wanted to start up there working on the development of the station.

2024. I am probably very stupid, but what good is the staff with its machinery in a canteen? I could understand that if it is in a building it is very necessary for the machinery to be there, but what is the staff doing up there when the machinery is merely standing in the canteen?—The canteen building is not being used as a canteen and they are actually operating in the canteen.

2025. I had not grasped that. What will happen is that when the laboratories are built the machinery will be moved so that the canteen can be used for its proper function?—Certainly, it is simply an improvisation that this machinery is in this building. The building is intended to be used eventually as a canteen, but they are putting up with considerable inconvenience until the laboratory is ready.

2026. As I took your figures very roughly, the completion of stage one and two laboratories, that is the hydraulic and the heat transfer, will cost about £1½ million?—Yes.

2027. On the figures you have given the Committee that shows that only one more laboratory, if one takes it that their price, as seems to be shown, is fairly standard, will be able to be installed so that you will only get three laboratories out of the planned ten for the £2 million?—Yes. Of the balance of work to be done there are certain items such as fencing and stores and a small administrative block, and then it is hoped to include within the £2 million two small laboratories. One is what is known as a mechanics of solids laboratory, which is not so expensive an item as the two we

have mentioned, that is, the hydraulic machinery and the heat transfer laboratories, and the other is known as a creep laboratory, but I do not profess to understand what that means.

2028. At any rate, it is cheap? Therefore, if one may sum it up as it stands at the moment, unless the Department through you goes back to the Treasury for £2 million they will get about a third of what was originally anticipated under the £2 million Vote?—A third in number of laboratories, certainly. What it would be as a proportion of the total cost of the whole programme I do not know.

2029. But as far as the actual physical building is concerned they will get one-third for the £2 million?—That is so.

Mr. Steele.

2030. I understand that the hydraulic engineering laboratory is not yet completed?—No, work is in progress on the hydraulic laboratory.

2031. I take it that once that building is completed the machinery will be moved from the canteen to that laboratory?—Some of that machinery would be appropriate to the hydraulic laboratory. I think some of it would also be moved into the general workshops. At the time I am speaking of, when I visited the site, some of the machinery in the canteen building was part of the general equipment of the station; but the intention, certainly, is to move the machinery out and get the building properly used as a canteen.

2032. So that when that position has been reached we will then have the hydraulic machinery laboratory and we will have the general purposes building completed; but as I understand it, the work which has taken place on stage one will then be not fully utilized because it does appear to me that stage one has been planned to meet the whole scheme?—That is so. I think it would have been probably foolish not to have planned stage one on a scale sufficient to meet the needs of the whole scheme. As Mr. Figgures said earlier, it is hoped later on that the station may be extended. Exactly on what scale, of course, it is impossible at present to foresee.

2033. On that I was very much disturbed by the words: "In October, 1952, the Department told the Treasury that they had regarded £2 million as an absolute limit on the total estimate for this scheme." I was very happy to have Mr. Figgures's comments and I think that cleared that worry out of the way, because in your view, Sir Harold, in regard to the work that is being carried on there, do you think that this is an admirable site and that the buildings which will be erected will be useful and and that the project is very much worth

16 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

while?—I feel that very definitely. In finding this site at East Kilbride it was considered as being consistent with general Government policy to have a station of this kind linked up with the development of a new town, and the whole scheme is really a very desirable project and in line with the general idea of placing in new towns work of this kind.

Sir John Mellor.

2034. I think you said, if I correctly understood you, that the D.S.I.R. had adjusted themselves to the £2 million limit rather by leaving out items of construction that they had originally intended, than by securing economies in construction. Is that so?—I did not intend to convey that there had been no economies in construction.

2035. No, but you said the emphasis was rather on leaving out items of construction, I think, than securing economies in the actual construction of those buildings?—I think it would be true to say that, having themselves set or accepted a limit of £2 million, they have been forced to agree to the omission of certain laboratories out of this programme, and they have done that rather than prejudice the work of the two laboratories which are going forward by reducing the quality of the machinery and equipment which their research scientists and their directors consider are essential for research work.

2036. Whatever may be the position about the quality of the machinery, is it necessary or desirable that these buildings should be constructed so that they can be expected to last a very long time? I ask that question for this reason: you were stressing how there is inevitably a certain fluidity in the ideas and contentions of the scientists as they progress, and I was wondering whether it would be good economy to build very substantial and permanent buildings, or whether it would not, perhaps, be better in the long run to build buildings of a fairly temporary character which could be reconstructed and adapted, and so on, as changes in use took place?—Yes, I think the answer to that is partly that a very large proportion of the cost of the laboratory is on the engineering and the plant itself. What you would call the actual surveyor's or architectural work is comparatively inexpensive; and, certainly, these schemes have not been approached so much from the point of view of the architect as from the point of view of the engineer. I should not myself regard the building work, while it is permanent in one sense as reaching a very high standard.

2037. They have not been erected as imposing additions to the new town?—No, far from it. This site is pretty well

self-contained and, while the buildings are certainly pleasing buildings to look at, they are not impressive in the architectural sense.

Chairman.

2038. What are they fundamentally, brick sheds?—Oh, yes, brick and of comparatively light construction.

Sir John Mellor.

2039. Is the function of this station both for defence purposes and for civil engineering?—There is a certain amount of defence work going on there, but it is a comparatively minor part of the programme.

2040. You said that machinery was being transported from Teddington. Is it becoming really an extension of the National Physical Laboratory?—Some of the machinery came from the National Physical Laboratory with the transfer to Scotland of this mechanical engineering research.

Mr. Oliver.

2041. Is there anyone who can really check up whether the £2 million which has been assigned for this particular job, even if it were extravagantly expended, apart from expenditure on bricks and mortar, and so on, which is definitely ascertainable by ordinary well-known methods, is being economically spent?—Unless you set one professional man to check another professional man, there is not.

2042. Precisely?—We are relying in this matter, as far as the Ministry of Works is concerned, on our own engineers who are acting as a check on the ideas of the research scientists employed by D.S.I.R.; and, as I said earlier, the director of this research station has himself to satisfy his headquarters that his requirements are reasonable. Our engineers are really acting in the position of checking the research scientists and suggesting to the director that his needs can be met in perhaps some more economical way than he had originally thought. One cannot go on indefinitely introducing checks in a professional field.

2043. No. These are specialised jobs, are they not, highly specialised?—Yes, highly specialised.

2044. I do not suppose there are many people employed in the Ministry of Works with a comparable specialised skill who would be able to put a check on these people?—No, as an illustration of that I may say that the engineering side of this work has been retained as a headquarters' responsibility, so that our chief engineer can personally come along to this work

16 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

while on the actual building side, the architects and surveyors, and the administrative responsibility have been left to our Edinburgh office who are working closely with the D.S.I.R. staff at East Kilbride. It is because of the rarity of men qualified to undertake this work that we have had to keep the engineering as a headquarters' job.

2045. Can I take it, as regards the laboratories which were previously contemplated, if they came forward and said: "We want these and must have them", it is a thousand pounds to a hayseed that the Treasury would approve the additional expenditure?—Well, I must leave the Treasury to answer that one.

2046. Then, we will put the Treasury on the stand. Is not that right, Mr. Figgures?—(Mr. Figgures.) Mr. Chairman, this raises a different question, which is Treasury control of D.S.I.R. and expenditure associated with D.S.I.R. because, obviously, one can only judge the works which the Ministry of Works do for D.S.I.R. in a D.S.I.R. context. I am sure the Committee knows of the decisions which have been reached about D.S.I.R. and which have been announced in the House on two occasions. They cover not only D.S.I.R. expenditure on its own Vote, but also its buildings. If under this new arrangement D.S.I.R. were to come to us and say: "Much more than all the other things which are lying in our programme we would rather have a new laboratory at East Kilbride", after we had, of course, cross-questioned them and made quite sure that they meant it and that they were not coming back on the other thing the next day, and subject, of course, to consultation with the Ministry of Works, we should almost certainly agree. (Sir Frank Tribe.) May I say one thing, partly to explain the reason I brought this before the Committee and partly in relation to Mr. Figgures's previous statement? I would like to draw attention to the fact that in the estimates for the year of account the Ministry of Works said that their total estimate for the works services at the mechanical engineering research station at East Kilbride was £1,264,600, which included a re-vote of £98,100. There was no indication given that those figures were in any sense provisional and the assumption was that they were estimated to within the nearest £100. I only thought I ought to suggest that that gave rather a different picture from that which has now been given to this Committee by the Treasury. It may be that the Committee would like to consider whether in schemes of this sort Departments should make it clear on the face of the Estimates that, although some precision is apparently suggested, the figures really are very provisional.

Chairman.] The Committee might consider that.

Mr. Hoy.] It would be helpful, Mr. Chairman.

Chairman.

2047. It would be helpful. I think that Mr. Figgures must understand the Committee are not concerned with what would be spent on this in the next 50 years?—(Mr. Figgures.) No.

2048. I think the Committee's primary concern is wondering whether for the three particular laboratories which were visualised, creep, heat and hydraulics, the D.S.I.R. had some idea of what they wanted when they started and were not just going blindly on?—Do you mean when they started in 1947, Mr. Chairman?

2049. When they started these three laboratories, did they know what they wanted in these three laboratories?—Oh, I think so, Mr. Chairman.

2050. That is the main point?—There had been changes, the changes which were mentioned in cross-examination. They went up by £60,000 and then came down by £120,000. That was simply because they said: "We think we want to have this machine in" and then in the heat transfer laboratory with the £2 million limit on they said: "We will save £100,000 here, and drop this piece of machinery". But we feel sure that D.S.I.R. had a quite precise understanding of what was going in in so far as it affected the construction.

2051. Now, paragraphs 116 to 118 of the Comptroller and Auditor General's Report. Sir Harold, you seem to have been in difficulties from the very beginning with regard to the rent of these police training centres. You had, I presume, the figures before 1950 as a basis for your calculations and your subsequent experience?—(Sir Harold Emmerson.) Yes.

2052. What rather puzzles me is, this, that when the Comptroller and Auditor General asked you why you had entered into a 14-year arrangement with a seven-year break, your explanation was that you found it so difficult to make annual estimates that you changed over to a seven-year estimate?—(Sir Frank Tribe.) The seven-year break was only on the one side.

Chairman.

2053. A 14-year estimate, then? Will you explain why it was easier to make a 14-year estimate than a one-year estimate?—(Sir Harold Emmerson.) That is a difficult question to answer in that form, Mr. Chairman. Perhaps I might explain the origin of this arrangement. It arose out of a request by the Home Office at the end of the war for accommodation to enable these police training centres to be set up and administered by this Central Committee

16 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

from the Police Services, which is a Committee representing the Home Office and the local authorities. The Ministry of Works was asked to help to find the accommodation and we had these wartime hostels which we were able to offer and which were accepted although they were, from our point of view, and, indeed, theirs, sub-standard. At the outset of the scheme an exclusive rent was fixed and we recovered from this Committee the full cost of the work. At the outset the work included pretty heavy charges for adaptations and for bringing the buildings up to standard. For a time, as far as we were concerned, this arrangement was quite satisfactory. It was not satisfactory to the Central Committee, I think, for two reasons: one was that they had to meet these heavy costs of adaptation and bringing the buildings up to standard; they wanted some sort of assurance of the period of tenancy, some assurance of tenure; and they complained about the rising costs of maintenance and the difficulties that our professional staff had in forecasting what the costs would be. It was not only that costs were going up, but as experience has shown with these buildings that were put up during the war as temporary hostels, when they begin to deteriorate they deteriorate very rapidly, and it was at their request that this change was made. I would point out in regard to the change that this period of 14 years with the break at seven went back to the original date; it is 14 years from the date on which the hostel was completed and was taken over as a training centre. I think there is no doubt that, looking back on it, this arrangement was, from our point of view, a bad arrangement, and I think if it had been brought to the notice of the senior officers at the time it would never have been made. In fact, it was one of many schemes handled by our staff and I think, quite frankly, a mistake was made, certainly, in fixing a break after seven years (that is, from the date of occupation which would be about three years from the date on which this arrangement was made) with the option wholly on the part of the tenant. However, that agreement was made, and when we found in 1951, I think it was, that it was not working out as we had intended, we tried to revise the agreement. There is no formal or legally binding agreement. It is an agreement between ourselves and the Home Office and the local authorities, but, of course, it is to their interests, particularly the local authorities, to keep us to the agreement. They did, in fact, in respect of the current financial year—that is, 1953—agree to an increase in their contribution.

2054. Does that cover the cost now?—In respect of the current year it should cover the cost of maintenance.

Mr. Hoy.

2055. When you say this is between the Home Office and yourselves, am I right in assuming that these buildings were only used by the Home Office as we know it in England and had no application to the Home Department in Scotland?—That is so. There are six establishments, all of which are in England.

2056. Would it strengthen your hands in negotiations if I told you that only this morning we were dealing with Government amendments in the Scottish Standing Committee which would give the landlord the right to break an agreement to cover the cost of his repairs?—I do not know that it would strengthen my hand, but it encourages me to know that.

Mr. Hoy.] I could send you a copy of it.

Colonel Crosthwaite-Eyre.

2057. I understand that you said that the agreement you signed had no legal validity?—That is so. It is an agreement between two Departments; in this case the local authorities are associated with the Home Office as having an interest in the tenancy.

2058. Can you explain, if there is no legal validity behind this agreement, could it not be denounced by yourselves?—Strictly speaking, it could, but it is an agreement and we should certainly be very reluctant to break the agreement unilaterally.

2059. I understood that this agreement was made at a low level?—Well, I said junior officers.

2060. What I am getting at is that apparently this agreement was entered into by junior staff without, shall we say, the full experience and weight of the senior officers in the Ministry behind them?—Yes. Certainly, when the agreement was made the Director of Lands and Accommodation, for instance, who is the senior officer who deals with our estates, was not aware of it. It was made by one of his relatively junior staff, but I am certainly not hiding behind that. As far as we are concerned it is an agreement with the Ministry. I only mentioned that as explaining what I think was a mistake.

2061. Is it normal for a relatively junior officer to be able to commit the Ministry for a period of 14 years?—It is quite unusual to have an agreement of this kind for 14 years. It is quite usual for junior officers to commit the Ministry and that must be so when we are dealing, I suppose, with 20,000 buildings.

2062. How long was it before this agreement was brought to your attention after it had been agreed by this junior officer?—My attention, personally?

2063. Yes, your personal attention?—It was not brought to my attention personally

16 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

until the question was raised, "shall we denounce the agreement?", which was in, I suppose, 1952.

2064. The agreement was made in which year?—1949.

2065. Three years later?—Yes.

2066. You said that under the agreement during this year—this is in paragraph 118—the 100 per cent. increase in the element allowed for maintenance would meet the cost of maintenance of the buildings concerned?—It is hoped that it will cover the actual cash outgoings.

2067. But, of course, there is no element in it either for interest on the capital involved or for depreciation of the housing?—The rent element should cover that, but, in fact, in 1953-54, that financial year, we anticipate that with this additional contribution we shall simply cover the cash outgoings on maintenance.

2068. That is my point, no allowance is included for depreciation or interest on capital?—That is so, yes.

2069. Might I ask the Treasury one question: I see from the last sentence of paragraph 118 that you are holding out the olive branch between these two parties. Can you give us any hope that you will succeed in seeing that a proper and fair arrangement is reached?—(Mr. *Figgures*.) I do not think we have any part to play in that. I think I ought to confess that the Treasury, in fact, have intervened earlier, and I think it is very generous of Sir Harold not to disclose it. It was the Treasury who felt very strongly that this agreement should not be denounced. (Mrs. *Johnstone*.) As regards the past. (Mr. *Figgures*.) As regards the past. Even though it was not a legally binding agreement we should still honour it, and we did that because, in fact, we have a vast number of agreements with local authorities in precisely the same form, and it would certainly not pay us for them to denounce them simply because they were not legally enforceable.

2070. I am sorry if I gave any impression that I was recommending that this particular agreement should be denounced; I never meant that at all. What I was getting at was, do you think you would be able to reach a satisfactory agreement?—That, I think, will not be for us at all, that will be for the Ministry of Works, who will do the negotiations with the Home Office.

2071. The last sentence says that you will do it?—"The Treasury had agreed that they should accept this offer . . . and make efforts to arrive at a satisfactory solution".

2072. That refers to the Ministry, not the Treasury?—To the Ministry, yes.

Sir *John Mellor*.

2073. Had the junior officer who made this agreement been authorised by the Ministry to make any agreement?—(Sir *Harold Emmerson*.) As far as I have been able to ascertain (it is a bit difficult at this late date) there was consultation on the telephone before the meeting at which this agreement was made. Whether there was full understanding at the time, or whether there was a misunderstanding, it is impossible now to say.

2074. Whatever may or may not have been said over the telephone there are officers who, I think you said, could commit the Ministry in certain circumstances?—Yes.

2075. Is there no limit imposed upon their authority?—Oh, yes, limits are imposed and, of course, they have to work within certain principles; and one result of this case was that after it was brought to notice in 1952 we did decide, and a clear instruction was issued, that in future there should be no agreement for the payment of an inclusive rent on a building of this kind. So, subsequent to 1952 the instructions clearly laid it down that on no account should there be an agreement for the payment of an inclusive rent on a building of this type of construction because of the difficulty of assessing what the cost of maintenance would be.

2076. What now is the extent of authority of officers at this level for entering into agreements? You said they must have authority to enter into agreements owing to the large number of buildings which have to be dealt with? What is the limit on their authority under present authorisation?—There is a rather elaborate code of delegated authority for officers of different professions and all I can assure the Committee is that there are very clear instructions as to the extent of the delegated authority. I could not, without reference to the code, say what they were precisely.

2077. At any rate, you can say definitely now that since this case took place the limit of authority has been very clearly defined?—Certainly, and that we have, as I say, made it clear that on no account should we enter into an agreement of this kind again in respect of this type of building.

Mr. *Oliver*.

2078. How would this Committee know what 100 per cent. of the cost of repairs represented in respect of the rent that they paid? Did they ask you for the figure of what the maintenance charges were?—Within the inclusive rent that was fixed there were two items: there was the rent and an item for maintenance.

16 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

2079. They know that, do they?—They knew what that was, yes.

Chairman.] Will Members please turn to the Accounts themselves on pages 426, 428 and 429, Subheads A, C, Z and Details of Receipts. I have no questions on the Accounts.

Mr. Hoy.] Am I right in asking a question on Works in Progress which appear on page 430?

Chairman.] That is not on the Agenda. You can ask a question but you will have to rely on a written answer.

Mr. Hoy.] I am told on page 426, in the footnote to Subhead A, to look at the details on page 430. Now, will you tell me how I am out of order, Mr. Chairman?

Chairman.] Is this Subhead A?

Mr. Hoy.] It is Subhead A which I am talking about. Am I right?

Chairman.] I think you are.

Mr. Hoy.

2080. May I ask, then, a question about the "Nonsuch" Brickworks where the excess of expenditure is very large. This is item 56, the "Nonsuch" Brickworks, Epsom. The grant was £26,500 and the expenditure £118,249, showing an excess of £91,749. The explanation which is given is: "The scheme was extended to include residential accommodation (£80,500) and progress of the work was accelerated". I think we want a little explanation about all this?—First of all, the term "Nonsuch" Brickworks is merely to identify the building and has no connection at all with the making of bricks. The building was taken over and adapted for the Home Office for use by the first experimental mobile column in connection with Civil Defence. The scheme as originally contemplated by the Home Office did not include the sleeping and messing accommodation. I think the Committee will be sufficiently familiar with the scheme as it has been described in the House by the Home Secretary. It involves the use of military personnel and a number of civilians acting as instructors and, with the inclusion of residential accommodation and messing it meant the introduction of certain domestic staff. It was because of the residential character of the scheme that this additional expenditure of £80,500 was needed. Of course, we had to provide certain welfare facilities again because of the change in the character of the scheme. Now, dealing with the last few words "Progress of the work was accelerated" that was because of the pressure put on the Department by the Home Office and the wish of the Home Secretary that this experimental mobile column for purposes of Civil Defence should operate as quickly as possible.

2081. It is a little difficult to believe it is a mobile column if you have got to spend £80,500 in residential accommodation. It is a lot of money. Who is being accommodated? What accommodation was provided for this £80,500?—There are 158 military personnel and 28 civilians, including instructors and domestic staff, and this was their headquarters for the purpose of their training in the experiment. Because we provided them with residential accommodation and messing it does not mean that they ceased to be mobile in the sense that they operated over a wide area.

2082. It would appear, then, that the final scheme had nothing in common with the first scheme at all? Would it be true to say that?—No, I do not think so. The final scheme differed from the original scheme in that it provided for the residential accommodation and messing.

2083. It differed to the extent of £100,000?—The purpose of the scheme was the same.

2084. Obviously then we are getting back to where we started from. It was a "half-baked" plan, as the Chairman suggested, in the first place, submitted by the Home Office. I am not blaming the Ministry of Works for it?—I prefer to put it that it shows how ideas develop as the scheme progresses.

Chairman.] I think mobility comes in the figures, Mr. Hoy, and not in the column.

Mr. Hoy.] I thought there must be some reason for it. Now, these items, 45, 46, 47, 49, and so on, all dealing with the Ministry of Food, all say: "Acquisition of site and erection of slaughterhouse" and as you could not get the site, you did not spend the money. There seems to be a little bit of loose planning there. For instance, in Wigan, which is item 49, they put down a sum of £47,000 and spent £18. It would be interesting to find out what they spent £18 on.

Colonel Crosthwaite-Eyre.] The Inspector going up there, presumably.

Mr. Hoy.

2085. That must be it. All these are the same?—If I might just say, as regards the proposal at Wigan, first of all the provision was included in the Estimates because of the importance attached by the Ministry of Food to this programme and at the time the provision was made in the Estimates it was expected that the Ministry of Works would be able to find a site and build the slaughterhouse. What happened in the case of Wigan was that there was a meeting with the Bolton and Wigan Corporations in March, 1951, when the scheme was discussed. The local authorities were asked to suggest possible sites.

16 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

Four sites were suggested. They were inspected, it was found there were possibilities of subsidence due to mine shafts and the Ministry of Food agreed on another site to which both Corporations objected, and so it went on. The Ministry of Works had to abandon negotiations with the owner of the site selected by the Ministry of Food and there is still, I believe, no slaughterhouse at Wigan.

2086. It is a sad tale?—The £18, I think, must have been spent on travelling expenses to meetings.

Chairman.

2087. I propose, Gentlemen, to take the Building Materials and Housing Fund Account for 1952-53 at our next Meeting on Thursday when we have, I think, not a very heavy programme. I am afraid we shall have to ask you to come back, Sir Harold?—Thank you, Sir.

The witnesses withdrew.

Adjourned till Thursday next, at 4 p.m.

THURSDAY, 18TH MARCH, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosswaite-Eyre.
Mr. Hoy.
Mr. Niall Macpherson.

Sir John Mellor.
Mr. Oliver.
Mr. Steele.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. F. E. FIGGURES and Mrs. D. C. L. JOHNSTONE called in and examined.

CIVIL APPROPRIATION ACCOUNTS 1952-53 (CLASSES I TO VIII).

CLASS VII.

VOTE 9

STATIONERY AND PRINTING.

Mr. J. R. SIMPSON, C.B., Controller, and Mr. W. Cox, O.B.E., Deputy Controller, H.M. Stationery Office, called in and examined.

Chairman.

2088. I think this is the first time you have appeared before us, Mr. Simpson, is it not?—(Mr. Simpson.) That is true, Mr. Chairman, yes.

Chairman.

2089. Will Members turn to the Civil Appropriation Accounts, the Comptroller and Auditor General's Report, paragraphs 119-124, page xxx. Mr. Simpson, on this question of accounting for office machinery why was it ever considered necessary that you should have a double system of accounting, one by the Department and one by the Stationery Office?—Going back a number of years, some years before the War there were two duplicate records, one maintained in the Departments and an identical one, arranged by Departments, in the Stationery Office, but that was abandoned; I forget the exact year, but it was a year or two before the beginning of the War. The record that the Stationery Office now keeps is primarily a log of the machine's life and on

20216

that record is kept a note of all the repairs that are made to it. We are thus able to keep a check on the repairs to see that we do not pay for the same repair twice, and also when the machine gets old to take a decision as to whether it is worth overhauling or whether it should be scrapped. That is the primary use of the record the Stationery Office has kept since, I think, about 1936 or 1937.

2090. If I understand you rightly, it is primarily for checking repairs and the condition of the machine?—That is right.

2091. You say, so that you do not pay for the same repair twice. Do you do the repairs?—To some extent, yes. We have mechanics in all the large centres who go out and repair on the spot, but if it is a repair of any size it usually goes to the makers. In addition to that, in London we do keep our own repair shop and for the London area we do a great number of repairs ourselves, but the great bulk of repairs is done by the makers of the machines.

18 March, 1954.]

[Mr. J. R. SIMPSON, C.B., and
Mr. W. COX, O.B.E.]

[Continued.]

2092. You have somewhere between 100,000 and 200,000 machines, and nobody seems quite to know how far it is in between the two figures. I should have thought it would have been worth your while to have had a really efficient central repair shop where you could have undertaken major repairs?—We do that to a large extent in London, with typewriters, but I gather the view has been taken that it would not be economic to do it for the whole range of the machines and for the whole of the country.

2093. So, really it is not so much to keep track of the machines as to keep track of the repairs that you have this log?—That is the primary purpose, although I think it is mentioned in the Comptroller and Auditor General's Report that we are proposing to use this record as a sort of long-stop. Experience shows that there is no machine that does not have some repairs done to it in a period of four years. If we find that a machine has not been repaired in that time we propose to take it up with Departments and just make sure that it is still in existence.

2094. Mr. Figgures, what is the Treasury view on this question of possible waste by duplication? There are central pools of other things, such as furniture, and I do not know what else. To what extent is there duplicate accounting, say, on furniture between the Department and the Ministry of Works?—(Mrs. Johnstone.) I think none.

2095. Have you any comment to make on the witness's explanation?—I do not think so.

2096. You agree to the utility of that method of doubling checking?—I think so, Sir. Office machines are perhaps less easy to keep track of than office furniture and it is very useful to have.

2097. It is easier to walk off with a typewriter than with a table?—Yes.

2098. In the old days I presume the purpose of the census really was to keep track of the machines?—(Mr. Simpson.) It was, yes.

2099. You are primarily concerned now with, as I say, repairs and not with the existence of the machines, or are you?—As regards the existence of the machine it is mentioned in the Comptroller and Auditor General's Report that we do call each year for a report from every Department asking the number of machines they hold. We do not use that in order to check the number; it is a discipline to remind the Department that it is their responsibility to keep accurate records. The other point of this review, and here we are very much concerned, is to ensure that the machines are still being fully used. We are extremely keen that Departments should

not retain typewriters and, particularly, the more expensive machines unless they are being fully used. They are required to give a certificate when they make this return to us that all the machines they have are being fully used.

2100. The O. and M. Branch has made a report on this question of accounting control of office machinery, has it not?—Yes.

2101. What was the gist of it?—The census and the present arrangements were the outcome of their examination they made and the report they made. They were very closely concerned in all those arrangements.

2102. Where does ultimate responsibility for the safe custody of the machine lie at the moment?—At the moment it rests squarely on the Department into whose charge it has been given.

2103. Would you say that the Department, therefore, should account for losses rather than that the Stationery Office should? I believe losses are on your account?—They are. I do not know that I have any view on that, Sir. It is their responsibility to report to us and it has been the practice for us to include reports in our Appropriation Accounts, but as you will have gathered from the Comptroller and Auditor General's Report, there are two exceptions to that. Those two are the machines held by Army units and Air Force units. There the War Office and the Air Ministry are responsible for reporting any loss.

2104. The assumption being, I take it, that you cannot possibly keep track of where Army and Air Force equipment is?—I think that is one point. I think another is that typewriters and other machines are not now distinguished from the many other types of equipment which a unit in the Army or the Air Force has on its charge, and I believe that in both these cases there is a regular drill for stock-taking and reporting deficiencies which now includes our machines as well as all the other things they have.

2105. Presumably, if a Department had to report its own losses on the Appropriation Accounts it would be responsible for them, whereas at the present moment if you are doing it by proxy, so to speak, there is a divided responsibility and, in fact, it is nobody's responsibility to see that the losses are reported accurately?—I do not think that would be a fair criticism because it has been made, as I say, crystal clear in instructions to Departments that the responsibility is theirs, and I do not think there is any doubt about that. The information we have, and we do have frequent contacts with the people in the Departments who have this responsibility, is that they do take it seriously, they keep adequate records, and we have no reason

18 March, 1954.]

Mr. J. R. SIMPSON, C.B., and
Mr. W. COX, O.B.E.

[Continued.]

to believe that they do not report immediately to us if they find any of the machines are missing.

2106. Now, with regard to user. Quite obviously it is desirable that there should be a quick flow into the pool if and when machines become redundant in a particular Department?—Yes.

2107. Do you get that?—We believe we do.

2108. It is, of course, important that there should be an easy flow out from the pool to the Departments to make sure that the Departments themselves are prepared to part with their surplus equipment?—Over most of the field, at any rate, we are able to fulfil the second part of that arrangement. Naturally, if the machine is a very big, complex and expensive one we do not carry stocks. We do not in any case carry stocks of the very elaborate punch-card machines, but for the machines in more common use, typewriters, duplicators, photo-copiers, and the like, we do carry adequate stocks to meet any reasonable demand. If a Department is likely to want any more than that they should tell us about it well in advance of the time they require it.

2109. For instance, who owns the Holleriths, you or the various Departments who use them?—The punch-card machines are in rather a separate category. Until quite recently the companies would not sell them in any case except the smaller machines, the things that make the holes. The great bulk of the machines we use apart from the simple punches are on hire. More recently one of the companies—I am not sure about the other—has relaxed that arrangement and are prepared to sell. What we do is to have regard to the nature of the work for which the machine is wanted, whether it is permanent or whether there is a possibility that one day it may not continue, and we take a decision whether it would be a more economic course to hire the machine or to buy it. That is only a recent arrangement. The majority of the punch-card machines are on hire.

2110. One final question, reverting again to your check which seems to be a check relating to the maintenance of the machines rather than the existence of the machines. Are you satisfied that it does not involve too much in duplication of work?—I do not think so, Sir, I think we should probably get into great difficulties if we did not keep such a record. I have had a look at this myself, although I have been in the Stationery Office for only a short time.

2111. You were in O. and M.?—Prior to that, yes. I am satisfied that it is necessary. Assuming that we made no check of Departments' holdings at all, I think, for

20216

our own purposes, we should require to keep this record; and I think it is extremely valuable in ensuring that we are able to maintain the machines in Departments at a reasonably high standard to ensure that the machines are capable of doing the work for which they are provided and that the whole repair programme is economical. A machine does reach a point when it is no longer economical to repair it. If we had no record of this kind we would not be able to take a decision on cases of that kind. (Sir Frank Tribe.) Perhaps I could explain, Mr. Chairman, that what rather worries me is this: on page 452 of the Stationery Office Accounts you will see that the value of typewriters and other office equipment lost or stolen whilst held on charge by various Government Departments in the year amounted to £295. As far as I have been able to discover there were no similar losses recorded in any other Appropriation Account and, therefore, this Committee and Parliament presumably would understand that £295 represents the total loss in the year of all this type of equipment. But from what the witness has said it is rather difficult to understand how the Stationery Office could be sure that they have got all the details from all Departments in order to enable them to write the total off.

2112. Mr. Simpson, it strikes me that the £295 loss on a couple of hundred thousand machines represents either extraordinary efficiency or extraordinary inefficiency. I am not quite sure which?—(Mr. Simpson.) I think all I can say is that it is only quite recently that this census was taken. Departments were reminded again of their responsibility and told that whenever a machine is missed it must be reported to us at once, and I can only take it that Departments have done that and that this represents, if I may borrow your words, extraordinary efficiency.

2113. Mr. Figgures, perhaps you might be able to answer for the Treasury. Does anybody in the Treasury know how many machines the Treasury have and do they keep track of them?—(Mr. Figgures.) Oh, yes, indeed, Mr. Chairman. In this matter we are the servant of the Stationery Office and we make our return to the Stationery Office and we would report a loss if we found one. I am glad to say we have not had one, at any rate in the last year or two.

2114. In other words you are entirely virtuous?—Anyway, we have not found ourselves out, Mr. Chairman.

Chairman.] I hope if you do you will report it to the Treasury.

Mr. Steele.

2115. To the Stationery Office?—I am sure we would do so. The procedure

I 2

18 March, 1954.]

Mr. J. R. SIMPSON, C.B., and
Mr. W. COX, O.B.E.

[Continued.]

would be that we would report, in the first place, to the Stationery Office who would then put it on the total list the Stationery Office sends to the Treasury when they ask permission to write off. The Stationery Office sends us a detailed statement on all losses, so we would, in that case, see what we had said to the Stationery Office on the return journey.

Chairman.

2116. Then the Stationery Office would complain to the Treasury?—That is right.

Mr. Hoy.] The Treasury would not reserve the right to increase the write-off, would it?

Chairman.

2117. I do not know. You had better put that to Mr. Figgures when your turn for questioning comes?—(Mr. Figgures.) I think I would rather wait until the point arose.

Mr. Niall Macpherson.

2118. I am puzzled, following on what the Comptroller and Auditor General has said, about the form of this note. It says: "The following sums were written off:—Losses of stores:—Losses by theft (actual or presumed)", and then it gives the value of typewriters and other office equipment lost. One would deduce from that that there is a valuation kept of all the typewriters in hand, is that right?—(Mr. Simpson.) It is not a running record, but when a typewriter is lost we know from the record how old it is and we place a valuation on it.

2119. Merely for the purpose of seeing it has been lost and writing it off?—That is right.

2120. Not in order to write down the stock of typewriters, a pool of typewriters?—Oh, no.

2121. Can any estimate be given of the total number of surplus machines thrown up as a result of the 1951 census?—The approximate figure would be 1,500 machines altogether.

2122. That includes the ones declared and the ones that were handed in before the census, does it?—Yes.

2123. Supposing that from the annual statements you received you found that a certain number of machines were missing, for example, in this particular case, what procedure would you follow?—I am sorry, I hoped I had made it clear that this annual return we get is not used in any way to check that the Department has the number of machines we would expect it to have. It does not serve that purpose at all.

2124. Then, how do you arrive at this amount that has been written off?—Those are individual cases which the Departments concerned have reported to us.

2125. Then, what procedure do you follow, in that case?—They usually give us all the information, but if they do not we want to know how the loss occurred, what steps they have taken to recover it, and in due course the matter, as Mr. Figgures has said, is referred to the Treasury, and if we get their agreement then it is included in our report in the Appropriation Account.

2126. Then, would it be presumed from that that the losses by theft must have been more in value than £295, a balance having been charged against officers who were personally responsible for them?—I do not think so. I think this figure should cover all the machines that have been lost, stolen or strayed in any way.

2127. Does that mean, then, that part of this £295 was, in fact, recovered from officers who were responsible?—To the best of my knowledge nothing was recovered in any of the cases.

2128. Would that be likely to be true in the future now that you are getting the procedure more or less standardised?—I think it would be for judgment in each individual case as to whether it was possible or desirable to seek to recover the cost of stolen goods. It would be a matter, I think, for the Department in whose charge the machine was and who, in any case, have to decide what action should be taken against the guilty party if the guilty party was discovered.

2129. Or as to whether there was any negligence leading to the loss?—Yes.

Mr. Blenkinsop.

2130. I understood from an earlier answer you gave that you had no particular views about whether or not Departments should themselves take these machines on their own financial charge, and whether they should not write-off by direct approach to the Treasury as they might do in the case of other types of equipment?—Personally, I would see no objection to that, but I would like to make this point: I think it would be important that they should be regarded as part of the general pool so that as machines become surplus they could be pulled in to the Stationery Office and re-issued. I think it would probably be wasteful if once a machine was issued to a Department it became their property and they had to deal with redundant machines.

2131. I see that point. Could you say anything about the extent to which there is, for example, joint use of machinery? For example, one of the more expensive types of duplicating machinery, it may be, is in use in one Department and then is moved across to another to meet particular pressures, and so on?—I think I can quote one case which, as a matter of fact, relates

18 March, 1954.]

Mr. J. R. SIMPSON, C.B., and
Mr. W. COX, O.B.E.

[Continued.]

to the period when I was at the Treasury. The punch-card machines are, of course, extremely expensive, and like all expensive machinery, the objective is to keep them as fully occupied, as fully used as possible; we made some enquiries and discovered that in some Departments the number of hours' use per day was not very high. As a result of that study there was set up a joint installation, which incidentally is under Stationery Office control, and six Departments gave up their individual installations in order to make it possible to form this joint unit which is now operating and which is showing very appreciable economies. We have been able to give up machines, that is, to return them to the company and we have been able to reduce staff. I know the Treasury O. and M. Division is continuing that enquiry to see how far it can be extended in other directions.

2132. Could you feel that that very desirable sort of pooling operation can only be carried out under your present form of control and administration, or would it still be possible to do it if Departments had completely separate responsibility, financially as well as physically?—I think probably Stationery Office control facilitates that, but it is not essential. For example, the Customs and Excise Department has a very large installation of punch-card machines which is now regarded almost as a common service unit. It is used mainly for their own statistical purposes, but they do undertake on behalf of a number of other Departments quite extensive work. I think that in present circumstances the extension of common user is facilitated if the Stationery Office has this central responsibility.

2133. Do you feel you have sufficient information about what machines Departments have got to enable you to ensure the fullest possible use?—Yes, and to provide the Treasury O. & M. Division, who have taken the initiative in this, with the sort of information on which they can work.

2134. You do not feel that the gaps in your information are too great, as is almost suggested by this report, that the records are rather hazy in some respects?—No, I do not think that would be true in regard to these more expensive machines about which we are now talking. There are a limited number and I am quite certain the Stationery Office has the fullest possible information about the location and the usage of these more expensive machines.

2135. You would agree that at first sight there appears to be a great deal of duplication here on record-keeping, while it is clear that there is a very real purpose to be served, particularly with regard to the expensive machines in common usage?—Yes.

20216

Sir John Mellor.

2136. When you have got machines which you do not think are worth repairing, because it would not be economic, how do you dispose of them? I suppose they may still have some value for selling?—Might I ask Mr. Cox, the Deputy Controller, to answer that question?

2137. Yes, if you please?—(Mr. Cox.) When the machines are returned to us they are graded by our own mechanics into grades depending on their quality, and they are put up to the trade for disposal in groups of 50 or 60. Completely unrepairable machines are disposed of merely as waste or alternatively cannibalised, that is, taken apart and the pieces used that are still usable.

Mr. Steele.

2138. Can you tell me who actually decides whether a machine is necessary or not?—(Mr. Simpson.) Of course, there is a big range of machines. In regard to the very small ones, a typewriter or an inexpensive duplicator, the Department makes its requisition on us and the requisition has to be signed by a responsible officer, a designated officer of a particular rank, and it is his job to see that it is really necessary. When we come to the more expensive machines, in all the large Departments there is an Organisation and Methods Branch, and we expect the Department to let us know what their O. and M. Branch have done and what advantages are going to follow the supply of these machines. That does not mean the Stationery Office does not ask its own questions if it is not satisfied. Furthermore we have an arrangement under which, if we feel the Department is asking for more machines than they really require, or that the particular work they want the machine for could be done by a less expensive machine, we use the Treasury O. and M. Division as an arbiter. They are called in as the experts to advise us as to whether it is really a sound proposition and on the basis of their decision we supply the machines.

Chairman.

2139. Does that apply to a typewriter or merely to a punch-card machine?—A punch-card and the more expensive accounting and calculating machines.

Mr. Steele.

2140. In this how would you classify a dictaphone?—I would put a dictaphone in the first category.

2141. Are there many dictaphones used in Government Departments?—I think I can give you the exact number—1,800.

Mr. Hoy.

2142. I was not very certain as to what you said about the War Department and

I 3

18 March, 1954.]

Mr. J. R. SIMPSON, C.B., and
Mr. W. Cox, O.B.E.

[Continued.]

the Air Ministry, the Service Departments. I notice that the Comptroller and Auditor General in his Report has said that you are no longer responsible for them. What check, if any, is made on the machines in those Departments, do you know?—I understand the arrangement is this, and this relates, I should explain, only to Army units and Air Force units, it does not relate to their headquarters where the same arrangements as in any other Department obtain, that each Army unit—it is so long since I was in the Army, but I believe I am right in saying—each company and each battalion will have a list, an inventory, of all the equipment of all kinds it has on charge, and included in that now are such things as typewriters and duplicators. Under the drill which the Army and the Air Force have, any losses are reported through channels to their headquarters and would be included along with any other losses of equipment in whatever reports they make in their Appropriation Accounts.

2143. That they make?—They make.

2144. It would not be reported back to the War Office and then reported to you?—Well, that is the distinction. They are not reported to us.

2145. They are not quoted to you at all?—No.

2146. All the equipment at the War Office, say, in Whitehall is reported to you?—They are, in the same way as all the other Departments.

Mr. Niall Macpherson.

2147. In general, do the suppliers of machinery and equipment include a maintenance charge in the original charge for the machine or do they charge an annual fee?—I think I am right in saying that there is a maintenance clause in the case of all the punch-card machines. For the rest I think it varies. Where we buy a machine, the repairs may be done under contract, either on the basis that they will do repairs according to a certain scale of charges or that we pay them an annual sum to keep the machines in good order.

Mr. Hoy.

2148. Did I understand you say that these firms hire these machines to you rather than sell them?—I was speaking of the punch-card machines and until recently they would not sell, they would only hire them.

2149. Did they find it much more profitable to hire them to you rather than to sell them?—I assume so. Whether it is because they have difficulty now in getting the very large sums of capital they need to run the business when all the machines they produce are hired, I would not know, but they have certainly changed their policy in the last two or three years.

Mr. Niall Macpherson.

2150. Would that be because the patent had run out?—I do not think that has anything to do with it because the same applies to the most modern machines, for instance, the electronic multipliers. You can buy them now instead of hiring them.

2151. I have not looked at the Accounts, but what did you pay to these firms for hiring?—We pay them some very large sums. We pay in rental £443,000.

Chairman.

2152. That is for the punch-card machines?—Yes.

Chairman.] How many machines have you got, approximately?

Mr. Steele.] This is punch-card only?

Chairman.

2153. That includes something for keeping them in order, too?—We have 2,900 machines.*

2154. And £400,000?—And £443,000.

2155. £220, roughly, a machine?—Something like that.

Mr. Hoy.

2156. Suppose they wanted to sell them to you, what would they charge you for them?—There is such a wide range that I cannot really tell you.

2157. Could you give me an example? Supposing you pay them £250 a year for hiring a machine, and that seems to be about the rate, that type of machine, what would they charge you for that if you said "Well, we will buy it from you"?—I am sorry, I do not know.

Chairman.

2158. That rental, I take it, does include maintenance?—Yes.

2159. And they are very complex machines?—Oh, very.

Mr. Hoy.] I wonder if we could have one small example, Mr. Chairman? Perhaps Mr. Simpson could send us a little note on the kind of thing I mean?

Chairman.] You had better specify, I think. You want a particular machine, say, a Hollerith.

Mr. Hoy.

2160. I want one of the machines. I cannot remember the name, but I was thinking of machines that are being hired so that Mr. Simpson is paying to some firm

* Note by witness: This figure was given in error. The number of machines on hire is 1,700.

18 March, 1954.]

Mr. J. R. SIMPSON, C.B., and
Mr. W. COX, O.B.E.

[Continued.]

£250 a year to hire a machine. If this firm says: "Well, we will sell you this machine"; Mr. Simpson, I want to know what they would charge you?—There are no difficulties in giving you a few examples of the makes of machines for hiring as against purchasing, but may I make this point, that it sometimes is an advantage not to purchase because it may not be certain that the work for which the machine is required is permanent. That is the judgment that we now exercise.*

Chairman.

2161. Just one point to clear my mind: Chilwell, the Ordnance Depot, is very, very highly mechanised and with very costly machines, I should imagine?—Yes.

2162. Are those on your account or on the Army account, and do you regard those as your responsibility or are they the Army responsibility?—I imagine they will be on the Army charge. We, however, do all the repairs and we should regard them as ours in the sense that if ever they became redundant they ought to come back to us for disposal.

2163. That, of course, applies to the smallest typewriter?—It does, indeed.

2164. Will Members turn to the Accounts themselves, pages 449-452? (*To the witness.*) On page 452 there is the note: "Losses due to petty theft, the exact amount of which cannot be verified, were incurred at various Sale Offices. The culprits were dismissed". Could you tell us how these various losses arose and at which Sale Offices?—There were five cases in all; three of them occurred in our Kingsway Office in London, one in Edinburgh, and the other in Cardiff.

2165. That does, at any rate, prevent any nationalist feeling on the Committee. How were they discovered?—By making test purchases.

2166. Obviously, you suspected that there was something wrong?—We had suspicions that there was something wrong.

2167. What is the extent of the frauds?—Of course, the amounts that were brought out were quite small. In one case it was one guinea, and in another case £1 3s. 6d. These were made up of a number of separate items. In the first case there were three items; in the second case four items, totalling £1 3s. 6d.; in another case four items, totalling 19s. 2d., four items totalling 13s. 0d.; and in the last case four items totalling £1 4s. 6d. But in two of the cases the culprits confessed they had been doing it for some time.

2168. To what extent did they make a confession?—I am not sure that I follow that.

2169. You say they had been doing it for some time. Did they give you any indication as to what their total pilfering amounted to?—No, they did not give us anything we could regard as a reliable estimate. They did confess in two cases we put to them that they had been doing it over a period.

2170. What is your own estimate of how much these people had pilfered?—I am afraid I really have not an idea. (Sir Frank Tribe.) I have got some information from the Stationery Office. I would not like to say that it is altogether reliable, but I was told that an estimate was made that in London these officers had been taking about a pound a day each, in Edinburgh about a pound a week for over twelve months, and in Cardiff two pounds a week for two years.

2171. Have you that information?—(Mr. Simpson.) I gather what Sir Frank has said is true. I was not aware of this. That is the sort of statement made by the people when these cases were put to them.

2172. This is rather serious?—Indeed.

2173. I was rather surprised at the smallness of the amounts you quoted, in view of the fact that you had noticed there was something wrong. What kind of checks have you got against this type of pilfering?—We have taken advice on the procedure laid down for handling cash in our shops and we are assured it is as tight as it can be made. But we are told there is no system which will absolutely prevent pilfering. When a sale is made the sales clerk should ring up the amount on the cash register and put the money in the till and give the customer a slip. As we all know, Sir, we very often walk out of shops without waiting for receipt slips. If there is no change, and if the customer turns his back and goes out and no one else is watching, it is obviously impossible to prevent this sort of thing.

2174. If, as Sir Frank says, that has been going on for two years in some cases, how was it that it was not discovered before? Losses of this size in what is, I presume, a retail shop are rather large to have gone on for so long. It is impossible to make a foolproof cash register, but what about the audit?—(Mr. Cox.) There is a regular audit, but the audit would not find a discrepancy of that nature, Sir, because the amounts recorded on the card would agree with the amount found in the cash register.

2175. Yes. Presumably, you have a stock-taking as well?—Yes, but losses of that size would be doubtfully found by stock-taking because the sales at the Sales Office at Kingsway—I speak from memory

* Information supplied; not printed.

18 March, 1954.]

Mr. J. R. SIMPSON, C.B., and
Mr. W. Cox, O.B.E.

[Continued.]

—are £100,000, and it is in very small sums and there are various discounts and surpluses which could automatically occur. It would only be if the losses were of sufficient magnitude to wipe out those differences that you would really detect defalcations.*

2176. I see the culprits are dismissed but not prosecuted?—(Mr. Simpson.) After these cases occurred the staff were informed that in future cases there would be prosecutions, and one has occurred since and the Stationery Office did prosecute and the man was fined—

2177. He was fined?—Fined £20. It is our intention to prosecute in all subsequent cases, if they occur.

2178. There is this question of persons dismissed without prosecutions. What exactly is the position between you and the Treasury? I do not know whether I should address that to Mr. Figgures or whether I ought to have the views of both of you?—As I understand it, it rests with the Accounting Officer, the Head of the Department. He is often encouraged to seek, and very often does, the advice of the Treasury, but the decision rests with him. That is the line, I understand, which has always been taken in the Stationery Office. (Mr. Figgures.) Yes, Mr. Chairman, I would agree with that. I do not know whether you would like me to set out the position as we see it. We are talking specifically about cases of fraud and theft by Civil Servants.

2179. Here, I believe that the Public Accounts Committee has in past years issued guidance, if I might suggest, and has possibly expressed views which might not appeal to the Public Accounts Committee of the present day. So, perhaps, you might express the Treasury view. I think the Public Accounts Committee itself will have to consider the matter at a later date, and we should like your views?—(Mr. Figgures.) Exactly, Mr. Chairman. Could I first set out, then, the doctrine to which we are working, and to which I feel sure we have been working for over thirty years? There is a *prima facie* case in an example of fraud or theft by a Civil Servant for prosecuting. But this is a matter for the Accounting Officer concerned, and in reaching his decision he will take account of all relevant considerations. The Treasury claim no right to be consulted in advance.

2180. Has that been your policy for thirty years?—Yes. If you would like, Mr.

* *Note by witness*: An additional factor preventing detection by stocktaking is the loss caused by pilfering of goods by the public; this trouble is common to all bookshops.

Chairman, I would be prepared to go back thirty years to set out some part of this view. I think it is important we should understand it all.

2181. Certainly?—(However, in all save the smallest cases the Treasury is always reviewing current practice since the delegated power of write-off in cases of fraud is quite small; so that in every case where there has been a fraud, save in very small cases, the Department has to come to the Treasury and tell us what it has done. Whenever a Department seeks Treasury authority to write off an amount which has been lost through fraud or theft by a Civil Servant, it will in its application indicate whether or not the officer concerned has been prosecuted and, if not, the Department will explain the reasons. Theoretically if, in the opinion of the Treasury the officer should have been prosecuted, the Treasury would refuse authority to write off and the Accounting Officer would then be obliged to justify his decision to the Public Accounts Committee. In practice, no such situation has ever arisen. There has been no case where in the Treasury view the decision of the Accounting Officer has been so unreasonable in this matter as to make such a course warranted. That, as I say, Mr. Chairman, is the view to which we work now. I am sure, from such investigation as we have done recently, that it has been the practice steadily for thirty years. There is some question as to whether there is any conflict between this and previous practice and previous statements by the Public Accounts Committee. I am very doubtful whether there is, with the possible exception of a case in 1916-17. In the *Epitome* at page 560, the Committee for 1916 said this:—"The attention of your Committee was drawn to losses due to officials of the Labour Exchanges. The inquiries they made do not satisfy them that the Board of Trade is sufficiently alive to the duty of prosecuting cases of real fraud. There are, no doubt, sometimes cases with extenuating circumstances, but they should be carefully scrutinised, and your Committee support the action of the Treasury when they state that they will not be able to sanction the charge of the losses in question against the Labour Exchanges and Unemployment Insurance Vote unless either a prosecution has been attempted or the Board have been advised by their legal advisers that the evidence available is not such as will secure a conviction". I am not sure whether that can be stated as being the firm opinion of the Public Accounts Committee. If it is, then I think it is fair to say it is in conflict with the present practice, since the present practice for stating that there is a *prima facie* case for conviction does not say that the only

18 March, 1954.]

Mr. J. R. SIMPSON, C.B., and
Mr. W. COX, O.B.E.

[Continued.]

extenuating circumstance, or the only circumstance which could justify a Department in prosecuting, was the advice of their legal advisers that they could not get a prosecution. At the moment, it is the job of the Accounting Officer to take all things into account and he might conceivably decide not to prosecute even though the evidence would secure a conviction. Other cases in the Epitome, which are clearer than that one, are, I believe, Mr. Chairman, dealing with a different question. There is an important entry in the Epitome, at page 629, where it is laid down clearly:—"The greatest importance is attached to the prosecution of offenders in all cases of fraud and no eleemosynary consideration (which is held to be a matter for the consideration of the Court)"—I think that is language from the past which now means "extenuating circumstances"—"should be allowed to stand in the way of immediate prosecution in all cases where in the opinion of the legal advisers evidence reasonably adequate to secure a conviction is available; unless there is definite legal advice that the evidence is insufficient no prosecution should be waived without Treasury concurrence."

2182. What date was that?—1921. That, of course, is even more precise but that, with respect, Mr. Chairman, we feel is applicable only to the case in which those particular words were used, the prosecution of pensioners who obtained money from Her Majesty's Government by fraud, not cases of a serving official who committed fraud. There is quite a different consideration there. One is a matter for discipline by the Head of the Department; the other is the relationship of the Government as a whole with the outside public.

2183. Yes?—I do not know, Mr. Chairman, whether it would help you if I were to read from a Minute from Sir Warren Fisher of 1923, which sets out the problem in pungent language and which, I suggest, is our present doctrine. I think it is important to appreciate that he said it in 1923 because that was only two years after the Treasury had considered the particular words which are recorded in the Epitome in the extract I have just read; it is inconceivable he should have forgotten it in the space of two years. Therefore, I think it is clear that he was conscious of a distinction between those two cases—a distinction which should be preserved throughout: "The direct responsibility for running their business must be fastened on the respective Departments"—I may say this is a Minute written by Sir Warren Fisher arising out of a case precisely of this kind.

2184. Which kind do you mean?—A fraud committed by a Civil Servant: "The Treasury is not in a position to do every-

body's business and if it tries it will not only make a mess of it but will also jeopardise, by arousing hostility, its general influence and authority as the Central Department. I should say that the decision whether or not in a given case a criminal prosecution is to be attempted, must be a matter for the Department primarily concerned, and the Treasury must not assume a title to dictate. On the other hand, the Treasury does not exist to accede blindly to any and every request for the writing-off of losses and Departments must recognise that such requests must be supported by reasonable evidence of their propriety. In short, Departments while being held responsible for deciding about prosecutions within their sphere must not regard applications to the Treasury for a write-off as a mere formality".

2185. Thank you. Now, Mr. Simpson. Perhaps you would tell us why you did not prosecute here in view of these weighty utterances of the past?—(Mr. Simpson.) I am rather in a difficulty because it occurred before my time and I really do not know what the reasons were why no prosecutions were taken.

2186. Can you help us, Mr. Cox?—(Mr. Cox.) I can only say, Sir, in this particular case these Civil Servants were industrial staff. They were established sales assistants. We had also taken counsel and found that there was in some Departments reluctance to prosecute on evidence such as test purchases. These were the first cases that had occurred. We had reason to believe that the fact that these checks were being taken and were known, would be sufficient discipline. The amounts involved were not very great and in the circumstances it was decided that the prosecutions should not take place but that dismissal should be used.

2187. Would you say that the amounts were not very great, judging by what the Comptroller and Auditor General has said?—We had not anything to go on for prosecution.

2188. You had no evidence?—Except the amounts which we had actually got proof on. The other parts of the confessions did suggest a certain amount of, well, say, bravado, but I do not think they were particularly reliable.

2189. You say you have prosecuted recently?—(Mr. Simpson.) Yes.

2190. Seeing that we are on this particular point, and it is not very often raised, could you give us any indication as to how you would decide the general principle on which you decide to prosecute or not?—I think we ought to have regard to the particular circumstances. Where it is money I am bound to say my own view is that there

18 March, 1954.]

Mr. J. R. SIMPSON, C.B., and
Mr. W. COX, O.B.E.

[Continued.]

would have to be very extenuating circumstances to persuade me that a prosecution was not the right way to deal with it, particularly since we have now had six cases. One way to prevent them continuing is to show that there will be prosecution, so I think that I would regard it as a matter of principle and only in the most extenuating circumstances would we not take that line. I gather that there have been other cases where, for example, a workman has taken some wood or string away, thinking it was of no value, where I think I would want to look at the merits of the case. But where it is pilfering money, and these were cases of pilfering money, my own view would be that a prosecution should be made in practically every case.

2191. I am not quite sure that you were very clear there, because I gather that one of the reasons why you prosecuted was not the general principle that prosecution takes place where money has been pilfered, but that there had been five previous cases and that you really must make an example?—I was using that as an additional argument. I think as a general principle there should be prosecution.

2192. You would have said that the five should have been prosecuted?—I think they should have been.

Mr. Hoy.

2193. It would be interesting to hear on what evidence a prosecution took place. Was the individual concerned found out in the same way as in the other five?—They were all found out in the same way.

2194. It was on that evidence that he was convicted?—On that evidence.

Mr. Oliver.

2195. There is just one point I would like to ask about: the distinction you drew between money and other things while you were describing the processes by which the people were discovered. I think it is a common feature in all large establishments, is it not, where money is passing between employees and their till. But how would

you decide on a matter such as you probably get, and do many times—I do not say you, but other firms do, because I have had a lot of experience of my own—with a threepenny halfpenny offence. Now that is a money defalcation. Would you take proceedings even if you had overwhelming evidence that that person had abstracted that sum? Surely it would be a question of degree, would it not?—In my earlier days, Mr. Chairman, I was always taught as a Civil Servant never to deal with a hypothetical question, and I find it awfully difficult to deal with this one. You see, in each of these cases there were at least three transactions. I think that if we found a threepenny halfpenny offence we would make further checks to see whether that was a mistake or whether it really was a case of pilfering. I understand that the people who make these checks do not pursue the one individual; they make a variety of checks going around the different employees of the Department.

2196. They do not say “I suspect Mr. A. or Miss B”, because they do not know that. They merely take a kind of sample case where they check one in six and by that means they discover whether there is a defalcation. Is not that the procedure?—Frankly, I do not know what their detailed procedure is.

2197. If a person is suspected, it is rather an easier matter?—It was an easy matter in all the cases that we have had. Our experience rather suggests to me that if they see a particular assistant ringing up a wrong amount, they send another of their agents into that same counter to make another purchase. But I do not know what all their arrangements are. Mr. Cox tells me that is exactly what they do. If they find one case, they send in another agent to make another purchase on the same part of the counter.

2198-9. Once they find there is a wrong ringing up, they follow it up by someone else?—Yes.

* * * * *

Mr. Simpson and Mr. Cox withdrew.

BUILDING MATERIALS AND HOUSING FUND ACCOUNT, 1952-53.

Sir HAROLD EMMERSON, K.C.B., K.C.V.O., Permanent Secretary, Ministry of Works, called in and further examined.

Chairman.] Will Members turn to the White Paper, the Building Materials and Housing Fund Account, 1952-53? I have no questions. I believe you are interested, Mr. Hoy, in this slate company—I do not mean financially?

Mr. Hoy.

2200. I am glad not. Sir Harold, you will remember that two or three years ago we exchanged some questions and answers about the Ballachulish Slate Quarries?—(Sir Harold Emmerson.) Yes, indeed.

18 March, 1954]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued

2201. I would just like to ask you one or two more today. Did the quarry owners invest in this company?—Yes, to a limited extent. The original proposal was that they should invest £25,000 out of the £150,000. The money invested was actually a little less than that because one of the smaller companies finally did not come in to the merger. I think the actual figure was something between £23,000 and £24,000.

2202. What security did you take for your loan, if any?—We have first call on the assets. I think that is the main security.

2203. The only security, is it not?—The only security.

2204. That does not amount to very much, does it?—(Sir Frank Tribe.) I understand, as a matter of fact, that no such charge was imposed as the quarries were found to be held on lease only and fixed assets were negligible.

Mr. Hoy.] As I have said, I do not think the assets were worth very much.

Colonel Crosthwaite-Eyre.

2205. Could I ask what terms the lease was held on, how many years and what general conditions?—(Sir Harold Emmerson.) I am afraid I cannot say that without enquiry. We had, of course, the assets of the plant; a good deal of this expenditure was on plant.

Mr. Hoy.

2206. Regarding this £50,000, was it your lawyers who advised you that the £50,000 must be paid by the 30th September, 1950?—Yes, we had that advice on the terms of the Act and the terms of the agreement. The Act itself fixed the date beyond which further advances from the Consolidated Fund could not be paid and under the agreement the 30th September, 1950, was the date by which money had to be advanced; it could not be advanced after that date at the request of the company.

2207. So you think it was because of the Act or the provision of the agreement which compelled you to do this, but is there anything in the Act to prevent you using money remaining in the fund at any time before the fund is closed?—In the Act itself there is not. The only limitation in the Act was on the advances that could be made out of the Consolidated Fund, but it was the agreement with the company that placed on the Minister this obligation to make these advances up to the limit of £125,000 by that date, if requested by the company. Of course, the Minister had some discretion in this. It was subject to the Minister approving the purpose for which the money was intended and in this case he did approve it. I may say the company itself

would have been content, in fact, I think they would have preferred, not to have had the money until they were in fact quite sure that they were going to spend it, but at that time, on the best advice they had, from expert advice, they were quite confident they would need the money. The Minister was satisfied that it was reasonable, and in view of the terms of the agreement he advanced it before the company really wanted it.

2208. But, surely, if the company did not want the money until after 30th September, was there anything to prevent a supplementary agreement between the parties to postpone the date by which the advances must have been completed?—I do not think that was gone into. The lawyers certainly advised that by the terms of the agreement the Minister, if he was satisfied with the proposals, was more or less under obligation to make the advances up to the original loan. I may say that originally when the company was first formed the intention had been to make this loan of £125,000 in one payment. It was the company itself—the chairman of the company has, I think, shown great prudence and caution in the whole matter—that asked that they should not have the full payment of £125,000, but have advances according to the progress made, in the light of development and progress in the quarries.

2209. But would not it have been much better if the suggestion I have just made had been followed, rather than that you should have handed money which Parliament had given you for a specified purpose to a private concern long before they could use it?—It has, of course, transpired that it was long before they could use it, but at the time they fully expected to use it within, certainly, a matter of weeks or months. It was fully expected on the advice they had had about the quarry that they would very quickly reach good slate. In fact they did not, but at the time there was no reason to think that the money would not be needed and would not be spent.

2210. I can see that you handed over the money thinking that it would soon be required, but having then found that it was not going to be required why did not you suggest that it should be paid back to you?—Again, if the money were recalled or paid back to us, I do not think we should have power to make a further advance to them. We are, of course, intending to review the whole policy this summer and decisions will have to be taken about the future of the company, and whether or not to carry on with slate quarrying in Scotland.

2211. If you had been able to reach a supplementary agreement surely you might have been able to find a way of paying

18 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

out the money when it was required?—I do not think we should have been able to pay it out under the Building Materials and Housing Act. It would have meant, I suppose, bearing the expenditure on the Vote and that immediately raises doubts as to the Ministry's general powers to assist an industrial company in this way, because we have no statutory powers outside the Building Materials and Housing Act for this kind of enterprise.

2212. Is that so? May I ask the Comptroller and Auditor General this: if it was found that this money was not going to be used and the Ministry of Works said: "Well, the company is unable to use it for a considerable time, we think it ought to be repaid", would not there be some way in which that might be dealt with?—(Sir Frank Tribe.) I cannot personally see why the money should not have been handed back at once, taken into the fund and kept in the fund until such time as the need for it arose. There is nothing in the Act which puts any termination to the date at which advances can be made out of the fund except such date as the Treasury may determine.

2213. I did not see any great difficulty myself. Reviewing the whole position, Sir Harold, would not you agree that that could have been done?—(Sir Harold Emmerson.) I think it possibly might have been done. But I think the explanation is that at the time we had every reason to suppose, and so had the company, that the money would be spent within the next few months. It also was the intention, as I think I told this Committee two years or more ago, to wind up the fund; and the simplest course at the time seemed to be to advance this money, as we thought, a little ahead of the time when the company would need it. We have gone on ever since expecting that the quarries would be developed. I think in many ways it is all to the credit of the company that they have not spent the money on this equipment because they have not felt absolutely satisfied that the risk was one they should take. It would have been very easy for the company to have spent the money on the equipment, but they wisely held back until they had made further progress with the quarry itself. It has, I think, from the point of view of the company, been a series of disappointments.

2214. Yes, but may we just stick to the money for the moment? Was not there, in fact, a proposal by the company that they should repay the money to you until such time as it was required? Is not that so?—Yes, they suggested that and suggested that we should hold it, and I think again we went by the advice we had.

2215. Who was giving all this advice, Sir Harold?—This loan has been administered

by our Scottish headquarters and they have an arrangement in Scotland rather different from our arrangement here. We consult the Treasury Solicitor. They have a solicitor appointed to advise on Ministry of Works affairs and he has been the legal adviser for the purpose of this particular agreement.

2216. I think you will agree that it was not making very much contribution to either building or the Building Materials Fund by being invested in War Loan, anyhow. Now, may I ask the Treasury why the Treasury did not approve the company's proposal to return the money to the Ministry until it was wanted for the development?—(Mr. Figgures.) The first and simple answer to that question is that that was not what we were asked. We were asked whether they could lend it to us, in fact, at the same rate of interest as it was borrowed from us, and that I am afraid is not a proposition we could accept. The money was lent to them at a certain rate of interest commensurate with the term of years for which it was to be held. We could certainly not agree to borrow it back from them in effect on call and pay a similar rate of interest. I am sure this Committee would have had some extremely hard things to say to us if we had agreed to such a proposition.

2217. May I just clear this one point: Mr. Figgures has said something quite different. I thought that the company had offered not to give the money back or lend it back to the Treasury, but, in fact, had offered the money back to the Ministry until such time as it was wanted?—The words as put to us, Mr. Chairman, were: "Will it be possible to lend this £50,000 back to the Ministry of Works or possibly to the Treasury so as to relieve this burden of interest?"

2218. "To lend it back"; it is a little ambiguous. Did they mean that they were going to say to the Ministry of Works: "Well, we have got £50,000 from you, you have lent us £50,000 at 4 per cent., and we will have to lend it back to you at 4 per cent.", or were they, in fact, saying: "We will give it to you so that you should have the use of it for the time being until we require it." Was it meant in that sense?—However it was meant, there is a loan agreement at the moment running with interest not being paid but accruing. That is an agreement with an appropriate rate of interest for the term of years of the loan. I am not saying that by some other method we could not have got round that, but it would not be satisfactory for the users of the money to give it back to us in effect as call money, they to be able to have it the day after tomorrow and thereby extinguish an interest obligation of 4 per cent. That would be a frightfully attractive thing for everybody who

18 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

is borrowing money from anybody, but he is never allowed to do it.

2219. There have been things allowed here which up to now have never been allowed. It is an extraordinary position we are dealing with. Is it true that the company, as such, pays no interest on this? Do they pay interest or do they not pay interest?—They are not paying, but interest is accruing. Interest is charged, it is not waived; it is being capitalised, that is what it comes to.

2220. At least we have this position, that this company has been loaned this money and it is allowed to earn interest on it, because it has been allowed to invest it, so that this company is earning interest on money for which it is not paying interest to you?—That is true, but it is due to pay interest and there is a difference there, I think.

2221. The difference will be measured when we come to final agreement about this?—I agree, but I think we would be pushing the bargain very hard if we were to say to the company: "You have this money, you must pay us the interest. It is true we are not taking it from you at the moment, we are allowing you to defer payment, but until you can use it on the machinery you are going to spend it on, you cannot use it for anything at all". That would have been very nearly an unconscionable line for us to take, I think. We might have made other suggestions. We might, for example, have proposed that they should pay interest to us for whatever period they invested it with interest; some breaking or change of the terms of the contract might have been possible. But to deny them the right to invest, which is quite apart from the question of the sort of things they ought to invest in, to deny them the right to invest while they were liable to us an interest until they were able to use it on the machinery, would have been a very hard bargain.

2222. Let me put it to you this way, then, Mr. Figgures; in view of all that has transpired with regard to this money would the Treasury even consider having a look at the legal position again, to see if they could get this money back into their own hands until such time as it was found necessary to let this company have it, if ever they wanted it for the statutory purpose?—Certainly, we are only too willing to look at that and we are grateful to have the view of the Comptroller and Auditor General on the possibilities of the fund, though the fund itself will not be useful to us much longer. (Sir Harold Emmerson.) The intention is to wind the fund up at the end of this month and provision has been taken in the Estimates for 1954-55 for a payment into the fund to meet the deficiency. I very much

hope that the fund will not continue beyond the end of this month.

2223. In case this company does go on existing, because I would not write it off, I understand it is very good slate when you get it, would you like to say something about the actual working of the company? I have had various stories. Have they got the machinery there which really gets slate in an economic way or is their method of production a very old-fashioned one which entails a great deal of loss? Have you gone into it from that point of view?—It has been gone into and we have had visits by experts from other slate quarries in the South-West and Cumberland, and so on. It is certainly the case that these quarries in Scotland, which were closed down during the War, were very out of date technically, they were badly equipped, and it was because of the obvious need to introduce new life into the quarries and bring them up to date that this company was formed. The money which has been advanced has helped towards the re-equipment of the quarries, but I think the company's main difficulty has been to find good slate. I think there is no doubt that before the War the companies then operating did what is so common in quarrying, they took the easy slate first. When the quarries were surveyed by the experts they gave their opinion that there still was good slate there worth quarrying, but it was very difficult to get it, there was a tremendous amount of rock and waste material to be cleared away, and the company, having put in a tremendous amount of effort on this, has put off the purchase of the complete equipment until they were really satisfied that there was good slate there. They have the orders, there is the demand; the position in Scotland is rather different from that in Wales. In Wales they have the slate but they are short of orders, whereas in Scotland they have the orders but they are short of the slate. It is, however, the case that the quarries are still not fully equipped technically, but the reason for that, as I say, is the disappointments they have had, particularly in view of the experts' reports, in finding good slate.

2224. I am not quarrelling with what you have said, but do the experts now say that there is still good slate in the Ballachulish Quarries and if they are properly equipped it can be made an economic proposition?—You mentioned, particularly, Ballachulish. I think that is the one about which there is most doubt. The quarry at Aberfoyle is one where the experts seem to be quite satisfied that there is good slate, although one of the difficulties there—I have been to Aberfoyle myself—is the difficulty of access. Cullipool is difficult of access because of the ferry. The quarry has to be approached from the mainland by ferry, but we are early this summer arranging for

18 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

a further examination by an expert from one of the English quarries who is going up there to make a final report on which we can reach some conclusion before the end of September about the future of the company.

2225. You have direct representation on the company, of course, have you not?—We appoint the chairman—it has been the same chairman ever since the company was created—and one of the directors. The technical director is a Government appointment, and although we have no direct responsibility for the affairs of the company it is the case that our assistant secretary in Edinburgh has attended all the meetings of the board; there is very close liaison with the company in that way although his attendance—he has no voting powers—is really an informal arrangement.

Colonel *Crosthwaite-Eyre*.

2226. What is the capital structure of this company?—The capital is £150,000, of which £125,000 is our money.

2227. That money that you have put in is in the form of ordinary shares, is it, it is not in the form of a debenture or a mortgage?—No, the money provided by the company, that is, the £25,000, took the form of 5 per cent. cumulative preference shares and the Government money, the £125,000, is secured by a first debenture on the whole of the assets. I am afraid I have not the accounts of the company with me, but I could very easily let you have a copy.

2228. Have the preference shares received any dividends since the company was in action?—No payment has been received.

2229. No payment at all?—No.

2230. Is there a preference dividend piling up in the same way as Mr. Figgures hopes that his interest is?—Well, certainly it is, they are cumulative preference shares.

2231. No arrangement has been made to decumulate them?—That is so, but I do not think the companies finding the £25,000 have taken a very great interest in the future of the shares.

2232. In fact, it is the people who put up the £25,000, apart from two directors you appoint, who control the company?—In addition to the chairman there are four other members, one of whom is the technical director whom we nominate. Of the other three, two represent the proprietors of the original companies, so it is really three out of five, including the chairman, who represent the original interests.

2233. In other words they have control of the company?—Yes.

2234. Do you not feel that where public money is involved, particularly in sums of

this nature, it is rather necessary for the Government advancing the money to have control of the company or, if not control, certainly a very substantial holding in it?—It is a question of degree, certainly. I think the feeling in this case was that we wanted the company to feel it was independent of the Government and that is why we contented ourselves, or the Minister at the time contented himself, with the appointment of the chairman.

2235. Do you not feel that perhaps one of the questions Mr. Hoy asked would have been much simpler if you had this state of things, namely, that it would have been possible to make a supplementary agreement in time which would have prevented you having to pay this money to the company which did not want it at the time?—I do not think that would have affected this question of the supplementary agreement. It might have affected the terms of the original agreement, but as I said earlier on, under the terms of the original agreement, so we were advised, the Minister was virtually under an obligation to complete this advance of £125,000 by the given date.

2236. I appreciate that. Is there no clause, then, in that agreement which says that money advanced by the Ministry must be used by the company within a given time?—No, there is no such provision.

2237. There is not?—No.

2238. Is not that rather odd?—I think at the time the agreement was drawn up it was impossible to say what the money would be wanted for. It might be wanted for equipment or wages or development.

2239. I do not think you have grasped my question. I said, is not there a clause in the agreement which stipulated that the money must be used by the company within a given period?—As far as I know there is no such provision in the agreement.

2240. Then, may I continue with the other question? Do not you think that is odd?—All I can say is that at the time the agreement was made it was not considered necessary. We had this very close association with the company and in many ways, of course, it would have added to the difficulties of the company if we had had such a provision that they must spend the money by a certain time. (Sir *Frank Tribe*.) The actual agreement says that the first party, that is, the Ministry of Works, "has agreed to make a loan in instalments as required to the second party to supplement their finances with a view to increased and more efficient production." The wording is: "In instalments as required".

2241. I should have thought that rather lent point to the question?—(Sir *Harold Emmerson*.) Yes, it goes on to say that

18 March, 1954.] Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

"the maximum amount of the loan shall be £125,000, but the actual amount of the loan shall be the total amount of such instalments as are requested and granted by the first party (that is, the Ministry of Works), by the 30th day of September, 1950".

2242. But Sir Frank's point, I think, is that it expressly states the money shall only be advanced as required, which means that it will be used?—Yes, and we were advised at the time, that if the Minister was satisfied as to the purpose for which this £50,000 was needed, he was virtually under an obligation under the agreement to make that advance and to make it by that date. We were in that difficulty, that if we had held on to the money, so we were advised at the time, we could not have made the advance after that time.

2243. Without a supplementary agreement, yes, I appreciate that. Might I ask Mr. Figgures one question on quite a different subject? I notice from footnote (4) of this fund that the Treasury have agreed that payment of interest on advances from the Consolidated Fund should be held over. Can you tell me the reason for that?—(Mr. Figgures.) Simply because the company itself is not earning at the moment and, therefore, we agreed that, rather than taking interest payments out of money currently being lent, it was wiser to leave that over until such time as revenues were being earned. We were satisfied that our waiving is within the powers given us by the Act.

2244. When you say the revenue is earned, is there any likelihood of this fund ever earning anything?—The fund is a different matter, but this particular advance to this company?

2245. No, I am sorry, I am talking about Note (4) on page 2, which says: "The Treasury have agreed that payment of interest on advances from the Consolidated Fund should be held over until after 31st March, 1954". That is not the money lent to this company, is it, this is something quite different?—Which line are you on?

2246. Page 2, Note (4)?—No, this is a quite separate affair. These are advances from the fund, yes.

2247. Could you tell me why it has been waived in this case?—In the case of this fund?

2248. Yes?—The fund as a whole is in deficit and indeed needs additional moneys paid into it in order to close it. It needs money not merely on the interest due to the Consolidated Fund, but also to meet its obligations to outside parties, those moneys which Sir Harold has already mentioned. Provision for this is being taken in the Estimates which were published

yesterday, I think. Since, in fact, money had to be voted in any case there seemed to be no point in burdening the fund unnecessarily with this debt to the Consolidated Fund until the time came to wind it up.

2249. Could you tell me, Sir Harold, what the Hollow Clay Block Project was?—(Sir Harold Emmerson.) Yes.

2250. It seems to have managed to lose half its capital?—That was a scheme which was put forward at the time when there was a great shortage of bricks. Actually it was a building block considerably larger than a brick designed, I think, originally by a Belgian. The intention was that the Department should start this as a Government enterprise. The inventor of this building block found it impossible to interest any private company and money was spent, first of all, in finding suitable material. There was a site in Northumberland which was selected, and finally decided as suitable, and money was also spent on equipment, moulding machinery and so on. Then, before the enterprise got going Ministers decided that they would rely on the brick industry which in the meantime had increased its production and leave this project, the Hollow Clay Block Project, if it was to be developed at all, to the brick manufacturing industry. I think after the decision was taken a company was formed in South Wales and has made some little progress in the manufacture of this block; but it did mean, so far as this fund was concerned, that we had incurred certain expenditure before the decision was taken to discontinue the arrangement, and we have had to cancel various contracts. We have taken a credit in the fund for the sale of some of the equipment which had been purchased and this item is, I think and hope, the last of the Hollow Clay Block Project. I do not think there are any further items.

2251. You have lost £18,000?—Yes.

2252. And you hope that will be the last loss?—Yes, I do not think there is anything now outstanding.

Mr. Steele.

2253. Reverting to the slate producing company, Sir Harold, in paragraph 4 on page 8 the Comptroller and Auditor General talks about keeping alive the traditional Scottish slate industry. Is this one of the purposes for which the Act was passed?—No, I should say that the Act was passed for the purpose of stimulating and developing the supply of building materials. As far as the building materials side of it was concerned that was the intention, and it was solely on that ground, that is, to get slates in production again in Scotland, that the Ministry of Works

18 March, 1954.]

Sir HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

was empowered to take this action. Nevertheless, the Scottish Home Department have taken an interest in this, both from the point of view, as it says here, of keeping alive a traditional Scottish slate industry and from the point of view of employment and through their interest in Scottish Housing. There is the problem of repairs to existing houses, many of the Scottish houses using slate for the roof. But the main purpose, indeed the only purpose, as far as the Ministry of Works is concerned, was to encourage and rehabilitate the building materials industries.

2254. The main purpose of the Act was as you said in your latter remarks, and the question of the resuscitation of the Scottish slate industry was more or less a by-product of the Act?—The Scottish slate industry was one of the building materials industries which had to be revived to meet the demands of the building industry.

2255. You say now that in Scotland they require slates, but we have no slates?—Yes but there are not enough.

2256. And in Wales they have slates but no orders?—Yes, insufficient orders I should say.

2257. What was the position at that time?—When the company was set up?

2258. Yes?—At that time there was no production of slate at all in Scotland because all the slate quarrying had been discontinued during the War. There was a tremendous need for slates for the repair of existing houses and it was anticipated that roofing slates would be required for the expansion of the Scottish housing programme.

2259. But the Welsh quarries could not provide all the requirements, in your estimation?—At that time the Welsh quarries could not provide them. I think the present position is that the Welsh quarries could provide the slate. Of course, the Welsh slate is different from the Scottish slate. It is a very thin slate compared with the Scottish slate and it makes it difficult from the point of view of repairs to repair a Scottish slate roof with Welsh slates, but I think, so far as the supply is concerned for new houses, the supply position of Welsh slate and of concrete tiles would now be quite adequate to meet the needs of new housing in Scotland.

2260. Despite that, there is a phrase here which implies that you had to persuade the local authorities in Scotland to use the Scottish slates. Is that so?—I think the emphasis is perhaps placed rather differently from the way we should put it. Many local authorities in Scotland wish to use Scottish slates even though they cost a

little more than the Welsh slate or the concrete tile. The Scottish Home Department has not asked those local authorities to amend their specifications for the sake of saving £30 to £36 a house, which is the difference between slates and concrete tiles. Also, about three years ago the Minister of Works and the Secretary of State for Scotland did urge the local authorities and the Scottish Housing Association to use the local product. But I think it would be quite wrong to assume that in general local authorities in Scotland need persuasion to specify and use the Scottish slates. Many of them would prefer the Scottish slate in spite of the increased cost.

2261. The difference being roughly £36 per house?—I should say, £30 to £36 a house.

Mr. Hoy.

2262. But upkeep is considerably less, is it not?—Oh, yes, over a period of years the slate producers would claim that it is an economy to use slate.

Mr. Steele.

2263. Are there any difficulties at the moment in Scotland regarding the supply of tiles?—No, I think not. There has been a very considerable expansion in the production of concrete tiles. Taking the whole country, the production of slates, that is roofing slates, is still less than half the pre-war rate. On the other hand concrete tiles have increased very substantially over the 1938 position.

2264. On this increased cost, has this called for any increased subsidy to the houses?—Well, it all goes into the cost of the house and in that sense it does mean an increased burden on the Exchequer. (Sir Frank Tribe.) There was an additional housing subsidy given by Section 88 of the 1950 Housing Act which permits payments of additional subsidy to meet the extra cost of preserving the local character of houses, and this could obviously be held to justify the extra cost through using Scottish slates. I rather suspect these two things are not unconnected.

2265. Do you think that this scheme would have been undertaken had there not been a desire to stimulate employment and industrial development in the Highlands?—(Sir Harold Emmerson.) I think quite definitely it would have been undertaken on purely industrial grounds. The proposal was made originally by the Scottish Development Council. It was considered in relation to the obvious need for building materials and the special difficulty in an industry which had closed down entirely in Scotland during the war and had to be

18 March, 1954.]

SIR HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

artificially stimulated. There is no doubt that there was also at the time some idea in people's minds that in one or two isolated places men were available who had previously been employed in the slate quarries and who were then unemployed. But I am quite sure that that was merely just something in people's minds and was not the deciding factor. The deciding factor was the need for building materials.

2266. Have you any idea how many men are employed?—At present there are about 90 men and in addition there are a number of old age pensioners who used to work in the quarries and still go to the quarries and have employment there. They are men who are engaged on working slates to special sizes, mainly for repair jobs, but the main labour force consists of about 90 men. It is hoped, if the quarry develops, particularly the quarry at Aberfoyle, as was expected, that more men will be employed.

2267. So that the prospects for 1954 are better for Aberfoyle, but the experts say that Ballachulish is not a good prospect?—That is the position, unfortunately, but we shall have confirmation of that or, at any rate, have a better idea, when we have had the report of the expert who is going up early this summer.

2268. Mr. Figgures, if it is proposed to keep this company going after this month, have you given any thought at all as to how it would be done, and under what fund or financial arrangement?—(Mr. Figgures.) No new fund is needed, Mr. Chairman, at the present moment. There is a loan contract between the Ministry and the company which provides, I think, for the gradual redemption of the loan. It is for a maximum period of 25 years. The fact that the Building Materials Fund will not exist then does not matter; the money will be paid back to the Ministry of Works and surrendered to the Exchequer in due course as Exchequer Extra Receipts. Unless something new happens there is no need for any new agreement for 21 years.

Mr. Blenkinsop.

2269. One small point about the question of investment: I see from paragraph 2 of the Report of the Comptroller and Auditor General that in fact this company invested this £50,000 in, I think, 3½ per cent. War Loan, which is, I think you will probably agree, equivalent to something like an undated stock although there is the requirement of repayment of capital to the Ministry of Works and to the Treasury in equal payments over 25 years. Do you think that would be a sensible proceeding, the form of investment I mean, quite apart from the fact of it being invested at all?—(Sir Harold Emmerson.) I suppose the company could realise the money when it

was needed either for their own purposes or for the purposes of repayment. Personally I would not see anything to criticise in the way in which they have invested the money.

2270. Would not you think on the whole it would have been more desirable as their main obligation is for the return of this capital—their main obligation is not, presumably, to try and invest to get the highest return or anything of that kind—that they should have invested it in a form in which it was most easily realisable and in the periods required by the Government?—I think in this matter we have left it very much to the judgment of the company as to how they conducted this business.

2271. You have not raised this particular matter at all with the Treasury?—No, we have not.

2272. Have you any view about it, Mr. Figgures, or not?—(Mr. Figgures.) I think if we had been asked we would not have advised this. I think this is the reverse of the situation which I was describing before. Their money is, in fact, call money, they cannot afford to leave it out much longer than call and unfortunately when you have call money to place you cannot expect to get 4 per cent. But they may get away with it. It all depends where the 3½ per cent. War Loan stands at when the time comes to buy the equipment. I should have thought it was rather a serious risk. (Sir Frank Tribe.) I should have thought it was a great gamble with public money. They ought to have put it in a Government security which was, at least, redeemable in the period of their repayment. (Mr. Figgures.) I do not think even that would help because they need this money to buy this equipment, and it may be needed in three months, or six months: the fact that it was in something redeemable in 20 years, really would not help them. I do not know whether they can afford to invest it for more than six or twelve months.

Mr. Steele.] But the Government did not want to keep it secure; they would take it back.

Mr. Blenkinsop.

2273. Would not you agree, then, Sir Harold, that, first of all there is very grave doubt about the whole procedure of this fund being invested at all and not in fact being returned, and secondly that there is a very grave doubt about the way in which the investment was made, even if you approve the investment?—(Sir Harold Emmerson.) This series of events was certainly not intended. When the money was advanced to the company it was never in anyone's mind that the company would

18 March, 1954.]

SIR HAROLD EMMERSON, K.C.B., K.C.V.O.

[Continued.]

invest it and not spend it and certainly it was not a deliberate step that was taken. One has to realise, I think, the circumstances as they were presented at the time, that the company would be needing the money for equipment and we had advice that there was this obligation.

2274. Could I put it to you, Sir Harold, that as there is such close contact between your Scottish branch and this company, even on this small point—I do not know that it is small, after all, it is the question of return of Government money—but even if investment was to be made, then at least the first responsibility was to ensure that the capital would be available for repayment?—Oh, yes, I should agree, certainly.

Chairman.

2275. I am not sure that you have any very great responsibility for the problem over the question of investment, Sir Harold?—No, we have not any direct responsibility.

2276. Were you consulted?—We are consulted in an informal way. As I said earlier, our assistant secretary in Edinburgh attends the meetings and is in very close touch with the chairman. It certainly would have been open to our official, the assistant secretary, to have objected if he felt that this was not a proper course to take. (Mr. *Figures*.) I was going to say,

to correct any misunderstanding, that we were consulted informally about investing. They put certain suggestions to us, through the Ministry of Works, and we said we did not think that was a very good idea; we indicated that we doubted whether, in fact, they would be able to get 2½ per cent. and safeguard their capital. The specific decision was not one to which we had given agreement nor was the company bound to consult.

Mr. Oliver.

2277. The fact is that if they had been as successful in producing slate as they have in fact been in producing a little financial advantage on the investment, there would have been a better show?—(Sir *Harold Emmerson*.) Well, that may be so, but on the success of the company I should say that in the period from January, 1953, to the end of their financial year, which is the end of September, they did make a slightly better showing and a slight profit. They increased the price of slate as from the 1st January and I understand that if this increased price had ruled right through the year there would have been a clear trading profit on the slate sold by the company.

2278. It has not retarded the sale of slate by increasing the price by 10 per cent.?—Oh, no, they just have not enough slate to meet the demand.

The Witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 23RD MARCH, 1954.

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.
Mr. Hoy.
Mr. David Jones.
Mr. Niall Macpherson.

Sir John Mellor.
Mr. Oliver.
Mr. Enoch Powell.
Captain Waterhouse.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

CIVIL APPROPRIATION ACCOUNTS (1952-53) (CLASSES I TO VIII).

CLASS II.

VOTE 10.

OVERSEAS FOOD CORPORATION.

Sir THOMAS LLOYD, G.C.M.G., K.C.B., Permanent Under-Secretary of State for the Colonies and Mr. E. W. A. SCARLETT, O.B.E., a Principal, Finance Department, Colonial Office, called in and examined.

Chairman.

2279. Will Members turn to the Civil Appropriation Accounts, to pages x and xi of the Comptroller and Auditor General's Report, paragraphs 24 to 26? This is the Overseas Food Corporation liquidation. Sir Thomas, you remember the error that was discovered last year, that the liquidation transactions were included in the payments and receipts account of the Corporation? Can you explain how that happened?—(Sir Thomas Lloyd.) Could I ask Mr. Scarlett to answer that?

Chairman.

2280. Certainly?—(Mr. Scarlett.) Yes, Sir, we examined this in some detail last year before the Committee. It arose because the Corporation at the time of closing last year's accounts had not prepared a full and proper liquidation account, and in closing down the Vote Account for that year we in the Colonial Office had no indication that the whole of the liquidation expenses had been charged in the Corporation's operating expenses; and that resulted, of course, in an overcharge which was discovered too late to be corrected last year.

2281. How came the auditors to pass it? Do your auditors look through the accounts?—The commercial auditors who audit the accounts of the Corporation?

2282. The commercial auditors?—Yes.

2283. Do your own auditors also keep an eye on the Food Corporation accounts?—The Exchequer and Audit Department, yes.

2284. No, your own Colonial Office auditors?—The internal auditors, yes.

2285. How came it that both you and the commercial auditors came to pass them? It is rather extraordinary, is it not?—It is not, perhaps, particularly easy of explanation put that way. The liquidation account, as the Committee will probably remember from last year, started from the cash balance in the hands of the Corporation at the date of handing over from the Ministry of Food; and the balance, together with the balances on debtors and creditors was to be taken into that account and the debtors and creditors and the cash balance run down by liquidation until a final balance was struck, any balance then remaining coming to the Exchequer. The view in the Colonial Office at that time which proved to be not very well informed was that the liquidation account was being conducted as a separate exercise altogether, that is to say, that the instructions had been carried out and the opening balance and the balances on debtors and creditors taken out, so that the simple cash statement that was presented to the Colonial Office by the Corporation was limited to the true operating expenses and the true revenues of the year. There was on the surface nothing at all to indicate that it was not so. It was only when the liquidation account itself—it is true it was not a very good one and not an acceptable one—was submitted and examined that it became apparent, of course, and we were able to bring that out before the Committee last year.

2286. Did you bring it out or did the Comptroller and Auditor General?—The Comptroller and Auditor General brought it out.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

2287. It is rather odd that both your auditors and the commercial auditors failed to spot this very considerable error?—At that time, yes.

2288. At that time, and it was left to the Comptroller and Auditor General to find it?—If I may say so, Sir, I think that was a question of timing. It was something that became clear so shortly before the meeting, if I remember rightly, some weeks or a month or so before the meeting. In fact there was no liquidation account as such at all then in existence.

2289. In other words there ought to have been a liquidation account?—Certainly.

2290. And there was not. Why did not your auditors spot that?—We did spot it and were pressing for it.

2291. After the Comptroller and Auditor General pointed it out to you?—No, Sir, I do not think it is quite correct to say the Comptroller and Auditor General pointed out that there was no liquidation account. That was known. It was only that the Colonial Office had not succeeded at that time in getting a proper liquidation account out of the Corporation.

2292. However this came to light and however it occurred, are you satisfied that it cannot happen again?—Yes.

2293. That you will not get liquidation items into the receipts and payments statement?—I am satisfied that we should not, and that if such a thing should happen it must have passed audit.

2294. Have you any comment, Sir Frank?—(Sir Frank Tribe.) No, Sir, not on what the witness has said. I brought this matter to light last year and qualified my certificate. You asked me last year to look into the matter and I appended a note to my evidence, which will be found on page 140 of last year's evidence. This gave a short summary of what I report more fully now. It is, of course, extremely difficult when an appropriation account is based upon a cash account audited professionally, especially when, as last year, the certificate attached by the professional auditor to the cash account says practically no more than that he has examined the account and compared it with the books. I think last year's Committee felt that an auditor, whoever he might be, should at least express some confidence that the books were correct. I think things are probably on the right lines now.

Mr. Enoch Powell.

2295. We were told just now that it was known to the Colonial Office that no liquidation account existed at the relevant time. I think you said that?—(Mr. Scarlett.)—Yes.

2296. But you did not know that transactions which should have been included in the liquidation account had been included in the account of receipts and expenditure?—That is so.

2297. If to your knowledge there was no liquidation account how could you fail to be aware that what ought to have been included in it was presumably included elsewhere?—I fear I must have given the wrong impression there. When I said there was no liquidation account that was, perhaps, not quite clear. A liquidation account had not then been rendered to the Colonial Office.

2298. Was anything done to call for it?—Yes, indeed.

2299. But it was still outstanding at the time when you received the account of receipts and expenditure?—Yes.

Mr. David Jones.

2300. Sir Thomas, when do you expect the liquidation of the whole plant to be completed?—(Sir Thomas Lloyd.) Do you mean the winding-up of the company?

2301. Yes?—The Secretary of State is going to make an announcement in Parliament very soon about that, within the next week or two.

2302. Can you give us any indication of the outturn of the liquidation account?—Could I ask Mr. Scarlett if he has any information? (Mr. Scarlett.) May I ask one question to clarify that? In speaking of the outturn of the liquidation account we are thinking, I imagine, of something rather more than the simple account we were discussing a few moments ago? You are taking us back rather to the statement that was put in after the evidence of last year?

2303. Yes?—It is a little difficult to say with any certainty how soon the whole exercise will be completed. We rather hope that the disposal exercise can be brought to an end by next March. It will be quite twelve months before that can be achieved.

2304. Will the liquidation account cover the disposal of surplus assets or has that been dealt with separately?—The liquidation account itself is not concerned with the disposal of surplus assets. It is merely liquidating the debtors and creditors that stood in the balance sheet when the accounts were taken over from the Ministry of Food.

2305. Are the proceeds from the surplus assets being paid direct to the Exchequer as they accrue?—The proceeds from sale of all assets declared surplus go to the Exchequer. They are paid over by the Disposal Board to the Corporation quarterly and are surrendered to the Exchequer, but surrender usually is done annually.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

Chairman.

2306. Will Members turn now to paragraph 27, dealing with this loan of practically £70,000—£69,823—the sum which represented works carried out. How did it come to be treated as a loan?—It was merely that the Corporation did so, I am afraid. It was in the days before the Colonial Office had any responsibility for the Overseas Food Corporation, and looking back on it now I should have thought it wrong that it should have been treated as an advance to the Railways and Harbours Administration. It would not be outside the intention, I think, that the value of work done should be costed out and treated in that way, but, of course, to do it that way requires an agreement by both parties, that is, the one who charges it and the one who receives it; and in this instance the Railways and Harbours have not regarded this as an advance at all, they regarded themselves as the Corporation's debtor, quite rightly, I am sure, and have now paid the money.

2307. There seem to be some very heavy sums advanced to the Railways?—Indeed, yes.

2308. What exactly is the purpose of the Corporation? Are they still advancing money?—(Sir Thomas Lloyd.) Yes, I think the figure is now just under £4 million.

2309. Is that more than the £3,700,000 mentioned in the last line?—Yes, I think it is now about £3·9 million.

2310. It is still going up?—Yes.

2311. Is there any limit to which they propose to go? Could you give us some picture of the position of the Food Corporation and the Colonial Office?—How the Corporation is placed now?

2312. Yes?—I think the Committee have been told before—Parliament has certainly been told—of the reduced scale of the undertakings at Kongwa and Urambo and the other places, and also, of course, Parliament approved in 1951, I think it was, the reduced scope of financial provision, and of the agreed arrangement being one under which £6 million should be the ceiling to the further expenditure from United Kingdom funds on the Corporation over the next seven years.

2313. Does that £6 million include such loans as are made to the railways?—No.

2314. That is an additional sum?—Yes, quite.

2315. Where do the Corporation get the money to loan to the railways?—From Her Majesty's Government, from the United Kingdom. What I thought you were interested in at the moment was what I call the current account, the scale of operations.

2316. We are dealing with paragraph 27 and I am interested primarily in the question of relationship between the Corporation and the railways?—Yes.

2317. They have loaned approximately £4 million now. Is that in order to enable the Railways and Harbours Administration to serve their very largely reduced scheme in Urambo?—Of course, the bulk of money was advanced in the early days when a much grander scheme was envisaged. It had reached £2,880,000 by the time of the revision of the programme at the end of March, 1951.

2318. Exactly, and in the last two years it has gone up by practically £1 million?—Yes, in these three years it will have gone up by practically £1 million. That is in respect of the railway extensions down to the areas that are still being developed and, of course, the completion of the port.

2319. What arrangements have been made for repayment?—Well, none as yet. The intention is that the East African Harbour and Railways Administration should repay this out of loans to be raised by them, we hope, before the end of 1955. That was the original intention.

2320. They propose to borrow to repay. Whom do they borrow from, Her Majesty's Government?—From the investor. They raise a loan on the ordinary market.

2321. They have?—No, I say they will. The intention is that they should repay this out of a loan which they would raise in the open market.

2322. They are going to try to raise the loan in the open market?—Yes, that was in their loan programme and the accepted arrangement was that they should raise that loan before the end of 1955.

Colonel Crosthwaite-Eyre.

2323. Did I understand, Sir Thomas, that you said that the sum outstanding had gone up from the £3,691,000 shown as outstanding in March, 1953, to £3,900,000 at the last date?—Yes, there has been a further sum of about £200,000.

2324. A further £300,000 has been advanced this year?—Not quite £300,000.

2325. But of that order?—Yes. (Sir Frank Tribe.) The estimates just presented to the House show that advances by the Corporation up to March, 1954, are expected to amount to £4,384,000.

2326. So it would appear that there is another £300,000 to come into the current year, making a total of £½ million for 1953-54?—(Mr. Scarlett.) That is in consequence of a Supplementary that has just been presented.

2327. Do you receive any interest payment on those loans?—(Sir Thomas Lloyd.) No rate of interest has yet been agreed.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

That will be one of the points of discussion between ourselves, the Treasury and the Administration at the time when the loan is floated and repayment is made.

2328. Will such interest be back-dated to the time that the money was lent?—That was the intention. It was to reckon for interest from the time of making.

2329. Would it be the policy, at any rate, of the Colonial Office to see that the rate of interest is a truly commercial one?—Yes, I do not see any reason why it should not.

2330. When the East African Railways make a branch line, shall we say, to one of the areas you are still developing, do you provide the whole cost of such a branch line?—(Mr. *Scarlett*.) It would depend on circumstances, of course. In this instance we are.

2331. In what instance?—In the instance of this particular railway, the Southern Province Railway.

2332. In East Africa you provide the full cost for every single extension?—Yes, those extensions, of course, that were originally laid down as part of the programme for opening up the Southern Province of Tanganyika. One requires, of course, to go back to the early scheme for ground nuts in East Africa to find the origins of this railway. Its primary purpose was to open up the Southern Province and carry the products of the Corporation to the port.

2333. I appreciate that, but no contribution has been made by either the railways themselves or the Government concerned, you have had to provide the whole of the money for these railways?—There is a small contribution at the moment contemplated by Tanganyika Government for a special extension to a point called Lumesule. That was estimated to cost £750,000, which the Tanganyika Government is to put up herself.

2334. To put up all the money?—Yes, but, of course, this is no more than loan finance, and the whole of it under the terms of the agreement is repayable by the Railways and Harbour Administration not later than December, 1955. The original estimated cost was £4.55 million and that amount appears in the East Africa High Commission loan schedule. That has already been approved and written into her own loan ordinance so the advances should rate, of course, against the security of the local law which empowers the raising of the money.

Mr. *Enoch Powell*.

2335. I see that the Comptroller and Auditor General says in paragraph 27 of his Report on the Accounts that this sum of £69,000 odd was recovered by the Corporation as an ordinary trade debt. Does the use of that expression imply process of law?—No, Sir.

2336. It means they asked for it and got it?—I am not quite sure that it was even that. I think, in fact, the Railways and the Harbours Administration offered the money.

2337. With reference to Subhead B. and the advance in the year 1952-53 of £131,000, we have heard that a considerable further advance has taken place in the financial year 1953-54. Is there a still further advance estimated for for the year 1954-55?—For 1954-55 there is a token provision of £10 only.

2338. So that it is anticipated that in effect the provision in the current financial year will be the last of this loan?—That is what we expect to be the position.

2339. Regarding the advances as a loan, what would you say was the security in which it was based?—The security in which it is based is indeed the loan ordinance of the East Africa High Commission supported by the three East African Governments, which empowers them to raise a loan of a sum which includes £4.55 million for this purpose.

2340. So ultimately it is guaranteed by the Colonial Government?—By the three East African Governments.

2341. And in the event of their not being able to carry the guarantee presumably Her Majesty's Government in the United Kingdom would have to accept the liability?—Would be left with the liability.

2342. So that ultimately this is a loan on the security of the person who makes the loan?—No. (Sir *Thomas Lloyd*.) Her Majesty's Government are under no more liability in a case of default on this than they would be in the case of a default by any Colonial Administration on any of its loans. Obviously that would involve the credit of Her Majesty's Government and all those dependent on it. Her Majesty's Government would have to come in in the event of default—at least, this is my own view—by any Colonial Administration. There is an implicit or assumed guarantee by the investor, by Her Majesty's Government, behind any loan, but there is no greater obligation to come in for this one than there would be on any other loan where the raising party defaulted.

2343. But there is no security in the Administration itself? The Administration is not furnishing any security for the loan?—No, except this undertaking to raise the money on the London market. (Mr. *Scarlett*.) Which is written into its local law.

2344. Has the Administration at present any capital apart from the advances?—(Sir *Thomas Lloyd*.) It has got a lot of capital assets in its own railways.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

2345. But those were acquired with the advance from Her Majesty's Government?—No, this is not a railway set up for this specific purpose. There are large East African Railways extending up from the centre and north of Uganda down into Tanganyika. This is merely an extension of that railway system, so they have available tangible assets in the form of the existing railways' rolling stock, engines and the like.

2346. The Administration referred to is the owner of those assets?—Yes. You are referring to page 102?

2347. Yes?—I could not give you offhand, I am afraid, an estimate of the total assets of the East African Railways and Harbour Administration, but it must be something very substantial indeed, several times the amount of this loan.

2348. Do you happen to know the order of interest or dividends that the Administration pay?—They are a Government organisation. This is a nationalised railway. It is owned by the Governments of the three territories.

Chairman.

2349. Sir Thomas, when Colonel Crosthwaite-Eyre was examining you he used the words: "You will find the money." Apparently the Overseas Food Corporation has also been finding the money. Were you accepting the word "you" as including the Overseas Food Corporation, or are you also finding money for the railways?—Well, Her Majesty's Government are finding the money for these.

2350. Are they finding it through the Corporation?—Yes, they are advancing it to the Corporation.

2351. They are advancing it to the Corporation, so when you agreed that you will find the money, you are doing it through the Corporation? You are not

finding it direct and the Corporation also finding it direct?—Oh, no.

Chairman.] Will Members now turn to the Accounts themselves on pages 100 to 102 of the Civil Appropriation Accounts? I have no questions.

Colonel Crosthwaite-Eyre.

2352. Under Subhead Z I see the note: "The short-fall of receipts was due mainly to crop failures in certain areas." Perhaps Sir Thomas will tell me: the sales of crops were some £600,000 less than anticipated?—Yes.

2353. Could you tell me which crops they were and in which parts of the world?—I could not offhand. (Mr. Scarlett.) I could not myself go into details about types of crops. I would like to say, first of all, that one element in the lower figure of revenue was a somewhat restricted field of activity that was introduced earlier in the year, a smaller acreage was planted. The loss of revenue on crops, which I am afraid I must keep as general and not particularise, was due, secondly, to a drought which had its main effect in the Kongwa and Urambo areas, principally Kongwa.

2354. Could you say whether the loss then arises practically entirely from Tanganyika?—From within Tanganyika?

2355. Yes?—It must be entirely within Tanganyika; the Corporation only operates there. (Sir Thomas Lloyd.) I could not say which of the three areas of Tanganyika. If I might just add one word to what Mr. Scarlett has said, it was during this financial year that the decision was taken, announced by the Secretary of State in the House on the 22nd January, 1953, to reduce the farming area at Urambo from 45,000 to 12,000 acres and at Nachingwea from 60,000 to 20,000 acres. So, the estimates for the sale of crops had been based on the expectation of cultivating these larger areas during the year, but the areas were substantially reduced.

VOTE 9.

COLONIAL AND MIDDLE EASTERN SERVICES.

Chairman.

2356. Will Members turn back now to pages ix and x, to paragraphs 20 to 23 of the Comptroller and Auditor General's Report? Sir Thomas, this new arrangement with regard to the issuing of block grants is entirely contrary to any opinion previously expressed by the Public Accounts Committee on the matter. I presume you will agree with that?—(Sir Thomas Lloyd.) Yes.

2357. Then, why have you done it?—If I may bring the Treasury in here, we did consult them throughout on the point as to whether this ought to be brought to the attention of the Committee. Each step that we have taken has, in fact, had the approval of the Treasury and we were advised that it was not necessary to come to the Committee before introducing the change.

2358. That is perfectly true, you are not compelled to come to the Committee, but

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

I think the Committee is entitled to ask you to justify your action. I do not know whether, as you have brought the Treasury into it, it is you or Mr. Figgures who proposes to justify the change you have made? I do not mind which of you does it?—Perhaps Mr. Figgures would speak first? (Mr. Figgures.) I think it would be better for Sir Thomas to deal with one part of it, that is, the broad reasons which led to the change of policy. (Sir Thomas Lloyd.) I can deal with that. I thought it was a different point the Chairman was on. I will deal with the reasons for the change of policy.

2359. Why have you suddenly made what appears, at any rate to me, to be a remarkable change of policy?—We had found out by experience over the years that the old form of control, that is, the issuing of advances to balance budgets only as their actual state required, did not provide any incentive to Colonial Governments either to seek for measures for increasing their own revenue or for curtailing their own expenditure. As long as they were able to feel that the balance between their expenditure and their revenue was going to be covered by a Grant in Aid they did not pay that attention that we wished to see, either to the consideration of new ways of raising revenue or to the careful scrutiny in the Finance Committee of their Estimates that we thought was particularly desirable in these places which are so rapidly taking over more and more responsibility for their own affairs. In 1951, we sent a team out to the West Indies—I am talking only of this collection of smallish islands in the West Indies—consisting of two representatives of the Colonial Office and one of the Treasury, and they visited, I think, all, or most, at all events, of these six areas which are in receipt of Grants in Aid, and they submitted proposals to modify the method of financial control. The method of issue and control is, in fact, one that has been adopted, and we have found that since the change was made the Finance Committees have, in fact, taken more interest in and paid more attention to such questions as that of increasing local taxation in order to raise more revenue.

2360. I am surprised that you suggest that in the past they have neither had any interest in raising revenue or in economical expenditure. That is not the picture that has been painted to us when we have discussed these grants in the past. Why should the fact that you are prepared to hand over more money now stimulate them to increase their own revenue?—It does not necessarily mean that we are going, in every case, to hand over more money. The only change is that, having been paid the whole Grant in Aid as voted, where they do realise a surplus they are allowed to retain that to accelerate programmes of public works,

but there is nothing inherent in this system which means that the Grants in Aid under it will necessarily, or indeed, often, be larger than they would have been under the old one.

2361. Let us look at the figures in paragraph 23 of the Comptroller and Auditor General's Report. Expenditure in 1951-52 was £300,000. The expenditure in 1952-53 was £400,000 and the estimate for 1953-54 is £600,000, and what is the estimate for next year, £800,000, is it not?—£770,000.

2362. There has been a steady increase over four years from £300,000 to £770,000 did you say?—Yes.

2363. It may not be inevitable, as you suggest, but it seems highly probable?—I am quite confident myself that that would have happened anyway. It would have happened, I cannot say precisely to what extent, though personally, I think it would have been as near the same result as no matter, under the old system, for two reasons: first, that there has been inevitably a revision of salaries throughout the Civil Service in these islands because they were being revised in the other islands round about, and unless they were to have very, very serious discontent among their local Civil Service they had got to follow suit; and secondly, these are places which, owing to the introduction of social services a few years ago, and the rapid increase in population of those islands, have inevitably had to spend more money on those services, and they would have had to have done so no matter what system of Grant in Aid had been in operation.

2364. Have you any evidence to back up your suggestion that they were showing some incentive to increase their own revenue?—Yes. I am not claiming it is in fact very large, but St. Lucia last year revived its excise duty on sugar after having dropped it some little time earlier, and they are also this year increasing their companies' rate of income tax. Dominica has revised a number of miscellaneous fees upwards and Antigua has introduced revised rates of income tax last year and has been undertaking a much more energetic drive to recover arrears of tax.

2365. This Committee has in the past from time to time expressed some surprise at the low rate of income tax in so many of these places. I think perhaps it would be very useful for the Committee if you could let us have the income tax structure for all these various colonies, and so on, to whom you make grants under Sub-heads A.1 to A.23 on pages 93 and 94. Do you think you could do that?—Certainly. Would it be enough if we put it in where we make grants in aid of administration

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

or do you want it also where, for example in Malta, we make grants for special reasons, or Malaya?

2366. Malta, of course, is an exceptional case. We have helped Malta because she took such a battering during the war, but is there any particular reason why, as I charge my memory, most of these colonies to whom we make grants have a very low maximum rate of income tax? Is there any reason why we should not know the exact rate to see exactly what we are paying?—No. Would you like it done in this way: first of all, companies tax because it is a flat rate, so many shillings in the pound. We could give you those figures in a table?

2367. It is of interest on the higher incomes. One knows perfectly well in a number of those places people do go to live because of the very low rate of tax?—Yes, we can give two things: the companies tax which is a flat rate, and for the rest we could take a typical case, say a married man with two children, and give you the amount of tax he actually pays at various levels of income, ranging up from £100 to £20,000 a year.

2368. Yes. It might be as well, also, to see what the total amounts of tax raised by income tax are. If the total yield is trivial, of course, the rate does not matter very much. Perhaps you will put in a note, consult with Sir Frank and let us have a table showing that?—Yes, we will do it for every place to which we make grants. (Mr. Scarlett.) May I ask whether it would be sufficient to confine it to those in receipt of grants in aid of expenses of administration?

2369. Why?—Because in the other cases, of course, these are grants for specific purposes and only for very special reasons, and in many cases they have little relationship to the budgetary position of the territory. There are other reasons. (Sir Thomas Lloyd.) We can give you the whole lot if you would like it.

2370. Take Hong Kong, which is an extremely flourishing place. Why do we grant them £50,000?—There are purely political reasons for that grant.

2371. Let us have those, and we will ask for more, if necessary, when we get them?—We will give you them for every place mentioned in Subhead A on pages 93 to 94.*

2372. Yes, I do not want all these other places. Now, let us revert to your method on these grants. In the old days you had two methods of control: first of all, you only issued as the money was spent, and secondly, you did not issue the total sum if there was an under-spending during the year on grant?—Yes, we got revised

* Information supplied; not printed.

figures from them about the beginning of March or the end of February and on the basis of that late estimate we decided how much we would issue.

2373. You must know, Sir Thomas, as a result of your administrative experience, that under-spending in very, very few cases is the result of deliberate economy, it is the result of 50 other things first?—Yes, in normal circumstances, that is when there is no economy drive on, I would agree.

2374. Even when there is an economy drive on, under-spending is generally the result of not being able to spend the money for some physical reason or for a change of policy?—Yes, that is what I mean.

2375. Why should you pay the full grant when the cause of the under-spending is most likely to be for some entirely different reason than economy?—Well, I know it is a very arguable point, but we, after going into it very carefully and sending out there the Committee of which I have told you, did come to the conclusion that this method, which was not, as we saw it, much more than an encouragement to local finance committees and legislatures to take a real and close interest in the financial affairs of their territory, was on balance the better arrangement of the two.

Chairman.] I have no more questions at the moment.

Captain Waterhouse.

2376. Have you got the figures for the Estimates for the two preceding years to these?—You are going back to 1949-50?

2377. 1949-50 and 1950-51, just the gross figures, not the details?—(Mr. Scarlett.) I am sorry, Sir, I am afraid they will have to be added up. Would round figures do, Sir, or would you like them precisely?

2378. Round figures, yes?—For the two preceding years, 1949-50 was £178,000 and 1950-51, £315,000.

2379. Then it would be fairly clear that these Estimates were steadily increasing in the years before you made this change?—(Sir Thomas Lloyd.) Oh, yes. Mind you, there is great variation from time to time; one can only look at trends over a long period, but in the years immediately before the change there was an upward trend in that collection of six as a whole.

2380. If you found that there had been under-spending although you would not get the benefit of the money in that area you would, I suppose, take into consideration the fact that so much money had not been used and reduce the amount that you would give the following year, would you?—Yes, that is one of the factors that has always to be taken into account in deciding on the amount for the following year.

2381. That is automatically done?—Yes.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

2382. So, really, on this change of yours, what you would lose is only just the small balance which might have been carried to the credit for the next year?—Yes, you would lose the accumulation of those balances year by year.

2383. But in subsequent years you would do your best so to make your estimate that there was no balance?—Yes, there is no balance, but you would not, so to speak, debit the amount with which they had been left at the end of one year against them in the following year, because the whole basis of this arrangement is that where they do save money in that way and attain a surplus they may, in appropriate cases, use it to accelerate a programme of approved public works.

2384. Under the old system, when you knew that you were going to be able to carry the money forward, would you be more liberal in your estimating?—I do not think so, no. In either case these figures provided for the colony are scrutinised, and I do not think there would be any difference in that respect.

2385. This was really an experiment that you thought up just for these six places?—Yes—well, it is confined to these six places and they were chosen from the total list of grant-aided territories because they are the most advanced politically. They are places where we did want to give the members of the legislatures more training in financial prudence and management. The four or five other grant-aided territories to which this arrangement has not been applied are, shall I put it, less advanced politically.

2386. You are satisfied, yourself, that it has justified your change?—I think so. There is that evidence I gave of more interest by councils in the raising of revenues. They like to have the feeling that they are being trusted with a certain degree of responsibility for the management of their affairs.

2387. Would you like to extend the system to a wider field of colonies that you are assisting?—No, that does not arise. Apart from those to which we give grants in aid regularly, occasionally one has to give a special grant in aid because of an emergency, but the only other places to which quite regularly a grant is made are St. Helena, British Somaliland, and some of the Western Pacific islands, the Solomons, and I do not think this would be an appropriate system, at the moment anyhow for any of those places.

Mr. David Jones.

2388. I see at the end of paragraph 21: "Where a surplus is shown, it may in appropriate cases be applied by the colony to accelerate a programme of public works". Would it be your argument that

it is an inducement for the local legislative council to save money on administration and then keep it in order to expand their public works? Is that one of the ideas behind it?—No, not quite that, but where they manage their affairs prudently they shall not lose all benefit from that good management but can retain the moneys to spend on valuable works, the programme of which has to be approved.

2389. There is an inducement to save on ordinary day to day administration because then they can get on with a job of work which they might want badly to do?—Certainly.

Mr. Oliver.

2390. What did you say, Sir Thomas, was an example of an appropriate case? Did you specify what an appropriate case was to Mr. Jones?—Do you mean for expenditure?

2391. Yes, in that answer?—No, I think what I said was—this was the point—that these schemes of public works would have to be appropriate and be approved. They would be approved by Her Majesty's Government on the recommendation of the Governor. Is that your point?

2392. I wondered whether you had any example to illustrate what an appropriate case would be?—I cannot say off-hand. We can easily get the information for you.

2393. It says: "Where a surplus is shown, it may in appropriate cases be applied by the colony to accelerate a programme of public works". I was wondering what that was?—If you would like we will look up examples and tell you what sort of purposes have been approved for this sort of expenditure.

2394. If you please, that would be useful?—(Mr. Scarlett.) Could I say a word on this by way of explanation? The phrase "appropriate cases", I think, is intended to convey very clearly that the surplus actually realised on the year is not, as a matter of course, applied in this way. The first consideration is precisely how that surplus does arise, whether it arises as a result of prudent management and so forth, or whether it arises merely from deferment of expenditure from one year to the next, which obviously is out, or windfalls of revenue, and so forth. In all those cases one would have to say that the question of a surplus realised in that way would have to be examined very carefully. The surplus that is acknowledged to arise solely because of careful and prudent management locally may be devoted to the schedule that we have mentioned of approved works. When we say "approved works" they are rather in the nature, though not exclusively so, of maintenance that ought to have been done and requires to be done, but is not so essential that it has yet found its place in the budget aided under the old system, but

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

the longer it is left the more costly it becomes to do it. (Sir Thomas Lloyd.) I think what you would like, as I understand it, would be a few examples of the kind of purposes on which this saved money has been allowed to be spent?

2395. Would you, for instance, regard under-spending from factors outside the control of a Colonial Government as being prudent expenditure?—(Mr. Scarlett.) No.

2396. That would not exactly come under that heading?—No, that would be a fortuitous circumstance. The other point that might be stressed, of course, is that in no sense has the Colonial Office or the Treasury lost control of this balance. At the end of the year the paper surplus has to be looked at by the Colonial Office and the Treasury together, and it is only with the full agreement of the Treasury that any part of this surplus can be used in this way. Otherwise it would merely go in reduction of the next year's grant. (Sir Thomas Lloyd.) There is one other safeguard, if that is the right word, which I think is not mentioned in the Report, and that is that we have said throughout that we are always free to revert to the existing arrangements without argument in any case where grant in aid comes in total to more than 30 per cent. of the total revenue of the territory, exclusive of colonial development and welfare. (Sir Frank Tribe.) It has just been stated that neither the Colonial Office nor the Treasury have lost control. The point of my paragraph is that Parliament has lost control. Parliament having voted the moneys ostensibly for one purpose and the money not being spent on that purpose, it may be applied to some other purpose of which Parliament has never been made aware.

Mr. Hoy.

2397. Is that right, Sir Thomas?—(Sir Thomas Lloyd.) I am just looking.

Chairman.

2398. It is covered by the beautiful word "&c." Mr. Figgures, on that point, if a Department comes to you and says: "We want to spend so much on this, &c.", do you ever make enquiries as to the "&c."?—(Mr. Figgures.) Yes, Mr. Chairman.

2399. Do not you think that Parliament also should have a chance of knowing what the "&c." means?—If we were pushing in under the "&c." things which would not normally be under the "&c.", I think we should be stretching this, but in point of fact—the Committee should understand this is hypothetical as we have no case at all yet—there is no intention that the money which has been saved by the colony should be used by it on a service which would have been inappropriate for them to have spent it on if it had been properly taken into account in cal-

culating the deficit for the year. May I give an example? It is perfectly practicable and perfectly proper for a colony to include in its budget, as an expenditure to be incurred in the year, the rebuilding of a bridge or the strengthening of a bridge. That item could well have been omitted from the budget in that year, not because it was not needed, but because it was not urgent. The money is saved and is used for strengthening that bridge. The purpose of the expenditure is precisely the same. The only difference is that in the one case it will have been included in the Estimate put to the Colonial Office, and in the second it will not be. Now, with respect, Mr. Chairman, none of that is explained in the ambit of the Vote. It is not made known to Parliament precisely what are the items of expenditure within the colony for which Parliament is asked to make that Grant in Aid, and so long as the purposes for which the moneys are spent, whether as expected or arising as a result of prudent management, are of the same category, with respect, Mr. Chairman, I would suggest that there is no loss of control by Parliament.

Chairman.] I interrupted you, Mr. Oliver I will return to this after due consideration.

Mr. Oliver.

2400. Does not it turn on this point, Sir Thomas: where there is a surplus and the colony is entitled to use the surplus, would it not depend on whether the thing on which they wanted to spend the money was desirable or necessary?—(Sir Thomas Lloyd.) Yes, but they have not got a free hand in this. They have got to get approval and I am sure, to begin with, that the Governor himself, would not recommend any use of this saved money for some purposes other than for one which he was satisfied was definitely desirable in the interests of the territory, and we should want to be assured by the Governor on every occasion that he was so satisfied.

2401. That brings me to the point which Sir Frank has mentioned: would the British Parliament have any control over the use of their money? In those circumstances they would not?—Well, with respect I do not think they have got any less control than they have over the money which is already voted as a grant in aid of the expenses of administration. They vote a sum in aid of, say, Montserrat. They have no control then over the money. Montserrat spend that money which is still under Colonial Office control, which is similarly exercised on the grants whereby these saved sums are expended.

2402. I expect the sums in respect of administration would be sums which would fall under well-defined expenditure?—No, it is a grant in aid of the budget as a

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

whole. The old system was that the estimated requirement of a territory was, say, £500,000. Its expenditure was estimated at £600,000, so Parliament was asked to vote £100,000 as a grant in aid of the expense. It really was a balancing of the budget of the territory, but that did not prevent the legislature of the territory from deciding at any point that it wished during the year that the purposes on which the money should be actually spent should be, possibly, quite different from those for which it was earmarked in the original Estimates.

Mr. *Oliver*.] I do not know enough about colonial administration to know what would fall under the jurisdiction of the Governor, Mr. Chairman, so I shall have to pass it on to my colleague on my left.

Mr. *Enoch Powell*.

2403. My question is not a direct response to that invitation. This new system which is described as annual block grants, I take it, differs from its predecessor in two respects: first, that the sum is fixed before the estimates have been seen and not after?—Before the final estimates have been seen. We get provisional estimates before we fix that.

2404. I am puzzled by that, because in paragraph 20 the Comptroller and Auditor General says that under the former system the amounts were fixed with reference to the needs of a territory as shown by advanced estimates, and now here in paragraph 21 he says these are fixed at a sufficiently early date to enable the local legislature to consider the estimates for the ensuing year with full knowledge of the amount?—The estimates referred to in paragraph 21 are in advance of the actual estimates drawn up in detail. What we get from the colonies now under the new system is very much more the draft of estimates, because we are doing it at an earlier stage. The present exercise is tackled in October. (Mr. *Scarlett*.) November, or even December.

2405. So previously they were based on advance estimates and now they are based on draft advance estimates?—(Sir *Thomas Lloyd*.) Draft estimates.

2406. A draft estimate coming before an advance estimate?—Yes, before anything has been submitted to the legislature. Under the old system the estimates on which we worked were advance estimates which would probably have been discussed in the Finance Committee and possibly even seen by the Legislature, though they are not formally presented.

2407. So the first estimates on which the amount is based are at an earlier stage than formerly. Would that be one of the

differences?—Yes, it is not much earlier. (Mr. *Scarlett*.) Perhaps a month earlier, at the most.

2408. Very slight. The second difference is that the amount fixed is paid in any case, whereas formerly it was only the amounts actually issued from time to time which were not drawn at the end of the year?—(Sir *Thomas Lloyd*.) Yes. We paid, really, on proof of need under the old system.

2409. Whereas now the sum is paid in any case, whatever you do in the following year?—Yes, it is actually included in the territory's estimated revenues.

2410. I think you said at an earlier stage that one of the reasons for making this change was that these colonies were in course of movements towards self-government, or a greater degree of self-government?—Yes.

2411. Is it, in fact, the case that under the new system the Colonial Office will have less control and less scrutiny one way and another of what is becoming of the moneys? You have said the estimates are in a scarcely different condition, and you have said the application of any surplus will still be controlled by the Colonial Office?—No, we have not got less control. The way in which this, in my judgment anyhow, helps the forward movement of these people towards self-government is that they do feel now that, if they are interested in and prudent over the management of their finances, the benefit of it will come back to them. We still have in one way and the other little less, if any less, practical control than we had before.

Sir *John Mellor*.

2412. I would just like to hear the Comptroller and Auditor General's comments on what Mr. *Figgures* said?—(Sir *Frank Tribe*.) I think it is very difficult to be precise upon this. It is true, as I think Mr. *Figgures* has said, that Parliament cannot actually discover on the face of the Estimates what the revenues it is asked to assist by grant are going to be used upon. They are called "Grants in Aid of Local Revenues &c.". I am bound to say that I think the natural assumption is that those are in the nature of deficiency grants on current expenses, and it is usual, of course, in Estimates presented to Parliament, if a grant is required in respect of some particular work, that particulars of the work and the cost of the estimated work should be given to Parliament. In any case the Estimates as presented by the Colonial Office do, and I gather still will, only contain the minimum grant which they at the time the Estimate is presented think will

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

be required in aid of local revenues. Therefore, Parliament has the right to assume that they are only granting such an amount as is considered by the Colonial Office to be absolutely necessary to meet the minimum needs of the colony during the year of account. Under the new system, if some of that expenditure is not found to be necessary—and one's common experience with Government Departments is that grants are often not needed because of circumstances quite outside the control of the Department concerned—then money is, under this system, going to be diverted to a purpose which the Colonial Office had not got in mind when they presented the Estimate to Parliament and which is, *ex hypothesi*, not a vital necessity. That is what I mean by suggesting that Parliament has not really got control of the way in which the money is spent. I would agree that they have not actually had any more detailed control on the grants they have made in the past, but Parliament, I think, is rightly confident, or has been in the past, that it is only being asked to grant the absolute necessities, whereas under this scheme any savings on those can be used for things which are desirable but not necessary.

2413. Is not that, right, Mr. Figgures?—(Mr. Figgures.) The last part of Sir Frank's statement I would agree with, but with the earlier part, Mr. Chairman, with respect, I do not. It is certainly not our intention in the Treasury, and I am sure it is not the intention in the Colonial Office, that any surplus which arises shall automatically be made available for use in the colony on an approved scheme. It is only in respect of those surpluses which arise in our collective view as a result of prudent management to which we intend this procedure to apply. Sir Thomas has already said, that where it has arisen as a result of fortuitous circumstances, chance or such things that Sir Frank has in mind, it will be, as we understand it, in reduction of next year's grant. So, I would like to modify what Sir Frank has said to this extent: I do not think that the ambit of the Vote will in the future in respect of these colonies convey the impression that Parliament is being asked to vote money which, if it is not needed, will be spent on something which is not necessary. On the contrary the ambit of the Vote, I think, will imply in the future and very largely as in the past that this is the Colonial Office's best estimate of what is the minimum necessary, and that if for reasons quite outside the control of the colony less will suffice, then though its total amount will be paid for next year there will be a reduction in the future; but if it turns out that as a result of prudent management by the colony it is able to do with less money than

the Colonial Office thought in its best judgment was the minimum necessary, then that amount will, provided a good and sensible scheme can be brought forward, be approved for expenditure without corresponding reduction in future. That is the major change of policy, not that any surplus which arises should automatically be carried forward, but that any surplus which arises as a result of prudent management can be used on a sensible scheme which is approved by all of us; and that change of policy has been taken primarily in order to produce prudent and economical administration, an objective which the Colonial Office and the Treasury thought was one which would appeal to the House and to the Committee in particular. (Sir Frank Tribe.) Could I just add one word? I am very glad to hear that assurance from the Treasury. All I would say is, if Members look at the figures again in paragraph 23 in respect of the year 1952-53, that nothing was withheld. I know that in the last quarter of the British financial year, 1952-53, grants were paid out up to the hilt in every case, although I understand that in some cases the colony's circumstances were such that grant would not have been paid in full under the old scheme. (Mr. Figgures.) That, Mr. Chairman, is a quite different point. It is part of this scheme that the money shall be paid out, I think, quarterly. (Mr. Scarlett.) Yes, quarterly. (Mr. Figgures.) In accordance with the terms of the grant, not only when the Colonial Exchequer is dry. Therefore, it will be quite automatic, save in exceptional circumstances, that the amount which is paid will coincide with the Estimate, but whether the money is, in fact, spent on additional projects, or is used in reduction of the next year's Estimate, will depend upon the analysis made by the Colonial Office and the Treasury of the reasons which have led to the surplus arising. Therefore, it means that, strictly, a balance will be created in the hands of the colony, but not necessarily that the balance will be spent. The balance can only be spent on a project which is approved. If no approved project is found, or if it is not thought it fits into the pattern of surplus arising out of prudent administration, it will be carried forward and set off against next year's grant.

Mr. Hoy.

2414. Does that mean, Mr. Figgures, if you move to the next year, the estimated figures would have been much more, had it not been for some savings which took place which balance these two columns in 1952-53?—(Mr. Figgures.) Now, this is raising a detailed question on individual cases, and I could not give any such assurance on that. The reasons for an increase may be many and various.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

Mr. Niall Macpherson.

2415. To ask a more general question, how easy is it to distinguish between prudent management, on the one hand, and under-spending as a result of an original over-estimate on the other? Perhaps Sir Thomas would like to answer that?—(Sir Thomas Lloyd.) You have got a very competent officer in the Governor who is not obliged to take the side of his legislature and quite often does not. He is as much an adviser to Her Majesty's Government as he is to them, and if he felt that it was the result of a deliberate over-estimate—I am talking now, of course, of a fairly advanced constitutional position in which the Governor has not got the full control that he still has in some cases—but if he felt that the inevitable outcome of the accounts was due to over-estimating of that sort, I am quite certain he would advise us so, and we should be able to take that into account. On the other hand, if he felt it was prudent management he would say to us that he thought it was only right that the people should get the results of that management.

Chairman.

2416. On that last answer of yours, Sir Thomas, do you suggest that Governors of these islands are appointed, among other reasons, for their financial acumen?—Not for their financial acumen, but they are knowledgeable, intelligent people and they could get as good an opinion as anybody else as to whether or not their Departmental officers had deliberately been over-estimating, putting into the budget figures which it was beyond the capacity of the place to spend.

2417. Come, now, Sir Thomas?—Yes, I am not a financial expert, but I would undertake to do that.

2418. Yes, Sir Thomas, but you are not a Colonial Governor. Do you really suggest that the Colonial Governor is your first line of defence, or your last?—It depends entirely on the stage of constitution. In the Gold Coast, and this does not apply to the Gold Coast, but let us take for the sake of argument, it is your Governor, it must be your Governor, and it must be people who sit in round him because the finances of the place are largely controlled and all the estimating is controlled by those people. If you go back to the other extreme, go back to the Virgin Islands, one of those in this group, there, of course, you have a good deal of control and the Governor would, in the Virgin Islands, still be able to say to a head of Department: "Oh, no, you are seriously over-estimating the capacity of your Department to spend next year. I will not put that estimate forward".

2419. I am afraid you have succeeded in seriously perturbing me?—I am so sorry. Can I try to undo it?

2420. What other method of control is there besides that of the Governor? Who decides whether the under-spending is as a result of accident or the result of real hard economy? Who decides that, the Governor?—It is on everything, the accounts and the Governor's statement on that, because he would have to give us a statement where there has been a substantial under-spending, and an explanation would be most carefully examined in the Finance Department of the Colonial Office and with the Treasury. In some of these places, of course, though the constitution is an advanced one, the Governor still has—he certainly has in Dominica and Antigua—an experienced financial adviser.

2421. Some of your Governors, I believe, are Colonial Office men or Civil Servants?—Very few, none in this part of the World. These people are all trained members of the Colonial Service.

2422. What about the Governor of British Guiana? Is not he a Civil Servant?—They are all Colonial Civil Servants, yes. The Governor of British Guiana is a man who has been brought up wholly in the financial side. There is no more competent man to give us an opinion.

2423. I was thinking of other Governors?—There are only two Governors here, those of the Windward and Leeward Islands, and neither of them has been trained as financiers, but they are both of them people who have had long administrative experience in posts which demanded considerable financial knowledge.

2424. The Governor of the Leeward Islands?—Yes, the present Governor, Sir Kenneth Blackburne.

2425. How long has he been there?—3½ years.

2426. Now, to the Treasury, I think: would not you regard it as a rather dangerous precedent to establish that if a grant is made for a specific purpose under-spending may be directed to other ends?—(Mr. Figgures.) Well, Mr. Chairman, you see it depends precisely on what one means by "specific purposes". As I have already explained, we would not regard it as unreasonable that, out of the surplus arising from prudent administration, objects different from those originally envisaged should be financed. But if you consider the specific object of the grant-in-aid is to cover the deficit which is expected to arise on the total budget of the economy there certainly is a change. I will not for a moment deny that we regard this as in some sense a risk and certainly an experiment.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

2427. What about the demands of hospital boards for block grants to the hospitals?—Mr. Chairman, a major difficulty which we always face when we are asked to do something for which a good sensible case can be made out is the danger that we shall be forced to do something similar in a different field which looks the same, but where it would be inappropriate. I am sorry, Mr. Chairman, it really is a great difficulty. If we are held to a rigid system obviously we have to apply in every case exactly the same machinery. In this case after a great deal of heart-searching by the Colonial Office and in the Treasury—and Sir Thomas has explained that the Treasury was involved in this decision from the beginning—after a long discussion it was felt that this was a risky experiment which was worth taking in order to encourage prudent and careful housekeeping in these six colonies. Whether it will work we do not know. We have to see, and it will take a few years to see how it works out. If it works it may well be that it would work in other fields. You can always make a tolerable guess that if a man knows how much he is going to get and he is certain to get it, he is not interested to see how quickly he can spend it. I would prefer not to deal with the hypothetical extension but limit ourselves in justifying this risky experiment to hoping that it will succeed.

2428. How long do you propose to carry on this experiment, and when do you think you will have reasonably adequate evidence to decide whether it is becoming a permanency or not?—We think, after two more years we ought to be able to make up our minds, or at any rate, to form a very fair judgment, on how it has worked.

Mr. Niall Macpherson.

2429. Will there be any means by which Parliament, either through this Committee or otherwise, can find out what balances have occurred, at any rate, in each year in the various colonies?—(Sir Thomas Lloyd.) We can give those.

2430. Would it be possible for Parliament to see how the experiment is working as we go along?—If Parliament asked for that I am sure a report could be made. Alternatively, of course, we could next year give the Committee in advance of my examination a statement of what had happened over the years. I do not suppose we could give it for 1952-53 then, but we could show any surpluses which they had been allowed to keep, and could specify on what purposes their expenditure had been approved.

Mr. Enoch Powell.

2431. I would like to ask a question on the account on page 93. I think we were told with regard to this account in general that Parliament was to understand that these sums were to cover the normal deficit on the annual budgets of these colonies in respect of their normal administrative expenditure?—No, only some of them, only the first few. You see, it is set out in the Estimates.

2432. I wanted to draw attention to what was said earlier in regard to the grant to Hong Kong. It was stated, I understand, that the colony was flourishing and the grant was made for political reasons?—(Mr. Scarlett.) That is the grant to Hong Kong University, yes. (Sir Thomas Lloyd.) The special grant in 1952-53 was, I think, for the University, the final instalment of a grant to Hong Kong University. This year there will be another grant which Parliament, I think, has approved, but that was for £½ million towards the cost of rehousing the people burnt out by the fire on Christmas Eve. (Sir Frank Tribe.) Hong Kong University is in Subhead C.12 on page 95. (Mr. Scarlett.) Subhead A.10, in 1952-53, was the final instalment of a grant of £½ million in respect of the Hong Kong University.

2433. I was curious because it appears in two places?—(Mr. Figgures.) I suggest this appears much more clearly if you use the Estimates. All the information is not reprinted in the Appropriation Account; it is printed in the Estimate. The detail of Subhead A.10, Hong Kong (Grant) is "Final instalment of the grant of £250,000 in respect of Hong Kong University". The detail of Subhead C.12, Hong Kong University, is: "Contribution to the funds of the University for the purpose of providing 'King Edward VIII Scholarships' tenable at the University by British subjects". (Sir Thomas Lloyd.) That is the last instalment, I think, for the University.

Chairman.

2434. This £50,000 is the last instalment that will be paid to Hong Kong?—For that University. You may remember, I think I told the Committee about three years ago of the general financial settlement with Hong Kong at the end of the War, under which they claimed no war damage contribution from Her Majesty's Government. Her Majesty's Government made certain payments to Hong Kong; one was, I think £½ million or £¼ million towards the University in Hong Kong and this is the final instalment of that grant.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

VOTE 11

DEVELOPMENT AND WELFARE (COLONIES, &c.)

Chairman.

2435. Will Members now turn to paragraphs 28 to 30 of the Comptroller and Auditor General's Report, Colonial Food Yeast Ltd? Sir Thomas, we had this in front of us some years ago. In fact, I think your predecessor produced some food yeast for the Committee to eat?—(Mr. Scarlett.) We have not any now, Sir. (Sir Thomas Lloyd.) It must have been a long time ago.

2436. Can you give the story of this company and the project up to date? Can you give us a short résumé of what has happened since, I think it was, 1951?—I think it was a little earlier than that, was not it, when we last had a long discussion on it? Could I start about 1949?

2437. Yes, give us a coherent story, starting when you think it is necessary?—You may remember that was the stage at which we had been trying to get one or two companies, Oxo and others, to take an interest in this. It looked at one time as if we were going to succeed. Unfortunately it failed. We had also, during the preceding two years, again circularised all Colonial Governments urging them to make use of this product of the yeast factory to supplement diets and to combat malnutrition.

2438. This was essentially a vitamin food, was not it?—Yes, but the most we were able to do at that time was to sell about 635 tons. That much, I think, had been sold up to 1949-50, the greater part of which had gone to Malaya to help out in the diets immediately after the occupation. Then we did carry on production for a little longer, up till about 1949, and we made a certain number of sales during that next period including sales of 155 tons in the United Kingdom for human consumption, and 175 tons for animal feeding, but by about 1950 the directors were expressing their concern at the lack of markets and they were generally worried about the situation. It was considered by the Government here, but they were very reluctant to abandon the project or to give up all attempt to carry on a little longer in the hopes that it would succeed. You remember, I think it was mentioned to the Committee of 1951, that at one time there was an idea of selling out, but the only purchasers in the market were a sugar company in Jamaica, and it was thought that there were political reasons against that particular sale.

2439. Was that the sugar company that was running it at the time?—Yes.

2440. It was being run by a sugar company, was not it?—They were managers,

they had no greater responsibility than that. They were the operating company. It was decided, as there might be a considerable need for food yeast—this was about 1950 or 1951—the company should continue to operate the scheme, and further attempts should be made to expand the market. We again circularised Colonial Governments, just under three years ago, but once more very few of them ordered and the only big order the company were able to place during 1951-52 was with the United Nations Relief Organisation in Korea. I think it would be fair to say at that time, and throughout, that price had been one of the obstacles, but though there was a careful enquiry into it we could not find any method, nor could the operating company, of reducing the price to a level at which yeast could compete with, for example, other animal feeding products. It was one idea that we might have been able to get a sale of that kind. The company then got in touch with another company late in 1951, and there was a series of experiments in an attempt to produce something called ergosterol, but again that year there was a trading loss; and in 1952 we brought the matter to the Medical Research Council in the hope that they might be able to help us in some way, but they finally advised us that any further research at this factory for medical purposes would be too expensive and of doubtful value. It was about that time that the directors finally recommended that the company should be wound up and Ministers accepted that recommendation and since then the factory has been kept on a care and maintenance basis. I think that is the whole story.

2441. It is a pity you did not accept the £85,000 offer?—It is, looking back on it, I quite agree.

2442. That is one of the advantages of the Public Accounts Committee, it can be wise after the event?—Yes, Ministers at the time felt—I am sure they were right—that there was still a possibility of being able to make valuable use of this if only we could induce Colonial Governments to take advantage of it, and rather than accept what was not a very attractive offer we should try for a time to carry on, but we have failed, or the company has failed.

2443-4. Will you be able to sell the factory for anything like £85,000 now?—I do not think we can sell the factory. We may sell the whole thing.

* * * * *

2445. Is it in the market at the moment? (Mr. Scarlett.) It is in the hands of the liquidator.

2446. And he is trying to sell?—Yes.

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

Mr. Enoch Powell.

2447. Who were the directors, or are the directors?—(Sir Thomas Lloyd.) I have the names here. There is Mr. Moore, the chairman of MacDougall's, three members of the board of the West Indies Sugar Co., and a member of the staff of the Colonial Office.

Mr. Niall Macpherson.

2448. Were they the purchasers, the West Indies Sugar Co.?—They were the potential purchasers, yes.

Sir John Mellor.

2449. What was the difficulty, that people could not be persuaded to eat the yeast, or was it that the yeast was coming at much cheaper rates from other sources, breweries, and so on?—It varied from area to area, but within the West Indies itself people do not like yeast. They do not even like bread that has been substantially impregnated, if that is the word, with yeast. That was tried at one time. Nutritionists advised that it would do the West Indians quite a lot of good if they had a nice little dollop of this special kind of yeast in all their flour, but that was tried out and I think they soon found out about it and it was not popular and did not go down. I think it is both. In some places it is that the thing has not been liked and in other places there were other things available which could serve the purpose and which could be bought more cheaply.

2450. This was made, I suppose, out of a by-product of sugar, was it?—Yes.

Colonel Crosthwaite-Eyre.

2451. What was the potential output of this factory in tons per year?—The potential output, 2,500 tons, they hoped, originally.

2452. A year?—Yes.

2453. And it would be true to say it never produced more than 650 tons in any one year?—No, I think that was its most. I have a total figure somewhere. I am not sure that it ever produced 600. 600 tons was sold one year, but it certainly was not any more than 600 tons in one year.

2454. Was the factory ever equipped to produce 2,500 tons a year?—I would have to make enquiries before I could answer that, I am afraid.

2455. I see you had a market survey in 1950. Why was not a market survey done before the factory was established?—The factory was established in the middle of the War with the purpose of serving war-time needs. One of the main hopes was that yeast could be produced here on a scale and of a quality which would make it useful in supplementing post-war diets and in par-

20216

ticular to use it for that purpose out in the Far East where it was seen by 1943, anyhow, that needs of this kind might be great.

2456. It was apparent, was it not, somewhere in 1949, anyway, that there was very little likelihood of this company ever being a success?—Well, I will put it the other way. It was apparent that conditions were against it, but it was thought there was still a chance that it might be a success.

2457. How much did this market survey cost?—There again, if you want the figure, we will have to get it from the company.

2458. Can you tell me what the terms of reference were for the market survey and what markets were surveyed?—It was done by the company. I do not think we know.

2459. With presumably the approval of the Colonial Office?—Oh, yes. I imagine they put it up to us. I could not be certain about this. They told us, or told our member on the board, that they were proposing to do this.

2460. There is a certain element there where the Colonial Office must accept responsibility for the delay in bringing an issue of this nature to a head, is not there?—As I said a minute ago, we brought the whole matter up for ministerial decision in, I think it was, 1950 or early 1951, and decision was to carry on for the time being.

2461. Purely for political reasons?—Not purely for political reasons, I do not think so. There was a genuine thought that this might still succeed.

2462. May I turn to another point? Did this loan that was made to the company cover its operating losses as well as its capital losses?—One was for working capital. The first scheme was approved in October, 1946; that was a £180,000 interest free loan. The second one was approved in February, 1945; that was £105,000, which was for working capital, and was to carry 3 per cent.

2463. So that it does cover both?—Yes.

2464. Could you tell me what is the total operating loss that has been incurred by the company in its existence up to the 31st March last year?—I do not think we have got a figure for that. Could I send one in to you?*

2465. I would be grateful if I could have that?—(Mr. Scarlett.) About £120,000. (Sir Thomas Lloyd.) I have got the figures for several years, £18,000, £10,000, and so on.

2466. Perhaps we could have the total figure?—Yes, I will give you the total figure.

* Note by witness: The total operating loss incurred by Colonial Food Yeast, Limited, up to the 31st March, 1953, was £121,611.

K

23 March, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. E. W. A. SCARLETT, O.B.E.

[Continued.]

2467. When you arrived at this figure of writing off £220,000, I imagine that you chose that sum because you felt that the balance was covered by the assets at their present value. Would that be correct?—Yes. (Mr. Scarlett.) At their realisable value, yes.

2468. That is what I mean, yes?—(Sir Thomas Lloyd.) And we still think that is likely so to be borne out.

2469. I see that you obtained or helped to obtain a declaration of solvency?—Yes.

2470. Can you tell me exactly how that arose?—Do you mean why did we do it?

2471. Yes?—In order to avoid a compulsory winding-up.

2472. Do you know of any previous occasion where a Government Department has asked one of its companies to obtain a declaration of solvency in this matter?—No, but I have not had any experience in this line, I am afraid.

2473. I will ask the Treasury whether they have ever been asked to participate in such a thing before?—(Mr. Figures.) I am not sure that we have, Mr. Chairman, but equally we are not conscious of a case in which a company, effectively wholly owned by the Government, has been wound up as a result of a creditor's petition.

2474. So you felt it was better to go in this way?—I think so, Mr. Chairman. If a

Government goes into an affair of this kind it ought, in the end, to stand the racket and not try and pass some of it on to other creditors.

2475. That is not what I am suggesting would happen?—That is what might happen if you have a liquidation by a creditor's petition.

2476. What I was getting at is this: I think it is the first time that it has been necessary for a venture of this kind to avoid a compulsory winding-up by having a Government declaration of solvency?—I do not think you can wind up by voluntary liquidation without getting a declaration of solvency.

2477. My question is simply this: this is the first time it has happened is not it? I am not suggesting that a creditor should be done out, I am merely wanting to find out whether it is the first time it has happened?—I hesitate to say. I am sure we have had to put a Government company into voluntary liquidation before, and as I understand, a declaration of solvency is an essential prerequisite in cases of this kind, so I think we must have had it before. Perhaps I could look it up and let you know.

2478. Thank you. Finally, the declaration of solvency involved the writing-off of £220,000 straight away?—(Sir Thomas Lloyd.) Yes.

The witnesses withdrew.

Adjourned till Thursday next, at 4 p.m.

THURSDAY, 25TH MARCH, 1954.

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.
Mr. Hoy.
Mr. David Jones.

Mr. Niall Macpherson.
Mr. Enoch Powell.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I TO VIII).

CLASS VI.

VOTE 18.

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH.

Sir BEN LOCKSPEISER, K.C.B., F.R.S., Secretary, and Mr. S. H. SMITH, Finance Officer, Department of Scientific and Industrial Research, called in and examined.

Chairman.

2479. Will Members turn to the Civil Appropriation Accounts, Classes I to VIII, to page xxvi, paragraphs 101 to 103 of the Comptroller and Auditor General's report? Sir Ben, I think perhaps you had better

start by telling us what a radio telescope is, what its function is and how it works?—(Sir Ben Lockspeiser.) I have brought some photographs, Mr. Chairman, if you would like to see them. (Photographs were handed to the Committee.)

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and (Mr. S. H. SMITH.

[Continued.

2480. This is the Jodrell Bank one, is it?—This is the new paraboloid at Jodrell Bank. It may give the impression that it has already been built and the money spent, but that is not so, this is only an artist's impression.

2481. This is a new one, I understand, but the Manchester University have been experimenting?—With a fixed one.

2482. They have a fixed one?—This is to move about so that you can train it in any direction you like. The diameter of this paraboloid is 250 ft., which means, looking at it as you are now, some distance off the ground, that the top of it would reach up to the height of the Big Ben clock tower. That is about the sort of thing it is.

2483. What is the size of the present paraboloid?—About 200 ft., I think.

2484. This is not so much greater in size, it is a question of adaptability?—It is a question of moving it. If you have got the thing fixed, it is a much simpler job, but now you have got to support it in such a way that it can be trained in azimuth and in elevation. The answer to your question, Mr. Chairman, as nearly as I can—I am not an expert on this at all—is that I think it was discovered in America by a man called Janski that radio waves were coming in to the earth from space and nobody knew where they were coming from or why. It is now known that there are large numbers of bodies in space which radiate on long waves, very much like visible bodies radiate on short waves, and there is, in fact, an invisible universe in addition to the visible one. I imagine, if our eyes were tuned to that wave-length it would be that which we would see rather than the one we do now. So, it is a matter of great importance to astronomers and a matter of great importance to physical science. We are, I think, ahead of the world in this field both in the work done at Manchester and the work done by Ryle at Cambridge. There are two centres, but Ryle is not working with a large piece of equipment like this, he is working with much smaller equipment within a parallel complementary field. It is a fortunate circumstance that we are very good work indeed. It is ahead here because we have got one of the worst climates in the world for using visual telescopes. The atmospheric conditions are not favourable here, they are much more favourable in California and South Africa. That is why the big telescopes are there. Speaking now guardedly, because I am not an astronomer, I think it would not be a good investment for us to put in one of the gigantic telescopes in this country; we should not get the value out of it but we can get the value out of this. Atmospheric conditions do not interfere with the operation of a

20216

telescope like this, so we can go ahead in this sphere. Now, these bodies are sources of radiation themselves just as any visible body is, so if you train a paraboloid such as this on it, this is a receiver, you get a signal here and you can train it just like a visual telescope and get your signal just as you would get a visual signal; and the whole object, or at least one of the objects of the trainability, is that you can follow it automatically just like you do with radar. You link it on to the body and study it, its motion and so on, because they are self-radiating. It can also be used for reflecting, getting echoes from transmissions made from the ground. With the one at Jodrell Bank—I am not sure about this, but I rather think I am right, I think they have got an echo from the moon. It just depends how powerful a signal you can put out and how delicate your receiving end is as to what you can get echoes from. It can be used both ways.

2485. Are you expecting any practical results from this or is it pure science?—This is pure science.

2486. Results will be an increase in general knowledge of radiation and the universe?—Increasing knowledge of the universe. What will come out of it is always unpredictable, for better or for worse.

2487. Normally your activities are mainly directed towards industrial ends, are not they?—No, Sir, I would not like to say that. We have to keep a balance. We do support a fairly large volume of work in the universities, principally on applications from professors, work which arises between the reviews made by the University Grants Committee, that is to say, within the five years. One cannot wait for the next five years to come along before one can start a piece of work and so we have to judge from the point of view, I think our time-honoured phrase is, of timeliness and promise. It has got to be urgent in the sense that it cannot wait for the next review and it has got to be sufficiently promising to be worth while saying that we shall spend money on it.

2488. With regard to the general outline of your functions and your responsibilities and duties, are they set down anywhere in more detail than, say, in Part I of your Estimates?—I think I have seen nothing authoritative other than the original Order in Council.

2489. Mr. Figgures, this is a point which has exercised the Public Accounts Committee for some considerable time and various promises have been made by the Treasury, Treasury Minutes have indicated that you were going eventually to get specific statutory authority for this Department of Scientific and Industrial Research. What is the present position?—(Mr. Figgures.) The position, unfortunately, Mr. Chairman, is

K 2

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

that we are precisely where we were. It is still the intention to legislate as soon as practicable, but since Mr. Milner-Barry last reported to you on this two years ago it has not been practicable, neither does it appear to be so in the immediate future, to find legislative time which would be needed.

2490. Can you foresee any great controversial problem arising here which would waste many hours of Parliamentary time?—With respect, Mr. Chairman, it is not I who can judge how uncontroversial a subject may be before an amount of Parliamentary time may be given to it. There is only a limited amount of such time available and it has not been found for this yet.

2491. So that in effect the position is exactly where it was when we got our promise two years ago?—I think so, yes. (Sir Frank Tribe.) On the last occasion, I think, the Treasury said they could not do it until the review of the Department's functions and responsibilities then in progress was completed. That was in February, 1950 (Mr. Figgures.) The last occasion was in 1951 (Sir Frank Tribe.) There was a subsequent statement, yes.

2492. There was a further statement in 1951?—(Mr. Figgures.) That was the one I was referring to, the last one, when the review had been completed, and I think it is fair to say the actual drafting of the Bill itself would not take any significant time at all once approval for its introduction could be obtained.

2493. Nor can one imagine that the passing of the Bill would be a matter of very grave difficulty or absorb much time, I should have thought?—I hope you will excuse me from answering that, Mr. Chairman.

Colonel Crosthwaite-Eyre.

2494. On this account with the Manchester and Birmingham Universities, do you receive any report from the University authorities as to how this money is spent?—(Sir Ben Lockspeiser.) Yes. This is the kind of thing which is given to us. (A document was handed to the Committee.)

2495. This is all the bits that go to make this thing up, is it?—Yes, that is a description of the whole thing.

2496. I meant, do you get information as to how the money has been spent in relation to this?—The matter is in the hands of the university. We have to satisfy ourselves that the scheme is scientifically sound and the people they are employing are competent people. They employ a competent architect and engineers on it and then, in this case, we ourselves and the Nuffield Foundation authorise them to go ahead. (Now, what happens after that? (Mr. Smith.) Annually we get a statement of accounts from the universities certified by the universities' own auditors.

2497. Is that available to the Comptroller and Auditor General?—Yes.

2498. Do you see it, Sir Frank, each year?—(Sir Frank Tribe.) Yes. I can see the account in the Department of Scientific and Industrial Research.

2499. So it is accounted for on both sides, both by the D.S.I.R., and by yourself, that this money is spent in accordance with the terms of the grant?—I do not think the auditors' certificate would show that. (Mr. Smith.) The auditors' certificate would certify that the money has been spent by the university on this project in accordance with the conditions of the grant.

Colonel Crosthwaite-Eyre.] That is what I was getting at, yes.

Mr. David Jones.

2500. I see in paragraph 102 there is some reference to tenders. Were competitive tenders received for this project?—Competitive tenders were received in respect of all the items except the structural steelwork. In the case of the structural steelwork an attempt was made to get tenders in the early days of the project, but only one firm was found to be interested in it.

2501. The Comptroller and Auditor General, I see, says that there were two items totalling £99,000 not put out to tender. Is there any special reason why they were not put out to tender?—No, of the £99,000, I think, by far the greater part is the structural steelwork. I am not quite sure what the other item is, but it was very small in relation to the structural steelwork.

2502. I suppose the tenders were examined by you when they were received?—Yes. They were examined in the first instance by the architect. He submitted them to the university with his recommendation and the university submitted them to us for our approval.

2503. What were the reasons for the increases in the estimate in addition to the price increases?—(Sir Ben Lockspeiser.) I have made an analysis of these increases. It was £104,000 approximately. Over half of that increase is due to increased cost of materials and salaries and over one-third of the increase is due to a change in design; at least, it arises from a change in design, structural changes which were desirable in themselves, and structural changes which arose from the change of design which was due to scientific considerations, if you follow what I mean. The second point is the more interesting one, and that is that if you look at this picture you will see, of course, that it is not a solid paraboloid, as everybody would like it to be. The windage would be much too great. The signals are obtained by a wire mesh which is fastened to the whole of this framework.

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

2504. The outer framework?—So you have a series of facets. Instead of having a uniform, smooth paraboloid surface, you really have a series of facets which are made by wires running at right angles which are fastened to these structural members.

Chairman.

2505. Did I understand you to say you would have preferred a solid paraboloid?—Yes. If you made a small one you would make it solid but the windage on a paraboloid of this size would be prohibitive. I am coming to the question of windage, which is one of the principal considerations of design, because if it were to fail under a high wind the damage would be not local but total—a total loss. Now, the mesh which was originally designed for this was a 4 in. mesh of thin steel wires at right angles. You want as fine a mesh as you can have to get as strong a signal as possible, but the finer you get the mesh the more you approach the solid, so it was a compromise. But, it was decided, after the original design had been approved, that it would be very desirable indeed to have a 2 in. mesh and the centre part 1 in. mesh; that is on purely scientific grounds. I think that is the kind of thing you have got to accept when you do something entirely new. It is a matter of expert opinion and a good deal of mathematics. I have, myself, no doubt that it was a very justifiable decision but that “desirable” means an extra expense. The secondary consideration which arose out of that is that in a snow storm, or if it gets iced up, the dangers of getting a solid surface in the centre, for example, become greater, and so the whole thing had to be strengthened against windage, against possible damage. At the same time the design had been done to the British Standards Institute’s specification of 70 miles an hour and it was thought best to put up the design requirements for wind to 80 miles an hour, because one could not rule out in the lifetime of this installation that you would not meet a wind of 80 miles an hour. So that is where the larger part of the extra money has gone, in the increased strength. It has about 1,000 tons of steel, and I think it took about another 180 tons.

Mr. David Jones.

2506. I appreciate that, but what I cannot quite appreciate is why these additional precautions were not appreciated when the original thing was designed and the original estimate was made, because I understand from you that the changes which you suggest were desirable were made during construction?—If I may say so, it is not during the construction; nothing has gone much further at present than the foundations of the structure. Now, this question of spacing of the wires is quite a controversial scientific matter. It is a matter of com-

promise, like most of these things. You want it as close as you can get it, but, on the other hand, it does bring complications if you do; and if you have the wires too far spaced then the whole value of the thing from the point of view of a receiving instrument goes. When you are doing something entirely new and you have to get out something to start, you strike a compromise at one point and it is reasonable enough, but all the people who work on this kind of thing are still at work, more knowledge comes out, the thing can be gone into in greater detail and one strikes a different balance on new scientific knowledge and new considerations. This is always happening in scientific work. I think that when you estimate on what is really the organisation or building of something a little into the unknown you are dealing with an entirely different situation from when you are estimating for the known.

2507. To the lay mind on this there is always a suspicion, when an explanation like this is given, that you start off with a small job and having got away with that you then proceed to do the thing which you would have done originally if you thought you could have got away with it. That is the suspicion it leaves in the lay mind?—Mr. Chairman, I am very sorry to hear this being said. The idea that scientists want to get away with anything I must say, from my own experience, has no foundation in fact.

Chairman.

2508. You must realise that the main function of this Committee is to be suspicious?—Yes, I quite agree, but I think if I may quote, just to record my view, from my own experience, we do work in this Country on very slender resources. Our total net budget is £5 million which is a very small change on the total Estimates, taking national expenditure. So the idea that the scientists are getting away with anything on £5 million a year when we have 14 establishments and 40 research associations, university work, work of this kind and work on nuclear physics to be sustained, Mr. Chairman, I do not really think will bear serious examination.

Mr. David Jones.

2509. How much are the University contributing towards the cost of this?—They make their contribution. (Mr. Smith.) They contributed originally, I think, a sum of about £30,000 for the initial development of the site and since then they have taken over the payment of the salaries of the technicians engaged on the work, which I think is about £3,000 a year.

2510. Although the Nuffield Foundation agreed to contribute half the cost as originally estimated, they are now paying something less than half. Does this indicate that they are dissatisfied with the need for

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

the increased cost? Are they as suspicious as I am?—(Sir Ben Lockspeiser.) No, I do not think so at all. I cannot speak here for the Nuffield Foundation, I think you should really ask them, but if you should ask me my opinion, they saw this scheme and they knew we were in difficulties about financing it and they did volunteer on their own; having heard of it, I think it was a handsome offer to come along and say: "Look here, we know you are in difficulties about financing this, we will pay half". When the increased cost came along I do not think one can expect a body such as that, who made that offer quite voluntarily, to meet any increased costs at all. (Mr. Figgures.) Could I add to that, that the Treasury record of this shows that when we were first informed that the Nuffield Trust was prepared to put up money we were told they were prepared to share the cost up to a maximum contribution on their side of £200,000, so from the first day, as we understood it, that was the limit of their liability. (Sir Ben Lockspeiser.) Yes, that is quite true.

2511. What is the latest information about the probable final cost?—I take the view that we would not be prepared to spend any more money on this except under exceptional conditions, which I do not foresee.

2512. They are not contained in the last estimate?—Yes. I am taking that last estimate, and when we notified Manchester that we had been through all this and we were prepared to increase the grant we let it be known that we thought everything now had been thought of and we expected it to be completed substantially for this figure. I do not anticipate any new scientific demands. It will be entirely unexpected if something entirely new came up which would compel us—literally compel us—to make the review. They are the only circumstances in which I would think of an increase, a substantial increase.

2513. The final sentence of paragraph 102 is: "But it is expected that there will be further rises in costs before the work is completed". Who is expected to meet those further increases if you are not going to spend any more and the Nuffield Trust is not going to spend any more?—These estimates are for steel which is being bought now. There may be big rises in labour, for all I know, but I am not anticipating any serious rise in that way. There is no cost in which I am looking forward to seeing any considerable increases.

2514. So you would not, in effect, agree with the last sentence in paragraph 102 of the Comptroller and Auditor General's report?—I would not like to comment on that. Everybody can have their own view, but all the material, I take it, has been either bought or agreed to be bought at a

certain price. The only change that I can see that is likely possibly to occur is the cost of labour.

2515. Would you like to venture an opinion, if there are further costs and you have reached the ceiling and the Nuffield Trust has reached the ceiling, as to where the further costs will come from?—If there are further costs which are unavoidable, put it like that, then, of course, we should have to meet them.

2516. So, in those circumstances you have not reached the ceiling?—No, we can only put a ceiling in the sense that we are not going to entertain modifications to increase the cost. I must make the reservation, save for exceptional circumstances which I do not foresee, but any increases of cost which may come from cost of labour, in the category, Mr. Chairman, of unavoidable, then I think we should simply have to pay them. It has got to be unavoidable.

Mr. West.] On this last point, I wonder if Sir Ben could clear this up? The last sentence says: "It is expected". Surely it is not the Comptroller and Auditor General who voices an expectation, he must have had some information from the Department about that?

Chairman.

2517. I think, perhaps, as it is the Comptroller and Auditor General's report, we cannot entirely hold Sir Ben responsible for it. In view of what Sir Ben has said perhaps the Comptroller and Auditor General himself might like to comment?—(Sir Frank Tribe.) It was based on two different sources of information. One was a letter written by the Department in May, 1953, in which they said, and I do not think this conflicts with what Sir Ben has said today: "It is almost certain that there will be further rises in costs before the work is completed". The second bit of information I based it on was the fact that at one stage the Ministry of Works were consulted about it and they said they imagined the final cost would probably reach the £½ million mark.

Mr. Niall Macpherson.

2518. Might I just get one point clear? I may have missed it. Is the whole of this expenditure on equipment or is part of it on administrative offices or living accommodation, or something of the kind, connected with the equipment?—(Sir Ben Lockspeiser.) The greater part is on equipment. (Mr. Smith.) The greater part of it is on equipment, but there is a certain amount of building foundations, of course, of the equipment. There will be buildings to house the driving machinery and a certain amount of running costs are included also over the first four years.

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

2519. It is all directly connected with the equipment?—It is directly connected either with the equipment or with its operation.

2520. Is there accommodation for those who are operating it, and is that included in the estimate?—There is an item called the control building which will be, of course, the building from which it is controlled, but whether, in fact, that includes dormitory accommodation so that they can operate it at night, I am afraid I do not know.

2521. Have you a separate estimate of the cost of that?—Yes, I think I have a separate estimate of it—£26,000.

2522. That has not varied?—Yes, that has gone up from £16,000. It was originally estimated at £16,000. It is now estimated at £26,000.

2523. Is that due entirely to rises in costs or alterations in plan, and if to alterations in plan was it connected or unconnected with the equipment?—No, it was also due to a change in design as it has been found necessary to provide a basement for the incoming cables from the underground trench, and in addition each wing of the control building has been slightly lengthened. The difference between the original estimate and the £26,000 is due partly to changes in design and increased cost during the past two years, but the University thinks that there may have been under-estimating on the part of our consulting engineers.

Colonel *Crosthwaite-Eyre*.

2524. Does Sir Ben agree that this will now cost about £½ million when it is finished?—(Sir Ben Lockspeiser.) It is going to cost £439,000.

2525. Do you expect that the total bill will go up another £61,000?—Frankly, Mr. Chairman, I do not, but I may be wrong. I take the view that our Department will not pay more money unless it is unavoidable. There may be some factors which are quite unavoidable in detail which may add up to a lot.

2526. You do not expect in prudent foresight that the total bill will come to the £½ million mark?—I am not expecting it, no.

Chairman.

2527. Just one point, apropos of what the Comptroller and Auditor General said, with regard to the Ministry of Works. Do you consult the Ministry of Works as a regular proceeding when you are asked to provide either accommodation or buildings or plant?—As far as I know the work is done by the University with its contractors. (Mr. Smith.) As a matter of general practice we do consult the Ministry.

2528. Not so much whether you did it, but whether you consult them as to price

and general design?—(Sir Ben Lockspeiser.) I think we do consult them. We have consulted them on this, have we not? (Mr. Smith.) Yes, we did ask the Ministry of Works in this case whether they thought the increases were reasonable, and they told us that they were.

Chairman.

2529. Mr. Figgures, is there any particular reason when this activity has to be financed, and it is essentially a university activity, why it was financed through the Department of Scientific and Industry Research and not through the University Grants Committee?—(Mr. Figgures.) Yes, I think in principle this is the right way to finance an affair of this kind, Mr. Chairman. Broadly, the grants made to the universities by the University Grants Committee are not tied grants. This is a grant made for a specific project to be executed on behalf of D.S.I.R.

2530. Not tied grants?—Ordinary administration, distinguishing this from the capital.

2531. Surely this is capital?—Substantially this is capital, but this also implies the commitment to run it for four years, and this total amount of money we are concerned with is not only for building the thing but is providing for its running expenditure for the first four years; so that part will certainly not fall into the normal run of the University Grants Committee work.

2532. But surely the running costs for the first four years must be rather trivial as compared with the capital costs?—Oh, yes, indeed, but however trivial they are the financing of those is an essential part of the scheme, and for money from Her Majesty's Government to be provided for that by way of the University Grants Committee would be contrary to normal practice.

Mr. Niall Macpherson.

2533. Unless it were an earmarked grant?—Exactly, but earmarked grants, apart from capital grants, are contrary to the methods by which the University Grants Committee works. That is not entirely true in the first quinquennium, as the Committee has had explained to it at length in previous years. There were earmarked grants in order to build up specific departments in the universities, but in practice it is not the way which the University Grants Committee wishes to conduct its affairs with the universities. This being for a specific project and a specifically scientific project it was, in our view, better done through the Department of Scientific and Industrial Research than in any other way.

Chairman.

2534. Were the Treasury consulted before the decision was taken that it should come

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

from the Department of Scientific and Industrial Research rather than from the University Grants Committee?—Oh, yes, we certainly considered that. The first approach to us was made by the Advisory Council on Scientific Policy and at that point it would have been proper for us to have done it in any other way if we had thought right. That is not a decision which we would have taken without consulting Sir Ben Lockspeiser and those who were our advisers on these matters, but at that time it was considered, and this was thought to be quite the best method for dealing with this highly exceptional, but purely scientific, affair.

Chairman.

2535. Will Members turn to the Accounts, page 392? My questions are again to Mr. Figgures. This grant, I believe, is made under Subhead B, but how far does it differ from an ordinary grant in aid?—Is this Subhead B?

2536. The cost of the telescope. This, I believe, is financed under Subhead B?—Yes. It is a grant in the sense that we are paying for the cost of work on a scale approved by us and in accordance with contracts which have been approved by us and for the actual amounts which are, in fact, to be spent. We are not saying to the University of Manchester: "Yes, we will come in with you in this project, we will make you a grant in aid of £239,000 and Nuffield Trust will make you a grant of £200,000, and you will put up the rest". We are saying: "In this collective enterprise Nuffield Trust are putting up £200,000, the University are putting up their share, we are agreeing to put to a certain amount, but it may, of course, be more or it may be less." What we are agreeing to do is to finance the project as a D.S.I.R. project, whereas with a grant in aid we would have been giving them money to enable them to carry out the project.

2537. It seems to me a very subtle difference?—The difference between a grant and a grant in aid, I regret to say, Mr. Chairman, is excessively subtle.

2538. Anyhow, as Subhead B is very largely used to make grants to students for specific pieces of investigation, would it be desirable, in order to give more information, to split up your Subheads more so that they can be traced in greater detail?—I wonder if we could turn to the Estimates, Mr. Chairman, where, of course, the thing is set out better?

2539. I have not the Estimates with me, but if I remember rightly even there Subhead B is rather a hotchpotch?—It certainly is. Subhead B as it stands in this year, that is to say, the current year, is divided into four items: "Grants to students", "Provision of major equipment

of a capital nature", "Annual grants to Research Associations" and "Special non-recurrent grants to Research Associations".

2540. Those are four grants of entirely different character?—Those are four items of expenditure, yes.

2541. Do not you think they ought to be split up?—You would, in fact, suggest, instead of having (a), (b), (c) and (d), that it should be B.1, B.2, B.3 and B.4, making it four Subheads?

2542. I think so, yes?—I do not know myself of any substantial objection to that, Mr. Chairman. I do not know whether the Department would?

2543. Our subheads are usually rather specific?—It would look precisely the same as I see it, Mr. Chairman. Instead of it being (a), (b), (c) and (d) it would be B.1, B.2, B.3 and B.4. (Sir Frank Tribe.) It would have another effect. It would mean that the amount spent on each of these items would be shown separately in the Appropriation Account and it would conform to the view of previous Public Accounts Committees that these very large subheads, running into £2 million or more, should be split up where possible. (Mr. Figgures.) I do not think there is any fundamental objection to it. (Sir Ben Lockspeiser.) Might I say, Mr. Chairman, I do not see any objection in principle to it, but I would hope that if a change were made it would not subtract from the powers which the Department has to transfer resources from one heading to another according to the scientific situation.

2544. To interfere with your power of virement?—Yes.

2545. A department can always vire with Treasury consent?—(Mr. Figgures.) That would be the only difference in principle. (Sir Ben Lockspeiser.) I just wanted to make that point.

2546. Subject to this, that it might slightly increase Treasury control over you, but it certainly would not be any insuperable bar, you would merely have to advise the Treasury that it was desirable to switch your expenditure from, say, B.1 to B.2?—(Sir Ben Lockspeiser.) I think it would not be a desirable thing in the organisation of research in which one has to keep an eye on the whole scientific situation.

2547. I do not think it would in any way cramp your style, Sir Ben, but the Public Accounts Committee looks at it from a rather different angle. The Public Accounts Committee looks at it from the point of view of ease of accounting and ease of control?—We have got the complete breakdown, I think. (Mr. Smith.) Yes, but we do not circulate it. (Sir Ben Lockspeiser.) I am not objecting, Mr. Chairman, I am only putting the point of view that, I hope, no obstacle would be

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

put in the way which enables one to do that kind of thing which, I think, is essential.

2548. It does not interfere with your power of virement. Apparently you now switch from one part of the subhead to another, from (a), (b), (c) and (d) of Subhead B without consulting the Treasury?—(Mr. Smith.) No, that is not so, we have no powers of virement as between A, B and C.

2549. No. (a), (b) and (c) of Subhead B?—That is true, yes, I beg your pardon. (Sir Ben Lockspeiser.) Under the new agreement—agreement is probably not the right word, the new understanding—with the Treasury over five years, the whole idea behind that understanding is that research has to be planned over a considerable period with a considerable elasticity to enable things which may have to be postponed or slowed up in one period to be made up in some other way. I am hoping that nothing will be done to weaken that because I think it is very important. (Mr. Figgures.) I do not think it will affect that.

Mr. Hoy.

2550. I want to ask one or two questions on the working of this. I would like to know something about this, because apparently it is going to cost something in the region of £½ million. I think we all understand in radio telegraphy, for instance, when someone presses a key they send out a wireless wave which is picked up on an aerial?—(Sir Ben Lockspeiser.) No, it is a receiver in the first place, it is a receiver essentially.

2551. What I am suggesting is, is this the aerial which receives the wave?—This is the receiver. The receiver is *here*. You can regard this as an optical paraboloid, if you like, the paraboloid of an optical telescope.

2552. So this actually receives an incoming wave?—Yes.

2553. Is it transmitted from here to some other place where people can listen?—Then one has to take it off here.

2554. That is what I want to know. It is then taken from there into this particular building where people listen to the waves, is that it?—It is not my subject and I cannot go into any great details, but it is all described *here*. Exactly how it is taken out I would not like to say, I can get it for you if you wish.

2555. I thought you might be able to tell me?—I do not know enough about it. It is taken out and it is used in the way one does in the laboratory. You have technicians here, and what they do with it and how they treat it and what they do with the results and what they make of it I am afraid I am not in the position to answer, I am sorry. If there are any technical questions that you are interested in I

will only be too glad to get you a proper statement.

2556. I just wondered how they did take it out and what they did with the result? I understand that the movement of this aerial is, as it were, to get the strongest beat from the incoming wave, but what I would like to know is what happens after that?—You get involved in a question of electronic circuits. Once you get a signal in an electronic equipment circuit, what is done after that depends on the ingenuity of electronic circuit engineers.

2557. I do not want to carry this any further, but scientists have got this mechanism which is costing £½ million because they believe that there are some radio waves?—They know.

2558. I say, they know?—It is not a question of believing it.

2559. It is work that Sir Edward Appleton worked at; I believe he was interested in it. This wave does come from outer space and it is picked up, if I may use a non-technical term, on this aerial, which they then receive?—Yes.

2560. You said to us that these waves were coming from somewhere, nobody knows what was happening to them or where they went. Now they have got this to do something with it. What I want to know is what is the end product?—I see. Exactly similar in the first place, whatever may be done later, to the job of an optical telescope. They want to track the progress of these bodies with exactly the same sort of measurements. For the other part of the universe which has been made "visible" by radio waves, it is a means of doing the same kind of work that is done by optical telescope. I am sorry I misunderstood your question. I can certainly answer that. This will be a new astronomical station doing the same kind of work for bodies which cannot be seen by light waves but can be seen by radio waves.

2561. It may be that the Public Accounts Committee will break its habit and have a look at this £½ million job when it is completed?—I think you ought to see it. It would be a great pleasure. I think it would be a very good thing, Mr. Chairman. I must say I am very inadequate in conveying these matters. It is far better to go and see it and talk to the people there who know what it is about. I cannot know more than a certain amount about these things. I welcome that suggestion. Any time you like to arrange that visit I will certainly do my best, Mr. Chairman.

Chairman.

2562. Now, paragraphs 104 to 109, about this new trawler, Sir Ben. I take it it is a good deal more than a replacement of the old trawler?—Yes.

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

2563. Can you give us some indication?—The old "City of Edinburgh," first of all, is old, quite apart from changes of scientific requirement. It has been sold because it has come to the end of its useful life, but it was engaged in catching fish not far away for the Torry Research Station, working in fish preservation, the study of making the best use of fish. It was used for catching fish for their work. But in recent years the fishing situation has changed and the near grounds are getting fished out, and it is now necessary for trawlers to go much further afield, and they may be away two or three weeks. It is no longer possible to just put fish into packed ice, and the days when one landed fish very soon after it was caught have gone. The whole question is the preservation of fish, which really means its processing, in one way or another, and its refrigeration on board. It now takes so long to get it home that an entirely new scientific problem arises as to how to deal with fish. That means we want a floating laboratory so that we can experiment with refrigeration. We want to catch fish ourselves in various parts because the spoilage of fish varies, or can vary, with the place in which it is caught. The deterioration of fish depends upon the micro-organisms which come up with it, which vary from place to place, so we shall have to catch samples of fish from given places and get at the reasons for the spoilage; and we want a vessel where we can do experimentally any processing we wish to do and to test the refrigeration plant which has been produced at Torry. It may work, but in all probability will want modification when tested out in sea conditions. So we want an entirely new kind of trawler, an entirely new kind of ship. We want an experimental trawler, and this vessel has been designed to give us those facilities.

2564. Mr. Figgures, when the first estimate of some £70,000 was presented, had you in mind that it was likely to expand into a ship that was likely to cost three times as much?—(Mr. Figgures.) No. Mr. Chairman.

2565. Was it presented to you as a worth-while proposition or as something which was entirely sketchy?—I think, again, it should be understood, Mr. Chairman, that when we first agreed to it no plan had been drawn up at all. Our original approval was approval in principle for the replacement of the "City of Edinburgh," and an estimate of £70,000 was made in order to give us an order of magnitude of what it was we were asked to agree to, but our agreement in principle to that, was in fact, quite specific that the detail would have to be worked out in due course and that the Department would go away and produce some detailed estimates

on the basis of plans. So, it would be wrong to form the idea that we agreed to £70,000 and now find ourselves committed to a larger sum. In fact, until the period when the contract was implemented after it had been drawn up, which I think was in 1951, we were not, in fact, committed to anything. We agreed to them moving ahead on £70,000. They then got plans for £100,000, so we said Yes, that would be all right, they could go ahead. They went ahead on tendering. We had a long discussion as to the use of the Admiralty as agents, and that sort of thing. The tenders were received for about £170,000. At that point we could, if we had wanted to, have said No, this is too expensive, and all that would have been lost would have been the naval architect's fees. This is not comparable to the case where we said they spend £70,000, and then, as in other cases which have come before this Committee, they said "We must have another £70,000 and if we do not get it what we have spent so far is wasted." Nothing had been spent at the point when they came before us and said: "The estimate is £70,000."

2566. On the other hand it does seem a common practice of Departments to come to the Treasury with an original suggestion as to cost which, almost, is derisory?—I think it is fair to say, and indeed it has been almost inevitable over a period of continually rising prices, that the first proposition put to the Treasury has been much lower than the scheme has eventually cost.

2567. When you say "rising prices" it was not rising prices that raised this from £70,000 to £170,000?—Certainly not, no.

2568. Here comes a Department to the Treasury with a proposal which has been so little thought out that, in effect, it is just over one-third of the cost when the cost is worked out, it goes from £70,000 to £170,000, and then, subsequently, rising prices, and so on, raised it to £213,000?—I accept that, Mr. Chairman, but we were in a position to say "No" at £102,000 and at £170,000. We were not committed in the sense that they had gone ahead.

2569. I know you were not. What I want to know is what do the Treasury say when a Department comes with some proposition to cost £70,000 and then produce their first hard figures at something like three times as much? It surely is an extremely bad practice for Departments to come?—It can and has produced the effect that the Treasury has said: "I am very sorry, we gave approval in principle on the understanding that it was going to be a project of the order of £X but now it clearly is a project of the order of £3X. I am sorry, it is out; we will have to wait for better times". That is all right so long as we are not committed.

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

2570. How often do you say that?—I can think of two cases in my own experience. I am sure there are many cases spread across the whole of the Treasury.

2571. You see, that there are so many cases of this in the experience of the Committee?—But I do think, Mr. Chairman, you should distinguish between these cases, of which we have had several this year.

2572. There is a distinction, but it is not germane to the problem that I am putting to you, which is that Departments come to you with schemes which are not even half-baked. The point is they put up a suggestion: "This is something we can do for £70,000" and apparently they have done nothing more than make a guess?—I am not sure, Mr. Chairman, but I think in many cases a Department would come to us in the first place in principle saying, "We want to do this, we have not yet had detailed estimates". They are employing naval architects, which already costs money. "Are you prepared to let us go out and employ naval architects to work out this project? At the present moment it looks as if it will cost us this order of magnitude."

2573. It looks to whom? If they have not employed a naval architect to whom does it look a £70,000 job?—Presumably to the Department. It is one thing to form a view on what a ship of a certain size, a 110 ft. trawler, would cost, and to make some estimate of what it would cost to put in a certain amount of machinery, but it is quite another to go and have the ship designed and find out precisely what it does cost. Indeed, if a Department went and employed a naval architect, if D.S.I.R. had gone and spent a considerable sum on employing a naval architect to produce plans for this ship without first coming to us and saying "Do you approve of us considering this in principle", I think we should have been very angry.

2574. Surely they might have come to you and said: "We wish to build this ship to do this specific job. May we employ a naval architect?" That seems to be rather a more logical proceeding, surely, than to come to you and say "This is going to cost £70,000", when they quite clearly have not got a ghost of an idea what it is likely to cost?—But, Mr. Chairman, they have not got any authority to spend £70,000.

2575. I know they have not. You still have not got the point that seems to me relevant, and that is, that they come to you indicating a figure of £70,000 which has no relationship whatsoever to accuracy and is something which is a figment of their imagination and nothing more?—(Mr. Smith.) Not entirely, Sir, if I may say so. The original vessel was to have been a diesel vessel. We estimated it to be a diesel

vessel of about 400 horse-power, and we had general advice from shipbuilders in Aberdeen who told us it would cost round about £70,000.

2576. Apparently you had under-estimated the size of the vessel; you did not know what kind of vessel you required?—When we came to work out the details of it with the naval architects it is quite true we found that we had under-estimated the size of it, and we also discovered that we could not run the kind of ship that we wanted using diesel engines, we had to instal diesel electric machinery. That is perfectly true, but those facts only emerged when we made a detailed study of the problem in conjunction with the naval architects. At the earliest stage we merely went to the Treasury and asked for approval in principle. The Treasury were entitled to expect we would give them an estimate based on the best information we had at that time and that was £70,000, based on the advice from shipbuilders generally.

2577. The trouble is that the advance information the Treasury gets seems to be invariably bad?—(Mr. Figgures.) May I add something to what I have said? I do not wish to deny that on many occasions projects are put to us and then subsequently turn out to cost very much more, and in part it is due to the thing being put to us with inadequate information; but I do not think, and I am perhaps reacting to your question in terms of this particular case, that this is a particular case in which a Department is seriously open to criticism. As it put in its successive higher bids, it did explain certain points. We saw that they had moved from diesel to diesel electric. We went back to them and said: "Why do you have to have this more expensive equipment?", and we had a discussion about it and agreed that that was reasonable. That was a change which could only emerge in that particular case when the naval architect had begun to work out the design and had said: "If you want this large laboratory space you have got to save on your engine room, and the only way to save money on your engine room is to have a diesel electric and not diesel." That problem cannot be worked out until an architect gets down to the problem, so while that increase was regrettable—we would obviously prefer that this ship could be built for £70,000—we would not think this was a case which showed grossly bad estimating by the Department in the first place.

2578. In every specific case which comes before us there is no doubt a very adequate explanation, but the fact remains that so many proposals are put up to the Treasury which have no relationship to reality. I have made that point. Sir Ben, I see from paragraphs 105 and 106 that, in addition to yourselves, there are five other Departments who are doing research into fishing.

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

five other Departments all apparently with research vessels engaged in fishing; and in addition to them there is the White Fish Authority which now apparently is proposing to run another vessel or vessels. Could you tell us what these five bodies are and why they are all researching into the same thing, if they are all researching into the same thing?—(Sir Ben Lockspeiser.) Yes, I have got the bodies here who are dealing with vessels. There is the Scottish Biological Research Association. (Mr. Smith.) The Ministry of Agriculture certainly has one.

2579. Perhaps the Comptroller and Auditor General can tell us as it is his paragraph? Have you them handy, Sir Frank?—(Sir Frank Tribe.) Yes, I have the information, Mr. Chairman. First of all, there is the Scottish Home Department.

2580. The Scottish Home Department as well as the Biological Association?—Yes, I will mention the Biological Association in a moment. The Scottish Home Department has a fleet of four of these ships, two of them trawlers which are bigger than the one mentioned in my paragraph. Then the Ministry of Agriculture and Fisheries has got two trawlers, one of them far larger, and two motor vessels. There is the Marine Biological Research Association at Plymouth which, I believe, is financed from the Development Fund and has got a vessel. There is the Scottish Marine Biological Research Association mentioned by Sir Ben which has got a vessel, and then there is the Herring Industry Board which has got two specially designed herring catchers.

2581. That is 13 ships, including this new vessel?—Yes: 12 that I have mentioned.

Chairman.] And then, of course, there is the "City of Edinburgh."

(Mr. Hoy.) No doubt this is one of the reasons we cannot get enough men for the Navy!

Chairman.

2582. Do you know, Sir Ben, what all these various bodies and ships are doing?—(Sir Ben Lockspeiser.) We have been advised all through this by a Committee from various Departments, some of which are mentioned here. Certainly, one of these, I think, is the Scottish Home Department and the Ministry of Agriculture and Fisheries. I have not checked it up, but I think it is a fact that the kind of vessel that we want has got to do different things. I do not know anybody who is engaged in the research projects of the preservation of fish caught a long way from these shores, nor in dealing with the problems that have to be dealt with to keep the catch in reasonably good condition for landing here. It involves the problem of dealing

with and processing the fish when it is caught and the problems of refrigeration on board. You have got to have refrigeration on board for this particular operation which would be commercially successful. I feel fairly sure that there is nothing like this going on because at the moment we are, through the White Fish Authority and the trawler owner, installing an experimental refrigerator of this kind on a commercial trawler to get the first experience of this at sea under commercial conditions, and all this work is overlooked by the White Fish Authority, who obviously must have a great deal of knowledge of what is going on in the whole of this fishing business, and the trawler owners. I have not gone into the detail of all these vessels they have, but I cannot believe that any of them have got a vessel that is suitable for this or that we could use.

2583. In addition to the "City of Edinburgh" you are installing refrigeration into a private trawler? That is 14 ships which are now engaged on this?—That is not our ship.

2584. I know it is not, but you are installing refrigeration into it?—We are doing this as part of our normal job of development. We develop this on land, the White Fish Authority are interested in it and the next step is that they say: "Does it work? Is it any good?"

2585. I am not in any way querying whether you are right or questioning the desirability of what you are doing, but what I am asking is, what are all these ships doing, do you know? You are doing research. Do you know what other forms of research these various ships and bodies are doing? I also see that the White Fish Authority has power to spend £1 million in research. With the trawler owners and the White Fish Authority that will be seven bodies all engaged in fishery research. Is there any co-ordination between the activities of these different bodies?—We certainly are in contact with them all. I wish I had that list. I know we have got five bodies who have been advising the Department on all the aspects of this kind of work.

2586. Five bodies that have been advising you?—Yes.

2587. You, the D.S.I.R.?—Yes, all interested in various aspects of fishing. You see, the Ministry of Agriculture and the Scottish Home Department are concerned with the location, habits and the growth of the fish. Other people are concerned with marine biology and I do not know in detail what it is, but I am pretty sure that there is nobody else concerned in catching fish and preserving it.

2588. Am I wrong in assuming that you are catching certain fish and selling it on

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

the market?—We do intend in the course of our work to catch fish. Some of it we shall use experimentally, but anything we can bring home we shall put on to the market in the normal commercial way.

2589. So every journey you make will be an experimental journey?—Whether we can sell anything just depends on whether we have got anything over. We are not going out on a commercial basis.

2590. You will be occupied for the full 365 days in the year, so to speak?—I do not know for how many we will be occupied. (Mr. Smith.) Not quite so many as that, but fully occupied in trawler terms.

2591. You are quite certain that none of these 14 ships that are engaged at the present moment in research would have been adequate for the job that you are engaged on?—(Sir Ben Lockspeiser.) I cannot be absolutely sure because I have not inspected them, but I should say it is in the highest degree unlikely that any of those vessels would have been suitable for that particular special job for which we have had to design, and the naval architects concerned have had a pretty hard passage designing it. I think if there had been anything like this in existence they would have been the first to point out: "You need not worry your head about this because there is one like this being used somewhere else".

2592. One point to the Treasury: having all these bodies and all these ships, why, when you came to draft the White Fish Act, did you give the White Fish Authority also power to spend money on research? If you wished to spend money why not utilise one of the already existing bodies?—(Mr. Figures.) Mr. Chairman, I think that is a very difficult question. The organisation of research and assistance to the fishing industry is not one of the most logically designed and laid out of the various activities of Government, I am afraid.

2593. I should have been inclined to agree with you?—I wonder if you will forgive me saying much more about it? The Estimates Committee has been examining this in connection with its examination of grants in aid. That examination has led us to look at it and I would really prefer to see what the Estimates Committee has had to say and then for us all to have examined the problem in the light of that criticism before I say anything more.

2594. Perhaps you will let us have a memorandum?—In due course, I take it, if they do report on fishing we shall necessarily have to express Governmental opinions in reply to the Estimates Committee, and that could well have some considerable repercussions. On the specific point, not the general point, about whether the organisation on the fishing side is adequate, and whether there is any overlap

generally on which I prefer not to say anything, on the specific point of this particular ship we did twice, during the course of the examination of it, address ourselves to this problem (a) to discover whether there was a ship like it in existence and like Sir Ben we obviously cannot say there is not, but the investigations we made suggested that there was not, and (b) to ensure that there would be adequate co-ordination and no overlap with the White Fish Authority which was, of course, created while we were actually considering whether this particular vessel should be built. So, on the specific point I think I can give you reassurance. On the rest I think I would rather not at the moment, if I may.

Mr. Hoy.

2595. Sir Ben, what is the explanation of the gap between August, 1949, when you obtained Treasury authority for the revised payment of £170,000, and January, 1951, when you then invited the Admiralty to act as your agent?—(Sir Ben Lockspeiser.) The explanation is very simple. Our money was cut. Our resources were cut owing to the financial stringency at the time. We did not have the money to spend. We had to look all through our programme and say: "What are we going to throw overboard?", and we said: "We must give this up for the time being until times get better". Times got better, in 1950 or 1951 from our point of view. We had more resources and we said: "Now we can afford to go on with this because we must have it". I am very sorry indeed that we had to delay for that period but we could not help ourselves.

2596. I do not quite understand. Paragraph 106 says: "The Department accordingly sought Treasury sanction for the revised estimate of £170,000 and this was given in August, 1949". Now, surely, if you got Treasury sanction for this £170,000 for this specific purpose, you could not then take that money and use it for something else, could you?—(Mr. Figures.) Could I explain this, Mr. Chairman? I agree it looks very strange. The principle is this: you must distinguish between agreement in principle to a scheme and making provision for the money for that scheme in the Estimates. The agreement in principle was given in August, 1949, but, of course, as agreements given before Estimates always, or nearly always are, subject to the details being worked out at the time of the preparation of the Estimate. The Department, therefore, when it was preparing its Estimates would be entitled to make provision for spending some part of that money, not all of it, of course, but some part of that money, during the coming year. We should not be then in a position to say to them: "What have you put this in the Estimates for? You have not got authority for this. We have

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

not given authority for it", but that does not automatically mean that every item for which they had previously got Treasury authority would automatically carry with it provision in the Estimate for the following year. It may be that for one reason or another the Department has to be told: "You cannot have as much as that, you must do with less". In that case obviously the Department cuts out the project which has not started rather than delay the work of a project which is under way. That is precisely what happened here. The Department discovered that it was not going to have enough money in the year 1950-51, but by January, 1951, had received agreement from the Treasury that sufficient money could be provided in the Estimates for 1951-52 to enable it to start.

2597. Is the delay in placing the order for the vessel expected to increase the cost?—(Mr. Smith.) I think it may have done, because the estimate of £170,000 which we had in 1949 has now become £213,000, or had become £213,000 in March, 1953.

2598. So that this two years' delay is going to add £43,000 to the price?—It appears so.

2599. May I ask then, did the Treasury or the Admiralty or some other Department receive revised tenders before the order was placed?—No. The Admiralty did not receive a revised tender in any formal sense, but they got this estimate of £213,000 from the firm in discussion and in writing. It was not a formal revised tender in the sense that the original £170,000 was based on a formal tender.

2600. But this is the contract that has been entered into?—Yes, the contract has been entered into on the basis of a provisional price of £213,000 to be used for advance payments, the final price to be fixed as soon as possible.

2601. So that this is not the final price we have got to yet, it may be considerably more than £213,000?—Yes, it may. We have not got the final price, no.

2602. Are you actually getting a final price before you go ahead or what is happening, or are you just saying "Well, it is £213,000 but it may be more, you may find you will have to charge us more as you carry out the building of this vessel"?—The business arrangements are in the hands of the Admiralty, but we understand that the Admiralty are loth to force firms to quote firm prices nowadays because of the large contingency items that they include. They are regarded as an expensive business and, therefore, it is their custom to place contracts on this basis and to agree prices as soon as possible, which I take to be as soon as the keel has been laid and the bought out items have already been secured. (Sir Frank Tribe.) I should say that is the usual Admiralty practice at the present

time. I have reported on it more fully in my Report on the Admiralty Account and it will come before this Committee when they take the Admiralty Account.

2603. I would agree with that, but I think you would also agree that this Committee has not found that procedure entirely satisfactory?—Quite.

2604. And has had many comments to make on that particular type of contract which, apparently, is the strict preserve of the Admiralty and no other Department?—I am suggesting it might be reviewed by the Committee again this year.

2605. Certainly. May I ask you, Sir Ben, has the industry been calling out for this type of research?—(Sir Ben Lockspeiser.) It is not easy to generalise when you speak about industry. In every industry you get progressive firms who do ask for it. On the other hand one gets a number of firms which one might say are not nearly so keen, but I can say this, that there is a sufficient number of people who are sufficiently keen on this. We have got a group of people now, trawler owners, the White Fish Authority and ourselves, and we are running the present experiment to which I referred earlier as a combined operation. We would not do it, and could not do it, unless we had the co-operation of the industry. It is not our trawler, you see, and we have just made arrangements with the White Fish Authority and the trawler owners to have a permanent body in being to overlook all our activities on applied research in this matter to make sure that we meet the needs of industry, and to make sure also that when we do something and find things out it has a reasonably good chance of rapid application.

2606. Would you expect to increase the productivity of the industry by this research?—It depends how you define "productivity", but if you mean is this research likely to lead to a larger production of fish caught sold in good quality, yes, and if it does not do that it will not be worth doing.

2607. Obviously. It would make for a better industry?—It will make for better fish.

2608. I do not know that this will make for better fish, I think that is stretching it a little too far. It might make for the catching of better quality fish?—No, I do not agree, Mr. Chairman. It is making for better fish in the shops, that is our job.

2609. It may be so, I would not like to argue that one out?—I can only express my opinion on what I think we are working for.

2610. If that is going to happen, have you asked the industry to make any contribution towards the cost of this research?—The White Fish Authority, you see, are

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

making a contribution. They have not yet stated what contribution they are going to make, but they have powers to raise a levy on all the fish caught, and we are still discussing how much they are going to contribute.

2611. The White Fish Authority?—Yes.

2612. You mean a levy on the catch of the industry itself?—Yes.

2613. And that is the way in which the industry would make a contribution?—That is as I understand it. I do not know if there is any other contribution from the trawler owners; I do not know of any. I think that is reasonable, the White Fish Authority are going to raise a levy of so much a stone and they are going to give us some of what they get. In that sense we shall get away with it.

Mr. West.

2614. You have a distinct understanding with them on that basis, have you, that they are going to make a contribution?—We have not got an understanding on the actual financial amount, but I understand that they will contribute from the proceeds of the levy.

2615. Can you tell me how long it is expected to be before the research vessel is complete?—That I could not say. I can enquire. It will be this year. (Mr. Smith.) We hope that it will be completed by the end of this year.

2616. So, if it has gone so reasonably well, as it appears to have done since the original estimate was given, are you not yet in a position to know what the final price will be?—No, we have not been told by the Admiralty what the final price will be. As I said before, I imagine that the time when the final price will be negotiated will be when the keel has been laid. The last estimate I had of that was May.

2617. May of last year?—The coming May.

2618. The figure that you have and are working on at the moment is £213,000?—Yes.

2619. From your knowledge and your investigations, do you think it will be within that range or do you think it will be exceeded? What is your own information about it?—In so far as the provisional price of £213,000 was fixed in March, 1953, and it may not be completed until, we will suppose, January, 1955, that is nearly two years, I should, frankly, be rather surprised if the final price did work out at £213,000. I think it may be a little more, as prices have undoubtedly risen over the last two years. We know there have been wage increases in the shipbuilding industry, but how much I cannot say. That is a matter which is in the hands of the Admiralty.

2620. But, at any rate, you have had Treasury sanction for it, whatever the cost is?—We have certainly had Treasury sanction in terms of £213,000. The Treasury have merely told us they agree a provisional price of £213,000 on the understanding that that is for the purpose of calculating progress payments to the shipbuilders.

2621. I assume, as the order is being given on the basis that you have indicated, if it costs £100,000 more someone has to pay it, surely? Where do you expect to get the money from to pay the builders' accounts if you are not getting it from the Treasury?—Oh, obviously, we must apply to the Treasury for authority. We must apply just as soon as the Admiralty have given us a revised, and we hope, final price. They have not done that at the moment. We are informed that this is the way in which the Admiralty handle contracts of this kind, and we are therefore in the hands of the Admiralty.

2622. You are satisfied that the Treasury, I suppose, will foot the Bill, whatever it is?—Well, we are satisfied that the Treasury will be satisfied if we go to them with the final price at the earliest possible moment that we can get it.

2623. Mr. Figgures, when you get a proposal placed before you which you agree in principle, apart from considering the merits of the project in itself, you surely have some idea of what the ultimate cost is likely to be, have you not, before you give sanction for it?—(Mr. Figgures.) Oh, yes, but it is a different point here. The agreement in principle is given before there is any sufficient detailed estimating for us to be able to know what it is likely to cost, but in this case we have gone much further than that. In this case we have had tenders, all some four years ago, and provided there is no change in construction from the plan as prepared in those tenders, we are able to be assured that the price will be that, plus any provision for adjustment upwards or downwards in accordance with whatever terms in the contract there may be. When the contract was first approved in 1949 it was to have been built on a fixed price tender. The D.S.I.R. with our approval, and indeed, at our instigation, have moved into making the Admiralty their agent in this matter. The contract has been placed by the Admiralty. I do not say that we are liking it very much, but we have been advised by the Admiralty in this matter and the Admiralty advise at this moment that this is the best way to build ships, the cheapest way to build ships. That being so, we are committed to a programme, a contract drawn up on this basis, and we shall have to pay whatever it turns out to be, provided the Admiralty is satisfied the contract is properly carried out.

25 March, 1954.]

Sir BEN LOCKSPEISER, K.C.B., F.R.S.,
and Mr. S. H. SMITH.

[Continued.]

2624. You approve and agree with the methods of the Admiralty in letting out contracts?—Yes, I think we must fairly say we do. We obviously do not like it,

we prefer the other method. The Admiralty advise us it is the best method at the moment.

The witnesses withdrew.

Adjourned till Tuesday next, at 4 p.m.

TUESDAY, 30TH MARCH, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Hoy.
Mr. David Jones.
Mr. Niall Macpherson.

Sir John Mellor.
Mr. Oliver.
Mr. Enoch Powell.
Mr. Steele.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

TREASURY MINUTE ON PARAGRAPHS 49-54 OF THE THIRD REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C., Permanent Secretary, Ministry of Transport and Civil Aviation, called in and examined.

Chairman.

2625. Will Members turn to the Treasury Minute on paragraphs 49 to 51, of the Third Report of the Committee of Public Accounts, 1952-53, on the Ministry of Civil Aviation? I think my question here is addressed to you, Mr. Figgures: Would you please amplify the last three lines of your Minute, starting at "My Lords"?—(Mr. Figgures.) Mr. Chairman, I do not know that I have much to say in amplification. I think what we mean is simply this, that when deciding whether or not to make a reassessment it is reasonable for us to know and not to pretend we do not know whether or not the Corporation concerned has an accumulated deficit or an accumulated surplus. We do not seek to say that it is a consideration which automatically leads to a decision one way or other, but simply that it is not reasonable for us to close our minds to the fact that at the moment it has a deficit and the time might come in the future when it has a surplus.

2626. It is perfectly reasonable that you should know. The question is, is there any statutory authority for your taking it into consideration, which is the point of the Public Accounts Committee paragraphs?—The statute on this point, Mr. Chairman, with respect, is permissive; so that I think it is relevant for us to look at whether

there is a deficit or a surplus on the balance sheet when deciding whether to exercise our permissive—not mandatory—power under the statute.

2627. Are you sure you can say it is permissive?—We are not obliged to make a revision.

2628. No, but are you permitted to take it into consideration?—The statute says: "If having regard to any such statement . . . the Minister is satisfied that any determination made for the purposes of subsection (3) . . . ought to be revised, he may, with the consent of the Treasury, revise the determination".

2629. Yes, but he revises the determination on certain lines. What is your view on this, Sir Frank?—(Sir Frank Tribe.) I have, certainly, always regarded it as permissive for the Treasury to take the various factors in the current year into account in determining whether the grant should be reduced or otherwise, but was of opinion that any question relating to the balance sheet position or past deficiencies or surpluses was irrelevant to the consideration of modifying the grant for the year in question. (Mr. Figgures.) Well, Mr. Chairman, could we take a hypothetical case? The whole problem, I think, is a very hypothetical one. In a hypothetical case the Corporation has an accumulated

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

surplus of, shall we say, £100,000. In a particular year we have agreed to grant under subsection (3) of the order of, say, £500,000. During the course of the year the Corporation comes to the Ministry and says: "Our estimates were wrong for the following clear reasons, the following clear facts have changed, and we are now going to have a deficit of £600,000. We want a revision upwards from £500,000 to £600,000". All I think we are saying is that, in those circumstances, we should, *inter alia*, have regard to the fact that there is an accumulated surplus of £100,000, not that that should be conclusive, not that we should say automatically: "You carry your unexpected deficit and finance it from your reserve", but that we do not ignore that fact when deciding whether or not to make the modification.

Mr. Enoch Powell.

2630. In the words which were quoted just now from the statute the Minister is directed to act "having regard to any such statement". I think those were the words. Would the witness please read the words to which "any such statement" refers? I am asking what is the definition in the statute of "such statement"?—Shall I read the whole of the Section, then? Section 14 of the Air Corporations Act, 1949: "(1) If, after the Minister and the Treasury have made any determination for the purposes of subsection (3) of the last preceding section, it appears that any material assumption is, or is likely to be, at variance with the facts, the corporation may, and shall if the Minister so requires, submit to the Minister a statement giving particulars of the discrepancy". The statement is a statement made by the Corporation in amplification of or explanation of the discrepancy which has arisen.

2631. So the fact of an accumulated deficit or surplus could not feature in the statement referred to?—Oh, no.

2632. Do you take it, then, that the statute should be read as though it said "Having regard to any such statement and to any other relevant circumstances"?—With respect, I think that the fact that the statute is permissive, and not mandatory should be taken to mean, *inter alia*, that in exercising the discretion given under the statute you have regard to all the relevant circumstances. If the statute had meant to say one thing positively it would have said "and if the Minister is satisfied that there has been a variation from the facts as set out in the original estimate he shall make a change in the determination."

2633. Is it then your contention that "having regard to any such statement" is not exclusive, that if Parliament had meant that the Minister, in coming to his conclusion, was to be guided by that statement and that statement only, they would have used other words?—I think so, and perhaps I may read subsection (2): "If having regard to any such statement, and to any information furnished to him in connection therewith"; that must clearly be intended to cover other information than that which is specifically in the statement showing the variation.

2634. Does not the fact there are additional words in the Section which you have quoted just now, "and any other information," show that their absence here indicates that Parliament intended the Minister to direct his attention exclusively to the "such statement"?—With respect, Mr. Chairman, I find it very difficult to believe that in the alternative hypothesis which I have put before the Committee where an additional deficit had been incurred clearly through an identifiable change in circumstances, none the less we should quite automatically make the increased allowance and should not say "We shall have regard to the fact that you have a surplus."

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS VI.

VOTE 14.

MINISTRY OF TRANSPORT.

VOTE 15

ROADS, &c.

Chairman.

2635. Will Members turn to the Civil Appropriation Accounts (Classes I-VIII), to paragraphs 96 to 98 of the Comptroller and Auditor General's Report, on page xxv? Sir Gilmour, this refers, you see, to the question of driving tests and the steady loss you make on them. You have been making a considerable loss for some period now, have you not?—(Sir Gilmour Jenkins.) Yes.

2636. Why was the increase to 10s. delayed until 1950? You had been making losses for some years before, I believe?—I am afraid, of my own knowledge, I cannot answer that. I was not in the Department at the time dealing with that side of the work and I do not know what the considerations were.

2637. Even the 10s. did not cover you?—No, the 10s. did not cover us, but the

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

10s. is a statutory maximum and we cannot go above that.

2638. You eventually took a decision, I believe, in the Department that you would apply for statutory powers to increase?—Yes, that is intended in the new Traffic Bill which is being drafted at the moment.

2639. For instance, you were losing heavily in April, 1950. Why did not you include that in your Miscellaneous Financial Provisions Bill of 1950? Why has it been left over for so long?—There has been no Bill in which that could be appropriately included.* In fact, we did make enquiries to see whether we could get it into the Finance Bill last year.

2640. Apparently it is *ultra vires* in that Bill?—It is *ultra vires* in that Bill.

2641. You had this Miscellaneous Financial Provisions Bill in 1950. It might have gone in then?—Well, I do not know that it was considered whether or not it could be put in that, but as I say, when it was clear that losses were going on we did make an effort to get it into the Finance Bill.

2642. When are you proposing to get legislation?—We are including a provision in the new Road Traffic Bill which is being drafted at the moment. The intention is to introduce it this Session, but I think there is very little chance of getting it through this Session. It will have to remain for next Session. It is a miscellaneous bill clearing up a lot of little points of this kind.

Mr. David Jones.

2643. What are the real objections to dealing with this in a Finance Bill?—I cannot say. That is a technical matter on which I have not any idea what the answer is.

2644. When you get to your legislation can you assure the Committee that you will watch the position year by year and not permit any further losses from public funds?—Yes, by adjusting the fees within the statutory maximum, certainly.

2645. What would you suggest the statutory maximum should be?—We are going to suggest £1, which is twice the present figure.

2646. Have you any idea what the figure is that you would be likely to want at the moment to cover it?—15s. would be too

much, 12s. 6d. would be too little, so probably I should think, 15s., but that will have to be considered.

Mr. Hoy.

2647. I presume, if it was 15s., it would help to recoup the losses which have been made?—It would recoup some of the losses in the past, but that would be taking into account past deficits!

Chairman.] There are signs of moral regeneration coming along.

Mr. Oliver.

2648. Taking the £280,000 which is found in the Vote on page 380 for "Driving tests: fees and incidental receipts," I see that Sir Frank in his Report says: "Over the three years to 1952-53 some 24 per cent. of costs, assessed at about £1,102,000, was not covered by fees." The question I want to ask is this: when it was estimated that £280,000 was the figure, and I see £296,223 was the realised amount, when the £280,000 was fixed it must have been short of the sum to cover the cost?—Oh, yes, it was short of the sum to cover the cost which is assessed and must be assessed purely on the amount you expect to raise at 10s. per licence, which is the maximum you can charge. That is a pure guess, or an informed guess, as to the number of driving tests which would be carried out at 10s. a time.

Mr. Steele.

2649. If a person fails and comes back again, does he get a cut fee or does he have to pay the 10s. again?—No, he pays again; and in the meantime, of course, he has paid a higher driving licence fee. He pays 5s. a quarter instead of 5s. a year, so that he is caught both ways, and the Exchequer does get by that fact a substantial amount of revenue every year.

2650. That is another 5s.?—Yes, which may be something of the order of £200,000 or £300,000 a year.

Chairman.] Will Members turn now to paragraphs 99 and 100 of the Comptroller and Auditor General's Report? I have no questions. We will take with those paragraphs, perhaps, Subhead C of the Vote on page 382.

Mr. Niall Macpherson.

2651. I take it there is no additional cost involved in this as a result of the work in connection with television licences for cars?—No. It would be negligible in the total, if there is any at all. It would be done by the same staff, you see, and it is very unlikely that the amount of work would involve an increase in staff.

* Note by Witness: The Miscellaneous Financial Provisions Bill, 1950, was a Treasury Bill dealing with the Civil Contingencies Fund, loans to Northern Ireland, grants for Police expenses and Czechoslovak claims, with which the Ministry of Transport were not concerned.

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS (CLASS IX).

VOTE 8.

MINISTRY OF TRANSPORT (SHIPPING AND SPECIAL SERVICES).

Chairman.

2652. May we now turn to the Civil Appropriation Accounts (Class IX), pages xii to xiii, paragraphs 49 to 52 of the Comptroller and Auditor General's Report? With these paragraphs we will take Vote 8, Ministry of Transport (Shipping and Special Services), on pages 45 to 47. I think this again applies to you, Mr. Figgures: apparently the Treasury have allowed virement and the virement has been from Shipping, Railways and Ports, Subheads H.1, H.2 and H.3, which are, I understand, primarily for Civil Defence, in order to make good a loss of nearly £3 million on Subhead A.1, which was the shipping of troops. Surely the old doctrine of virement was that you did not vire except when your Subheads were dealing with allied subjects? You cannot very well claim, can you, taking, for example, Subhead H.2, that Civil Defence expenditure on railways has any connection whatsoever with the cost of shipping troops?—(Mr. Figgures.) Would you like me to explain, Mr. Chairman, why we thought this was a reasonable thing to do?

2653. I would?—I think that if you look simply at the Ministry of Transport Estimates and have regard to the trooping services on which the expenditure exceeded the grant and the services, mainly the Civil Defence services, on which expenditure did not equal the grant, the normal rule of no virement between Subheads, unless there is some reasonable similarity between them, would appear to preclude virement. However, I think, Mr. Chairman, the picture in this case is not sufficiently displayed by the Minister of Transport accounts alone. The sea trooping service is performed by the Ministry of Transport as an agency service for the War Office. I think it would be well if in passing I referred the Committee to the fact that it is not accurate to suggest that on Subheads A.1, A.2 and A.3, a loss was incurred. This is, in fact, very nearly a trading service, but it is not set out in the year of account, 1952-53, as a trading service. It is set out gross, but behind the change of policy on trooping there lies no action by the Ministry of Transport, there lies action by the War Office; and late in 1952, or early in 1953, when the Ministry of Transport told us that they expected to incur an excess on trooping we were, of course, at the same time told by the War Office that they expected to need a Supplementary for trooping. If I might draw the Committee's attention to the Army Estimates, a Supplementary Estimate was presented on the 20th January—Vote 5 is the War Office Vote for movements—and there is provision in that

Vote for a £4½ million supplementary. The same story occurs and emerges when you turn to the Army Accounts which the Committee will be taking next week, where the greater part of the Supplementary Vote was, in fact, used on a Vote 5 for movements, and the War Office surrendered only £475,000. They, therefore, used substantially the money which they asked Parliament to vote and which Parliament did vote. When we, therefore, had to decide early in January whether to take a Supplementary for the Ministry of Transport we had already decided that a Supplementary was necessary for the Army, and in so far as the policy was itself the cause of this, that policy would be explained to the House of Commons by the Secretary of State for War. He did, in fact, so explain it. The Estimate was debated on two successive days, the 26th and 27th January, and on at least three occasions during the debate, by the Minister in moving the Estimate and in questions raised during the course of the debate, it was made clear that an important item—the Minister called it the third of the major items which made the Supplementary necessary—was the increased cost of trooping. So that the problem we had to consider was whether in those circumstances a Supplementary was proper or necessary; and we decided that it was not for two reasons, first that here was a principal and agent relationship, and the principal was in fact taking specific provision to cover the original cost. We could not, of course, at the time we made the decision not to have a Supplementary for Transport, know the detail into which the debate would go into this question when the Army Supplementary was moved, but we knew it was there. The second reason was that this was a trading service which could as easily, and perhaps more properly, be set out as a net Vote. To complete the story, Mr. Chairman, this year, in the Estimates for 1954-55 which have now been presented, we have set out the trooping services and the emigration shipping services as net Subheads. It is clear, you see, that our ability to avoid inflicting a second and wholly unnecessary Supplementary on Parliament by asking it twice to debate the same policy was avoided by the quite fortuitous circumstance of having these unexpected surpluses on quite unconnected subjects. We certainly could not bank on that in the future, but clearly this same situation could arise in the future. Having observed this situation arising where we were saved from inflicting an unnecessary Supplementary on the House only by these unexpected surpluses, we have changed the form of the estimate.

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

It is now presented net and this particular problem should not emerge again. I would say, therefore, Mr. Chairman, that although on the face of the Ministry of Transport accounts there is nothing which justifies this particular virement, we did think it was a sensible thing to do and that it was sensible to draw from it the lesson that, since this was an unnecessary risk to which we were exposing ourselves, the Estimates should be set out in a more satisfactory method which would avoid this unnecessary risk arising.

2654. In effect the Treasury do admit that this is an unsuitable subject for virement in principle?—Mr. Chairman, if this were not a principal-agency relationship, that is, if this were a piece of substantive expenditure by the Ministry of Transport as Civil Defence was substantive expenditure, we would certainly agree that virement between those two would not be appropriate.

Sir John Mellor.

2655. When you put your forecast of January, 1953 to the Treasury, what saving did you forecast on Civil Defence for railways?—(Sir Gilmour Jenkins.) £880,000, and the actual saving was £900,000.

2656. That is under Subhead H.2, is it not?—Yes.

2657. In the note with regard to Subheads H.1 and H.3 the explanation of the variation between expenditure and grant is given simply as this: "Plans did not mature as quickly as expected". Could you elaborate that a little?—Yes. This is emergency preparations by the railways to permit them to operate in case of enemy attack. The plans were laid but, in fact, the work was not started in the year, as we expected it would be.

2658. I do not think you have expanded the note very far. Why was not the work started?—We do not decide when the expenditure is actually undertaken, because that is a function of the British Transport Commission. They are responsible for going ahead with the works. We only reimburse them for the proportion of works which we agree is not of use to them. Where the British Transport Commission do emergency works which are of no value from the point of view of railway operation, then the Government pay 100 per cent. of the cost. If they have a proportion of value, then the Government contribution is the other proportion of the amount, but it is not the Government which undertake the work, it is the British Transport Commission.

2659. The British Transport Commission is acting as agent for the Government?—The British Transport Commission is really taking steps to protect its own work, to protect its own installation, and we are, if you like, encouraging them to do it by paying the cost.

2660. You were saying that this work, being of no value to the Transport Commission's undertaking, was paid for by the Government?—Yes.

2661. Therefore would it not be right to say that, in having this work done which was to be paid for by the Government, the British Transport Commission were not acting as principals but acting as agents for the Government?—No, only to a limited extent. I said that the Government paid for that proportion of the work which is of no value to the railways, but by that I meant no value to the ordinary peacetime operation of the railways. It is of enormous value to the railways, if an emergency happens, that certain things shall be done to enable them to go on operating, but as a matter of policy the Government have borne the cost of those things which are not of day to day commercial interest to the railways.

2662. Then is not your Ministry concerned to know when the work is executed and will be executed, and if there is a delay in its execution, the cost of that delay?—Oh, certainly, and as a result of the discussions which we have had with them—of course there is very close consultation on these things—we thought then that £900,000 worth of work would be commenced in this particular year. In fact, it did not turn out so and the work did not go ahead as quickly as we thought. I do not think that means that the British Transport Commission are lagging behind particularly.

2663. Was one reason for the delay that regulations were required?—Regulations are required in order to enable the grants to be paid, yes, but that would not stand in the way of going ahead, knowing that those regulations were going to be made.

2664. The absence of the necessary regulations did not hold up the work?—I do not think so.

2665. When were the regulations made?—They were made this year, the Civil Defence (Transport) Regulations, 1954, but, of course, the discussions with the Commission had been going on for a very long time and they knew, in fact, what would be done. (Sir Frank Tribe.) No payment could be made by the Ministry, as I understand it, until the regulations were passed.

2666. No. So that being so, Sir Gilmour, I am just trying to see how you expected that payment would be made in the year under review?—(Sir Gilmour Jenkins.) We expected at that time that the work would have gone on sufficiently for the British Transport Commission to bring pressure to bear that the regulations should be made. The British Transport Commission did not incur a vast amount of expenditure and leave it for a long time for the Minister to make the regulations to reimburse them. It was not quite like that.

30 March, 1954.] Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

2667. The responsibility for making regulations was on the Minister of Transport, is that right?—Certainly.

2668. When regulations are clearly necessary is it the practice in your Department that you should wait until pressure is brought upon you by some outside body?—No, normally, I think we wait until the regulations are necessary. There is not any particular point one way or the other in either pushing them on or letting them lie. The regulations are wanted when we want to operate under them.

2669. So you mean that the regulations really have nothing to do with this at all?—I would not like to be quite so categorical as that without looking that particular point up, but they certainly had no substantial effect upon it. Had the British Transport Commission performed work and had bills waiting to be paid, undoubtedly the regulations would have been made straight away to enable us to pay them. In fact, at the beginning of the year we thought we would be in a position to pay because we took this action on the Estimate.

2670. You mean, if you had been in a position to pay the regulations would have been laid at once?—Certainly. We were in a financial position to pay, you see, because we had put in the estimate; and had the bills come in we could have made the regulations and paid them.

2671. What ground had you when you framed your Estimate for thinking that you would have to pay in the year 1952-53?—We only had the discussions which we were having at that time to go on. They were rather in a preliminary stage as to what work had to be done and our estimate of when they would be started. In fact we turned out to be wrong. They went slower than we expected.

2672. It being as vague as that, would not it have been wiser to have excluded this matter from your Estimate and relied upon a Supplementary Estimate if required?—The estimate we had from the British Transport Commission was higher than this. The estimate that they gave us as to the amount of money they would require from us during the year was more than this £900,000. We reduced the figure to £900,000 and in fact no bills came in.

2673. As you had no certainty at all that you would be required to pay for this in the year in question, would not it have been safer to have left it out of account and relied upon a Supplementary Estimate?—No, with respect, I think that the prudent thing was to put it in since we had from the British Transport Commission quite categorical estimates of what they would require from us, and I think it would have been rather imprudent not to have made

any provision for that. In fact, the British Transport Commission turned out to be wrong, but that is not imprudent, I think. (Sir Frank Tribe.) Regulations have, I understand, not merely to be laid but to be approved by both Houses, and in point of fact it was only this month that both Houses have approved these regulations. I hope Sir Gilmour is not suggesting that he would have been prepared to pay the money without the necessary statutory power. I know that certain other Departments have been doing that on Civil Defence. (Sir Gilmour Jenkins.) No, what I am suggesting is that if the bills had come in we would have taken the statutory powers earlier. In fact, one of the earlier questions was directed to that, why did not we get the regulations earlier and the answer was that we did not know then that the bills would not come in.

2674. May I just get this clear, arising out of what the Comptroller and Auditor General has said: I rather imagined when you were answering my first question that these regulations, as soon as you wanted to pay, could be made and as soon as they were made they were effective and payment could be made forthwith. I did not appreciate at the moment that they did require to be laid before both Houses of Parliament. Are they the negative procedure or the affirmative procedure?—I am afraid I cannot say offhand.

2675. It is in the Act?—Yes, it must be in the Act. I have not got it here with me.

2676. I do not know whether any of your numerous assistants have got the Act with them?—May I let you have a note on that? We do not seem to have it. I think, myself, it must be a negative procedure.*

2677. If it is a negative procedure it must take at least a month before you are quite sure that it will not be annulled?—That is so, with respect, only a month. This is a whole year and more. If we know that the bills are coming in we can have regulations made, lay them at the House and wait for the time to elapse and pay the money. Naturally we should not pay before we get statutory authority in spite of the fact that it is in the Estimate, but it is not a long delay, you see.

2678. Knowing the time it is likely to take in drafting these regulations and laying them and waiting until the period—I assume it is a month in this case, has elapsed—I would have thought you would have been wiser to have got your regulations ready in advance. Was there any reason why you should not have done so?—No reason that I know of, except that they

* *Note by Witness:* The Civil Defence (Transport) Regulations, 1954, were approved by the House of Commons on the 2nd March and by the House of Lords on the 4th March, 1954, and came into force on the 24th March, 1954.

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

were not necessary. Until you can envisage that they will be needed in a relatively short while, you do not do that particular bit of work. There is nothing very much in the drafting.

Mr. *Blenkinsop*.

2679. I take it from the fact that these regulations have now been laid, that the bills are now coming forward?—Oh, yes.

2680. And, therefore, this has merely been a postponement of the work, that the work has in fact to be done? It has not been cut out at all?—Oh, no, the work has not been cancelled, the work is going ahead. It did not go ahead quite so fast, that is the only difference.

Mr. *Niall Macpherson*.

2681. May I ask Mr. *Figgures* a question relating to the emigration shipping services and the commercial shipping services? I take it that, at any rate, as far as the commercial shipping services are concerned, they are also trading services in the same way as the Sea Transport Services (Trooping)?—(Mr. *Figgures*.) Yes.

2682. Therefore the same conditions apply?—Yes.*

2683. What about the emigration shipping services?—The emigration shipping services are in Subhead B in the Estimates for the coming year, 1954-55, and are put in net.

Mr. *Enoch Powell*

2684. Reverting to Subhead H.2, to which Sir John Mellor's questions referred, am I right in assuming that, as the regulations were made only last month, there was no expenditure under that head in the year 1953-54 either?—(Sir *Gilmour Jenkins*.) I think that is right, but I would not be certain.

2685. How could there be expenditure under that head if the regulations had not been made?—The money is provided in the Estimates and, as has already been indicated, there have been cases where the

* *Note by Witness*: My evidence in Questions 2681 and 2682 might well be understood to mean that Subhead C (Commercial Shipping Services) of Class IX, Vote 3, had also been submitted as a net subhead for 1954-55. This would not be correct nor what my answers were intended to convey. The Commercial Shipping Services of the Ministry of Transport are a trading service on a somewhat different footing from the Trooping and Emigration Shipping Services. The receipts arise from commercial earnings, not covered by any other Department's Vote, and current expenses and current receipts are not necessarily self-balancing as in the case of the Trooping and Emigration Services. There has therefore been no question of net estimating in this instance.

expenditure has been ahead of the regulations, although the regulations have validated it afterwards. I could let you have a note as to whether there has been any expenditure.†

2686. One question to the Treasury witness: am I right in understanding that the actual £2,900,000 shown as excess expenditure under Subhead A.1, was included in an Army Supplementary Estimate for that financial year?—(Mr. *Figgures*.) Yes.

Chairman.] Mr. *Powell*, in your questioning relating to expenditure, were you actually referring to the expenditure by the railways on work done or were you referring to the reimbursement?

Mr. *Enoch Powell*.] No, expenditure for the purposes of these Accounts.

Chairman.] You are referring to reimbursement by the Department?

Mr. *Enoch Powell*.] My contention was that when we see the Accounts for 1953-54 we shall still find a dash under Subhead H.2 expenditure.

Chairman.] I see, yes.

Mr. *Steele*

2687. I would like to ask one question on page 46, Subhead F, Faslane Port?—(Sir *Gilmour Jenkins*.) Yes.

2688. Is the expenditure which was put forward here just for general maintenance?—Yes.

2689. Can you tell me who actually owns this port?—We are the owners. We let the port to a firm of shipbreakers, Metal Industries Ltd., at a rental of £12,500, which is included in Appropriations in Aid here, and this expenditure was ordinary maintenance expenditure.

2690. So the Department are responsible for the maintenance?—Yes.

2691. When this port was built was it just for temporary purposes and is the port substantial? Will it require a great deal of maintenance? What do you have in mind for the future of it?—It was built purely as an emergency port and it is now being used not as a port mainly but by Metal Industries Ltd. for shipbreaking purposes, but we maintain it in reasonable condition, apart from any maintenance that the company themselves have to undertake for damage of one kind and another which is not covered by our maintenance.

2692. The Navy have a part of it, have they, or is the part of Faslane owned by the Navy completely their own responsibility?—I do not know whether they use

† *Note by Witness*: The first payment, of £595,000, to the British Transport Commission was made on the 26th March, 1954, and charged to subhead H.2 of the Ministry of Transport (Shipping and Special Services) Vote (Class IX, 4).

30 March, 1954.] Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

part of our port. I do not know of any part that they have themselves at Faslane. I think they must be using our facilities.

2693. It is all together?—It is all together and there is no separate port owned by them.

Chairman

2694. Will Members now turn to paragraphs 53 to 56 of the Report, and with those we will take page 48, "Details of Receipts: Receipts on account of Commercial Shipping Services." Sir Gilmour, can you give us some indication of what these landing ships are?—Yes. They are called landing ships (tank). They were built purely for military purposes, for the purpose of carrying heavy vehicles and heavy lifts generally. The vehicles could run on to the ship and run off up a ramp. At the end of the war a certain number of them were placed at our disposal, as we were the disposal department for getting rid of these ships. The landing ships that are in question here were, in fact, in reasonably good condition. We re-conditioned them and let them out on hire to a commercial firm who were willing to open up a rather speculative and completely new business, that is, the carriage of vehicles complete with their loads, so obviating the handling of the goods at both ends. They run a service from Preston to Larne carrying over the vehicle, usually a trailer, not a lorry, and the trailer is taken off at the other end. They also carried a great deal of military traffic between Germany and this country of heavy vehicles which the Army had to lift in both directions. That had the great advantage from our point of view that as these ships might be of very great importance in war they would be kept in operation and in good condition, much better condition and much nearer availability than if they were laid up.

2695. How many ships had you?—We had five.

2696. I presume they were Navy property at one time? I presume they were from the Navy?—Yes, they were naval craft.

2697. The Navy have retained a number of these ships?—The Navy have retained a number of the ships which are laid up. There are also several in the Middle East and some in the Far East which are operating for the Army. They were manned, in fact, by Army personnel, but the Army found it impossible to carry on in that way and they have handed them over to us to find crews for them. The firm that runs the ships commercially is also, in fact, manning and managing ships for the War Office in the Middle East and the Far East.

2698. That is in addition to the five?—Yes, in addition to the five.

2699. You had five which you have chartered?—Which are on commercial services.

2700. On commercial charter?—Yes.

2701. In addition to that the Army had a number of these ships in the Middle East and the Far East?—Yes.

2702. After they had tried to run them themselves they employed this firm to run them for them, is that it?—That is it, to produce the men. The crews are the difficulty, of course.

2703. And they paid them a fixed fee, I take it?—Yes, there is a management fee.

2704. Who was this firm?—(*The name was given by the witness.*)

2705. How much does it cost to run one of these ships? You have the deadweight charter. How much does it cost to run them in addition to the deadweight charter? What is the relationship between deadweight charter and running costs?—That is a very difficult question. I do not think I could answer it in quite that form, Sir, but I can say this, that they cost to run roughly the same amount as a 10,000 ton ship costs.

2706. Then you ought to be able to tell us what they cost to run; if you know what a 10,000-ton ship costs you know what these cost to run?—I am afraid I thought you meant breaking it down into much more detail.

2707. No, I do not know whether you run them by the mile or by the week or what?—The running cost is usually expressed as by the month. (*The witness quoted a figure.*)

2708. That is per ship?—Per ship.

2709. What is the deadweight charter?—The bareboat charter, do you mean?

2710. The bareboat charter?—The bareboat charter is the ship herself without any crew or any services. The hire is a much smaller sum a month.

* * * * *

2711. Do you mean to say that wages and fuel and insurance cost nearly all the difference?—Yes.

2712. What were the Army paying this firm for running their ships for them?—I have not got the terms.

2713. Let me get this quite clear: is the figure in question what is costs to run or what the firm charge you when you charter the ships?—What they charged us so far as we could see was about right, about the same thing.

2714. Let us get this quite clear: in other words, then, they charged you what it cost them to run, they made no profit?—They

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

made some profit, of course. What I meant was that the figures which they produced for us to show what it was costing them, so far as we could check them, and it is thoroughly checked because we have some experience in these matters, seemed to us to be reasonable. There is an element of profit in the amount they charged us, of course.

2715. Which is in the figure mentioned per month?—Yes.

2716. Have you any idea what element of profit?—No, I could not say what the amount was.

2717. Have you any idea what it costs the Army to run them when the Army were running them?—We could find that out, but, of course, we had nothing to do with them while the Army were running them.

2718. I was wondering whether when you were negotiating with this firm you did try to find out exactly what the real costs were?—Yes, certainly.

2719. You did cost this running?—Yes. We did not know the Army costs. We looked at the firm's costs and also what they showed us as to the trade which they would have done with the ships otherwise, of course. That was an element in the calculation.

2720. I want to get at what it costs to run, not all the profits they might have made out of running them, because I take it their rates fluctuate very, very considerably?—We could find out what our estimate was of the actual cost, but it is of that order. It is the kind of figure I have mentioned.

2721. The Navy had these ships and presumably have the trained personnel. Did you consider whether they could do this charter work for you?—No, we knew too much about the answer.

2722-3. What exactly does that mean?—In fact the Navy are always pressing us the other way round to take any work of that kind off their hands.

* * * * *

2724. You say this firm was doing a certain amount of commercial work. What percentage of commercial work did they do as compared with the percentage of Government work?—I have not got that, but if I may just guess it is about half and half. I think their operations are about equal on the Preston—Larne route and on the route to Germany, i.e. it was about half commercial work and half military work, although, of course, the military work was on a purely commercial basis. When we took these ships off to send them away we had to put 10,000-ton ships in to take their place at a very much higher cost, 50 per cent. higher cost than we were paying for these landing ships.

2725. Did you pay the same rate of hire for the whole period that you had them?—Over the whole period?

2726. Yes?—No, we got a reduction. It was expected that this would be a short-term affair. In fact it was for three months, one month out, one month home and one month operating in the Middle East. It was extended and at a later stage, in the following June, we got a reduction in the rate of hire on the basis that it was a longer term charter than we had envisaged at the start.

2727. What rate did you get?—We got a reduction of 25 per cent.

2728. Were they taking the higher rate you paid them on their Preston—Larne traffic?—Gross, that I could not say. In the peak of the season it would be something approaching that, but it is a seasonal trade.

2729. Did you employ them during the season or off the season?—During the season. It makes no difference to the profitability but they, in fact, came from the German service and not from the Preston—Larne.

2730. The German service would not be a seasonal trade. The German service was a service for the Army, was it not?—The commercial part of it is seasonal, but the Army part was not. Two 10,000-ton ships had to be taken to replace them.

Mr. West

2731. Sir Gilmour, I was not quite clear about your answer when you said that the cost equivalent of this landing ship was similar to that of a 10,000-ton ship?—Yes.

2732. I thought you said later on, when you had to hire or charter a 10,000-ton ship, that the costs then were 50 per cent. higher than those which you were paying in respect of the landing ship. Perhaps I misunderstood what you meant there, but I would like you, if you would, to clear up my mind on that point?—Yes. The 50 per cent. more was what we had to pay to get the two 10,000-ton ships. That was in the middle of a shipping boom to some extent. That is when freights were high and when we had to hire the ships. This was not the cost of running the ships, this was the cost of having to go into the market and get two 10,000-ton ships to do the job.

2733. I am sorry, I am not appreciating your answer, perhaps I ought. I understood you to say that it cost a certain figure a month for the landing ship and that, of course, excluded fuel?—Yes.

2734. Then I gathered that you said that that figure was equivalent to the cost equivalent of a 10,000-ton ship?—Yes, roughly.

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

2735. Then I understood you to say that when the firm wanted to increase and you had to take on some other vessels, a 10,000-ton vessel cost you 50 per cent. more than that which you were paying?—Yes, but we were not running the 10,000-ton ship. That was a market operation, going out into the market for the purpose of hiring a ship with its crew and everything to do this job. That is what actually we had to pay to hire two ships to do the job.

2736. But you were not, in fact, operating the landing ships, were you? Had not you let them out on charter to a company, were not they running them and making whatever profits there were on it? When they were working for you you were paying them an all-in figure, as I understand the position?—But when they were working for us we were paying them an all-in figure which was two-thirds of the figure we had to pay for the 10,000-ton ships which took their place.

2737. Why should this small landing ship of 4,200 tons gross have a cost equivalent to a 10,000-ton ship?—Because she is an extremely uneconomic ship. She was built as a warship, not as a commercial ship. She has duplicate engine rooms, for example, and she has the same crew as a 10,000-ton ship because she is awkward, having been built, not for the purpose of commercial operation, but in order to be safe; if one engine room is put out of action the other engine room is there. For war purposes that is the sort of thing you want, but it is extremely expensive to run as a commercial proposition.

2738. So, it carries the same crew as a 10,000-ton ship?—Yes.

2739. You said, I think, that you only had five of these landing ships passed over to you for disposal?—Yes.

2740. What did "disposal" mean? When you had instructions for disposal what did that include, was it to retain them or to sell them or what?—It might be to sell them or to retain them, and to let them out on hire in the best way we could. What we are interested in from a military point of view is to retain these ships in working order.

2741. Yes, but as I understood it, the Navy retained those ships which it wanted to keep for military purposes, and I gather from what you say that the five landing ships were surplus to their requirements and they wanted you to dispose of them?—No, it is not quite that. They passed over to us the number which we found it possible to dispose of. The rest were laid up. If we could find commercial operators for those ships that the Navy still have we and they would be only too

happy. That is the best way of keeping them in condition besides getting some money for them.

2742. I see. (Do I understand then that they did not actually pass over five, they said: "Get rid of as many of these as you can", and five was the number you could get rid of?—Five was the number we had.

2743. If you could have got rid of more the Navy would have handed over more for that purpose?—Yes, if we could find an operator for more tomorrow the Navy would hand over more, certainly.

2744. Either for sale or hire?—We would not want to sell these particular ships and nobody would buy them, actually. We want to keep these ships under our hand and we have got in the contract with this particular operator a recall clause for that very reason, so that we can recall them if they are wanted for military purposes at any time.

2745. When you entered into contracts with the company and you arranged the terms of charter hire did you then consider what element of profit was put in the contract?—Yes. When we fixed the rate of hire we did take that into account.

2746. But when you rechartered, as it were, back from them you paid them the rate of hire you have mentioned? That was, was it not, the running rates?—Yes.

2747. You were paying them that rate when you rechartered?—Yes, we paid them that rate and they ran the ships.

2748. What element of profit was there in that?—I could not tell you that offhand. There was an element of profit in it, there must be, we were taking the ships back from commercial service.

2749. Obviously they would not do it for nothing, I am quite certain?—They would not do it for nothing.

2750. How did you arrive at the figure as being a fair figure to pay them?—They brought along their accounts in detail as to the cost of running the ships and also the profits which they were expecting to make in that period which was, as I say, the peak period. They showed their earnings,

2751. Was it a cost-plus arrangement with them that you entered into, they fixed the cost of running a ship and then put on so much for profit?—No, we paid them the agreed rate of hire, that is all. That was less than they asked, naturally, but that was after examining the accounts and seeing what we thought was a reasonable figure.

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

2752. Was the rate of hire arrived at on the basis of what it would cost to run the ship for a day, plus a certain percentage of profit?—No, it was done rather more widely than that. It was rather on the gross earnings that they might have expected to make in that period. We saw the accounts of their expenses, and that sort of thing, in trying to come to an assessment on that much broader basis. We were asking them to give up their trade and to place these ships at our disposal for other purposes and we had to pay them a reasonable reward for doing that, for giving up the trade. As I say, in coming to a conclusion about that, we did take into account what it cost.

2753. What were the arrangements about the termination of the charter? For what period did you have to undertake the charter?—We chartered them for three months and then we extended it after that because they were needed longer for the job that they were doing. That, of course, was advantageous from one point of view in that we were paying three months' hire for one month's work in the first place, but every month they were out there they were doing useful work and to that extent it reduced the average cost.

Colonel *Crosthwaite-Eyre*.

2754. If I may follow one question you have just been asked by Mr. West, when you made this charter, what was the element of profit you included in that?—We did not take into account profit. What we did was to get the best figure we could per month for the ship.

2755. But you were dealing with a ship that had cost some £300,000 and some £20,000 to convert. Surely in the bareboat charter rate there must have been something for their capital charge or conversion cost or interest on the money expended?—No, none at all. The ship was built, as I said, as a warship and the cost of building the ship as a warship had no relevance whatever to her value as a commercial ship.

2756. Even if I accept that, what about the conversion charge?—The conversion charges will be repaid by the bareboat hire.

2757. If I may say so, that was the question I tried to ask, but I may have put it badly. There is an element in this rate to get back at least the conversion charge?—Yes, but it is not based on the conversion charge at all. Part of the bareboat hire will, in fact, do that, but the rate is determined by what somebody will pay to take the ship on charter and solely by that. The only thing that determines what a man will pay is what he thinks it is worth to him to pay you for it.

2758-62. What I want to be satisfied about, though, is that this money spent on conversion of these two particular ships from war to commerce is going to be justified in the sense that the money will be recouped?—The money will be recouped but we have, as I have said before, the greatest anxiety to keep these ships in operation if we can and while it is true that the rate of hire more than recoups the conversion cost, that conversion cost would have been incurred anyhow, and anything we get back on charter is worth while.

* * * * *

2763. One further question: it is said, I think in paragraph 55, that after six months the charter was reduced by a quarter?—Yes.

2764. I think the Chairman got that as an answer. Surely to reduce it by a quarter cannot have left very much profit in the hands of the charterer or, alternatively, the higher figure must have had a very considerable element of profit?—Yes, the answer is that we were able to enforce that, if you like, at a slack time of trade when the losses incurred by not being back were much less.

2765. Is it wise, possibly, to be able to use your bargaining position in this manner when so much apparently depends on the goodwill of this firm and on what they are doing in keeping these boats in operation? I am assuming you did use your bargaining power to its full extent on this occasion?—Yes.

2766. Would you say it was a wise proceeding?—Oh, I think so. The relations are in these matters purely commercial relations. We have to pay what we have to pay and they have to take as much as they can get. It is a matter of hard bargaining all the time.

2767. I think you said you were satisfied that the original figure of gross charter hire was not excessive?—That is so.

2768. If that be so, then to cut it by one-third would seem to me to be leaving the company, on what you have said, with a substantial loss to carry?—Not necessarily, not if you take it over the whole period. As I said earlier this was regarded as a short-term charter at the start. It was taking away the ships for three months. As time went on, so it was possible and reasonable to force a reduction in rate; and the total receipts of the firm over the whole period were not reduced in the proportion of 4 to 3, but on a much lesser amount, taking the period as a whole. It turned from being a very short-term charter into a relative long-term charter and so for the last months it was reasonable to expect a substantial reduction.

30 March, 1954.]

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

2769. You are satisfied that, possibly, the company charged you on the generous side in the first six months and then the last three months brought it back into a reasonable balance?—That is what we tried to do. I think that is so, yes.

Mr. *Blenkinsop*.

2770. Just on this point of the element of profit involved, would you say that you did make your best effort to find out from the books that were presented to you what sort of proportion of profit was available to the firm on the basis of the payments that you were agreeing to make?—Yes. That, if I may say so, puts it a little more precisely than I would put it. What we got from their books was an assessment of what they expected to earn themselves in their proper trades during that period, and we went into it further than that and saw also what their costs were, what the costs of running a ship were, and on the ground that we thought they had perhaps a little overstated it we did get a substantial reduction in the first bargaining. But we did not go into it to the extent of saying: "You shall have the cost of the ship plus 5 per cent. or 10 per cent.", or whatever it is. We went into it on the commercial basis of what, as a commercial bargain, we could get the ship for.

2771. So, it would not be possible if we were to ask you to let us have at some later stage some figures as to what sort of percentage profit has been earned on these boats? You do not think you will be able to do that?—I do not think I would be able to do that. I do not think that it would be a politic thing to do. We are making a commercial bargain, we are taking a man's ship from him and making the best bargain we can with him as to the hire of the ship; and in deciding whether what he is asking is reasonable we go into all the figures we have, but I do not think they ought to be published or go further than that.

2772. You would appreciate that these sorts of enquiries are made by Government Departments fairly frequently with regard to other firms and other undertakings? I am not questioning the desirability of keeping them confidential, of course, certainly, but the necessity for proper in-

vestigation of profits made would, I should have thought, be quite reasonable?—But there is, of course, a sense of proportion that comes into this. This is an operation of taking two ships for a period initially of three months. It really is not a matter for an elaborate costings investigation such as the costs of an atomic plant. We had to get the ships quickly, they were urgently needed. We did get them at a reasonable cost but the fact was that we had to get them. (Sir *Frank Tribe*.) The amount paid in all came to over £260,000.

Chairman.

2773-5. You have, of course, the right to break the charter?—(Sir *Gilmour Jenkins*.) Yes, but then we also would have to man the ships if we did that, and there is only one firm in the world that is prepared to man them. We found that out when we tried to get the War Office ships manned, and there is nobody else who will touch it. It is a very highly specialised and very difficult operation. The crew accommodation is very poor compared with the accommodation in other ships and to take on the manning of these ships is not a thing to do lightly.

* * * * *

Mr. *Blenkinsop*.

2776. You would not regard the payment of a gross sum of £260,000 as we have had mentioned as insignificant, exactly?—No, it is not insignificant. It is insignificant compared with the cost of an atomic plant. But it was a flat payment on two ships doing an extremely difficult operation for a period of several months. It was not a high cost for what they did.

2777. How long did this charter last in point of fact?—(Sir *Frank Tribe*.) Paragraph 54, I think, gives it, from November, 1951. (Sir *Gilmour Jenkins*.) November, 1951, and one came off in June and one in August.

2778. I see, yes?—So it was six months in one case and eight months in the other.

2779. And you have not had to revert to this since?—No.

The witnesses withdrew.

Adjourned till Thursday next at 4 p.m.

THURSDAY, 1st APRIL, 1954.

Members present:

Colonel Crosthwaite-Eyre.	Mr. Oliver.
Mr. Godber.	Mr. Speir.
Mr. Hoy.	Mr. Steele.
Sir John Mellor.	

In the absence of the Chairman, Colonel Crosthwaite-Eyre was called to the Chair.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1952-53.

VOTE 2.

INLAND REVENUE (Continued).

Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., Chairman of the Board of Inland Revenue, called in and further examined.

Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Permanent Under Secretary of State for Foreign Affairs, Mr. F. A. VALLAT, Deputy Legal Adviser, Foreign Office, and Mr. J. WEBB, an Assistant Secretary, Board of Inland Revenue, called in and examined.

Colonel Crosthwaite-Eyre.

2780. Sir Ivone, I am certain the Committee would like to welcome you here. It is the first time you have appeared before us in your present capacity?—(Sir Ivone Kirkpatrick.) Thank you, Mr. Chairman.

2781. Will Members turn to the Revenue Departments Appropriation Accounts, to paragraphs 27 and 28, of the Comptroller and Auditor General's Report on page ix, the document which has been circulated,* and the copy of our Minutes dated 17th December, 1953, questions 238 to 279? Sir Ivone, what is the general policy which governs the granting of tax exemption to persons serving with international organisations?—I think the general policy may be roughly defined as follows: the international organisations of this character do perform functions very analogous to those of diplomats. They are a new growth, and the underlying policy is to afford them the same status and the same facilities as are normally given to members of diplomatic missions.

2782. Would it be correct to say that in general these conditions are governed by the International Organisations (Immunities and Privileges) Act, 1950?—Yes, that, I think, is correct as a general statement, but it is also governed, of course, by the specific provisions of the treaty setting up the organisation in question.

2783. Could I perhaps refresh your memory of the proviso to Clause 1 of that Act that I have just quoted, because I think we will come straight to it? It says, as I understand it, that any arrangement

made must be not more favourable than that conferred by other parties to the agreement, and I believe in certain cases there is an alternative that you may, at your discretion, be responsible for the salaries of the organisation deducting the tax due to this country from such salaries, if you wish?—Yes.

2784. That would be a correct general statement?—Yes.

2785. Before you agree to the provisions of this Act being applied to any particular organisation what steps do you take? Do you, for instance, consult with the Treasury?—Yes. Before the Government assents to any international treaty the relevant Departments, in the case of the N.A.T.O. Treaty, the Service Departments, the Ministry of Defence, and so on, are naturally consulted.

2786. When I used the word "consult" I was using it very narrowly of purpose. You consult, but you do not necessarily ask for their approval?—I have not got a personal recollection of the circumstances in which every one of these treaties was concluded but I should say it would be very unlikely that we should conclude such a treaty without consulting the Treasury.

2787. But you would not feel bound to do more than consult, that is what I am trying to get at at the moment?—No, not in every case.

2788. You would feel yourself, as the Foreign Office, fit to make up your mind although you would tell the Treasury of what your intention was?—Yes, and if the Treasury raised objections we should naturally have to consider them, and if the

* Appendix 5.

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

Treasury wished to press the objection the matter would doubtless be raised in the Cabinet.

2789. May I ask Sir Eric one question at this stage: has the Inland Revenue ever objected to any of these proposals?—(Sir Eric Bamford.) I cannot remember being in this myself at all. Could I ask Mr. Webb, who is with me, if he can answer?

2790. If you please?—(Mr. Webb.) Yes. The Inland Revenue Department produces its own comments on the proposals. Its own views may not be in accord with the views of other Departments, but those views are put forward and then reconciled, if they differ from those of other Departments, at a higher level.

2791. At what stage, Sir Ivone, do you inform the people who would be covered by some such arrangement as this that they will be exempt from tax?—(Sir Ivone Kirkpatrick.) I do not think the Foreign Office, as such, informs individuals of the circumstances. I think it would be more accurate to say that the organisation is created in virtue of the treaty. An article of the treaty lays down that members of the organisation will be exempt from taxation and the machinery of the treaty then proceeds to recruit officials into the organisation, basing themselves on the supposition that the relevant article of the treaty will be applied to the organisation and that the individuals will not have to pay taxation.

2792. Do you take any steps to see that all the countries that are parties to the organisation have fulfilled the proviso which I quoted to you just now?—Yes.

2793. That the terms of this country are not more favourable than those granted by any other?—Yes.

2794. Are you quite certain in the case of N.A.T.O.?—Yes; I am, certainly. I think I would go further; I would say that in general the practice of other countries is less restrictive and probably more liberal than our own.

2795. Is it not a fact that in the United States members of N.A.T.O. have to pay tax, which is gathered by the United States Authorities?—I speak with reserve, but I do not think the case has arisen in the United States.

2796. If we may now proceed to the particular case of N.A.T.O., I think you will agree, Sir Ivone, that if any of these agreements are put into operation they should be covered by Statutory Order through Parliament to authorise this expenditure?—Yes, I would.

2797. As you know, this has not happened in the case of N.A.T.O.?—No.

2798. And two years have now elapsed in which these payments have been made and no Order has been placed before Parliament?—Yes, that is so. The placing of the Orders has been due to a number of delays and the last conclusion of the Cabinet, I am informed, was that they would group a number of Orders together, and I am informed that they are likely to be brought out in the course of the next few weeks.

2799. Supposing the question was raised when these Orders are placed before Parliament as to the authority under which these payments had been made for the last two years, what answer would you give?—I would give the answer that we were under a moral and, to the extent that we are parties to the Treaty, under a legal obligation not to exact tax from members of this Organisation and that we could, therefore, not do so without laying ourselves open to a charge of breach of faith.

2800. May I ask you if you would care to qualify that last statement at all in regard to Article 19 of the N.A.T.O. Treaty which, I understand, does give Member States a pretty wide discretion as to whether they shall collect tax or not?—I wonder if I could ask the legal adviser to answer that legal point?

2801. Yes, certainly?—(Mr. Vallat.) If I might just revert to a previous answer for the moment, as I understand the position, the moneys have not been paid by Her Majesty's Government but the salaries have been paid by the Organisation; and the question, as far as we are concerned, is really whether we have collected the tax or not. That admittedly has not been done.

2802. Yes, but I think Sir Ivone answered me to the effect that he was bound not to collect tax, that emoluments should be tax free. I was asking him whether he would like to amend that answer in view of the provisions of Article 19 which specifically grants a Member State the right to collect tax?—I think on that we rely on the first sentence of Article 19 as creating in the first instance an obligation saying: "Officials of the Organisation shall be exempt from taxation on the salaries and emoluments paid to them by the Organisation in their capacity as such officials".

2803. Yes, but may I remind you of five lines lower down where you see: "The salaries and emoluments so paid may be taxed by such Member State"?—But is that not referring to the previous sentence?

2804. Perhaps Sir Frank can help me on this point? I understand it covers all the members of the Organisation?—(Sir Frank Tribe.) I understand that there were

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

alternatives, and that under the original basis of this scheme the British Government could not adopt more favourable treatment than any other Government, but I do not pretend to be a legal expert in the interpretation of this clause.

2805. Perhaps we might leave that, because I do not want to get bogged in a legal argument. Could I ask you, Sir Ivone, in view of this, to go back to the main point, which is the Parliamentary authority?—(Sir Ivone Kirkpatrick.) Before we leave that point, perhaps I might elucidate a little further by calling your attention to the last sentence of Article 19, which seems, I think, to confirm the legal officer's view, because it says: "If such an arrangement"—that is, an arrangement between the Member State and the Council—"is entered into by any Member State and is subsequently modified or terminated, Member States shall no longer be bound under the first sentence of this article to exempt from taxation the salaries and emoluments paid to their nationals". So, unless an arrangement is entered into I read the Article as meaning that Member States are bound by the first sentence of the Article.

2806. I agree. May I put it this way to you: you are bound by the first sentence unless the Member State at its discretion takes the advantage allowed to it to tax the emoluments of its nationals?—By concluding an arrangement with the Council, which is the second sentence, is it not?

2807. Yes, you would have to ask the Council, but you have that discretion if you so wish?—Yes.

2808. All I am getting at is that there is this discretionary power upon you if you wish to tax the emoluments?—And if the Council will agree.

2809. If the Council agree, certainly. Could I go back to the main question of Parliamentary authority? I think in your answers you have told me that there is no Parliamentary authority, but you felt bound because of your international obligations to pay this for a period of two years. Would that be a correct summing-up?—Not to pay them, but to ask the Board of Inland Revenue to refrain from collecting.

2810. And the Inland Revenue on their side have agreed to this although they have no statutory authority so to do?—(Sir Eric Bamford.) That is so, Sir.

2811. Sir Eric, what pressure have you brought upon the Foreign Office to make them lay these Orders?—I think Sir Ivone will agree, there are a good many com-

munications from the Board of Inland Revenue saying firmly we could not give exemptions without Orders in Council and begging them to do something about it.

2812. And you think that after two years you are now getting the Foreign Office to co-operate and answer your pleas?—I gather that that is going to be the case, and we shall be delighted.

2813. Sir Ivone, this, as you know, is not the only case where this has occurred?—(Sir Ivone Kirkpatrick.) No.

2814. There have been other cases, the Brussels Treaty Permanent Commission, the Organisation for European Economic Co-Operation and the International Wheat Council where the same discrepancies have arisen?—I think, if I may say so, that is not true, is it, of the Brussels Treaty Organisation.

2815. I think that the period from January to November, 1949, was not covered by the Order in Council?—Yes, but the sum of £800 which represented the tax outstanding in that period was paid by an agreement under which His Majesty's Government defrayed one-third of the total sum and the other Governments the remainder.

2816. Can you give me any assurance that the Orders in Council you are going to seek for the Universal Post Union, the International Telecommunications Union and the various other Organisations set out in this memorandum will not be made retrospective?—No, I cannot.

2817. So that we may find further instances of this policy of securing tax exemptions without Parliamentary authority? Sir Eric, would you like to answer that?—(Sir Eric Bamford.) Perhaps I can say on that there is only the N.A.T.O. one on which this arises. In all the others for which Orders in Council are in preparation no tax exemption has been given beforehand.

2818. I see. N.A.T.O. will be the only one?—That is so.

2819. Would it be possible, Sir Eric, for you to help the Committee by submitting a paper showing the salaries and allowances of the chief official and his deputy in the United Nations and N.A.T.O. grossed up to what they would be if they had to pay income tax in this country?—I doubt if we can do that. You mean the United Nations, U.N.O.?

2820. Yes? What I was hoping you would be able to provide us with was some information so that we could see the value of these tax free emoluments?—U.N.O. is not in question here, of course.

2821. No, I was merely taking two, and I would also like, if I can expand that

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

request, one or two of the other organisations which appear in Appendix 5?—Which already have Orders in Council?

2822. Which already have Orders in Council, and which appear in paragraph 1?—(Mr. Webb.) I am not sure that we have the salaries of all these people in all the cases by any means, and the grossing up does depend, of course, on personal circumstances. We should have to make some assumptions.

2823. I would ask you to assume for this that they are British subjects without any private means, but married with two children?—We will see what we can do on that, Sir.

2824. Could I also ask you, Sir Eric, whether it would be possible for us to have a statement showing again for paragraph 1 of the Memorandum the total number of British subjects involved and an estimate of the amount of emoluments which they received?—(Sir Eric Bamford.) I believe we have been asked to consider this before and have been quite unable to do it.

2825. Not even an estimate?—We do not know the salaries in most of these cases, I think.

2826. Would it not be possible to get it from the sponsoring Ministries?—I think it is the organisation we should have to ask, and questions on these subjects are not very popular with international organisations.

2827. I do not think this subject is very popular with this Committee, if I may say so?—I am only saying we have not got the information. We should depend on acquiring it from someone else. I was just wondering if there is anybody else who could get it.

2828. Sir Frank, can you possibly tell us of a way in which this information could be got?—(Sir Frank Tribe.) All these bodies present audited accounts which are made public. Many of them, I know, are in the Library of the House, but, if not, I am sure they are all available in the sponsoring Departments, that is, the Departments which pay on their Votes the contributions or grants in aid towards these bodies. I think there would be no difficulty in obtaining from the Departments concerned the salaries of the members of the staffs of these bodies. (Sir Eric Bamford.) From the Departments concerned, yes. We will see what we can do and I will let Sir Frank Tribe know what difficulties we get into.*

* Information supplied ; not printed.

Mr. Oliver.

2829. I see, Sir Eric, in paragraph 3 of Appendix 5, you say: "Orders in Council are to be sought in respect of the following Organisations", and the first is the Universal Post Union. Now, in 1950 an Order in Council proposing tax concessions for the Universal Post Union was withdrawn on account of the criticism by Parliament that the Union had managed for 75 years without it, and if that was valid in 1950 it has managed four years longer without this concession?—We have given no concession in the case of the Universal Post Union.

2830. No, but according to this Memorandum a draft is being sought in respect of that Organisation. That is what we are putting forward?—That has been sought by the Department concerned, which is the General Post Office.

2831. Why is it being re-opened now?—That is not my responsibility. (Sir Ivone Kirkpatrick.) I am informed it is a different organisation, it is a new specialised agency but, of course, there is a point here which I think one must not overlook and which, perhaps, one ought not to draw too much public attention to, and that is that we have not only a political but also a financial interest in housing these new international specialised organisations in this country, and obviously the more restrictive our attitude in the matter of taxation the less likely we are to attract international bodies to London. I think that is a consideration which should be borne in mind when approaching this whole problem.

2832. If this organisation has been in existence for 75 years, is some special branch now attached to it which hitherto was not the case?—May I ask the legal adviser to answer that?

2833. Yes.—(Mr. Vallat.) My understanding is that since the war a specialised agency of the United Nations has been created which takes the place of the previous organisation, which was a non-Governmental organisation,† the new organisation being a Governmental organisation. It has been thought by the Governments participating that it should have privileges and immunities as other specialised agencies. That is my understanding.

2834. Has the whole of the organisation changed its character in its entirety? It is not some special branch which has been attached by reason of the war and events

† Note by witness: This was an inadvertent error: the Union was an inter-governmental organisation before its conversion into a specialised agency of the United Nations. This error, however, does not affect the gist of the answer.

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

following the war?—My understanding is that the whole status of the organisation is different.

2835. The whole of the organisation?—The whole of the organisation.

2836. That is the reason the matter is being brought forward again?—So I believe, yes.

2837. Sir Ivone, in paragraph 3 you have, in addition to the International Post Union, the International Telecommunications Union, the World Meteorological Organisation, the Customs Co-operation Council, the North Atlantic Treaty Organisation, the European Payments Union and the International Sugar Council. Do not these bodies which have no exemption get along quite well without it?—(Sir Ivone Kirkpatrick.) I think that is a difficult question to answer. I do not think anyone gets along quite well under the present burden of taxation in any country.

2838. I presume we are all afflicted with that?—We are all afflicted with that.

2839. We seem to manage?—We seem to manage, but, as I said before, the underlying policy is to extend to international organisations the same immunities as are extended to their diplomatic establishments. That may be, perhaps, a mistaken view to take of it but it has been the view that has been taken, I think, by this Government and the previous Government on broad political and, perhaps, even on domestic financial grounds, and that is the policy which is now being translated into action by the proposal to lay these Orders.

Colonel Crosthwaite-Eyre.

2840. I would like just to ask one question before we leave that. I think, Sir Ivone, you have said one of the attractions would be to get the headquarters of these organisations to come to this country?—Yes.

2841. I think history has shown that they are not very willing to come. Is there any belief that one of these you are seeking an Order for might come?—Well, some of them do come to London. It is true that they have not always been anxious to do so, but a restrictive and illiberal attitude towards them would, of course, put back any move towards London; and one or two of them, for example, the Brussels Treaty Organisation, have found their home in London.

Mr. Oliver.

2842. Have these bodies asked for exemption?—(Mr. Vallat.) I think the answer really is much the same as the one I gave before. The Governments which have attended the Conferences, which have

drawn up the constitutions and other agreements relating to these organisations, have considered that the organisations should have these privileges and immunities. It is as a result of agreements between Governments that the organisations enjoy these privileges; and naturally if an agreement is drawn up then the Organisation does request the privileges conferred on it.

2843. Certainly, I think, that is very natural, but surely we have a say in the drawing up of these organisations. We are a constituent Government in the formulation of the agreement and if these words which entitle this to be done are included, surely somebody has got to prove their case and justify what they are asking us to do? Do we ever come in anywhere in the making of the agreement? What Department would be responsible for that?—The delegation representing Her Majesty's Government would be responsible for the negotiation and, of course, they would be answerable through the Foreign Office to all the Departments concerned. Sometimes the representatives speaking might be from the Treasury, sometimes they might be from the Foreign Office, sometimes from another Department.

Mr. Steele.

2844. Not from the Inland Revenue?—No, not from the Inland Revenue.

Mr. Oliver.

2845. Sir Ivone, who is responsible?—(Sir Ivone Kirkpatrick.) Each of these agreements is laid before Parliament as a White Paper. The negotiators are Governmental representatives authorised to negotiate agreements. As I say, they may be representatives of the Air Ministry or the Foreign Office or of any Government Department, or a mixed delegation. The agreement is then concluded like any treaty or agreement. It is laid as a White Paper before Parliament; the provision in question is not concealed, it is published, and in due course we try to execute the agreement.

2846. I take it you have to lay an Order then if you want to implement that portion where the payment is made?—Yes, that is so.

2847. What happens if you do not lay your Order, as appears to be the case, or you delay an Order or vary the conduct under the Order notwithstanding the words of the Order? The Comptroller and Auditor General says in paragraph 28: "Instances have, however, come to my notice where exemption has been conceded before any such Order had been made, or from a date earlier than was provided for in the Order." So, it would not

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

appear that the Order is a very effective instrument for disciplining the Department to observe its provisions?—No, Sir, that is really the subject of our discussion today, the failure to produce an Order at the time when the obligation under the treaty became effective. That is, I think, the point that the Committee is directing its attention to.

2848. Will there be separate Orders for each of these bodies which are here mentioned in paragraph 3 of Appendix 5?—I understand so, yes.

2849. Have the tax privileges been given to the International Bank, by the way?—I shall have to look up the agreement founding the International Bank, I am afraid. I am told they have. (Sir Frank Tribe.) Paragraph 2 of Appendix 5 says: "These Orders grant tax privileges to individuals and such privileges have in fact been granted under all of them except that relating to International Bank for Reconstruction and Development." (Mr. Webb.) May I expand this? The agreement relating to the International Bank to which effect is given by a separate Order, the Bretton Woods Agreement Order, does provide for privileges to be given to the employees and officials of the International Bank who are not local nationals, that is to say, are not nationals of the United Kingdom in this case. The privileges are there to be given, but this note which the Inland Revenue have put in was merely to the effect that we had not, in fact, come across cases where we had had to give privilege, but if any case arose we would give it and, of course, it would be properly given; but merely looking through our records we had not, in fact, met an individual who qualified for the privilege.

2850. So far as the entitlement goes, they are entitled to tax privilege?—Yes, if there came to our notice a person who was not a United Kingdom citizen, who was an employee of the International Bank and otherwise subject to United Kingdom tax, he would be exempt from tax by the Order in Council relating to the International Bank. We have merely said that we have not been able to trace such a case arising.

Sir John Mellor.

2851. I am not quite sure whether this question should be addressed to you, Sir Eric, or to Mr. Figgures: I think it is the fact, is it not, that there is published annually a comprehensive statement of extra-statutory concessions from tax?—(Sir Eric Bamford.) Yes.

2852. Have the exemptions which have been made to officials of these international bodies, but which have not been covered by Statutory Orders, been included in the list of extra-statutory concessions?—They are in a different category. The extra-statutory

20216

concessions are general concessions applying to general bodies of taxpayers who are subject to the particular matter under reference. In this case the word "exemption" is a bit heavy for the purpose. What we have done up to the present, I think, would be better described as that we have refrained from assessing or collecting tax.

2853. It is, you agree, until it is covered by our Statutory Order an extra-statutory concession?—Not in the technical use of that word to which the Committee is accustomed, I think. It would not be covered by the definition of the sort of thing which I report to the Comptroller and Auditor General every year as a general class of concessions.

2854. But this is not an exemption of an individual or a few particular individuals, this is an exemption of a class of persons who in due course, no doubt, will be covered by a statutory instrument and, therefore, Sir Eric, would not it be appropriate, as it is an exemption of a class of person—it may be small in number, but still a class of persons—that the exemption should be included in the list of extra-statutory concessions?—I must say it had not occurred to me that they should be. We regard it at this stage as, I say, simply refraining from starting the operations which lead to the payment of tax. When the position had crystallised I think it would be right that we should have reported this sort of thing to the Comptroller and Auditor General, if his attention had not been already drawn to it.

2855. You see, so far this has been described as the Inland Revenue refraining from collecting?—Refraining from assessing or collecting.

2856. Refraining from assessing. Supposing for some reason this Statutory Order is never made, you would then consider it appropriate to assess in respect of these years?—It would be theoretically possible.

2857. Six years back, in fact, if necessary?—Theoretically possible but, in fact, most of the individuals, of course, would have gone home by then.

2858. Sir Ivone, you said that these Orders had not been made, I think, for various reasons. In the case of N.A.T.O. could you say why the Order had not been made?—(Sir Ivone Kirkpatrick.) It is a long story, and perhaps if the Committee are interested I could give as an illustration the difficulties that have accompanied the issue of an Order on the Wheat Agreement. It is a very, very long story.

2859. I do not mind. I am sure you have excellent reason for proposing to tell us about the Wheat Agreement, but provided it leads up to the answer to the question I put to you I should be very glad to hear it?—I was proposing the Wheat Agreement

L

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

because I think it would enlighten the Committee as to the mechanical difficulties of laying an Order, on account of the large number of Departments which are concerned and the constantly changing situation which confronts you since you have drafted an Order. The Order is not as simple as it appears. What happened in the Wheat Agreement, for example, was that it came into being on 1st July, 1949, and it was soon realised that the privileges listed in the agreement were inadequate for satisfactory functioning and not so generous as those to which Her Majesty's Government had agreed in the case of the specialised agencies of the United Nations. So, the preparation of the Order in Council was suspended while the matter was discussed. Then there was a further complication by the passage of the International Organisations Act of 1950, which was more restrictive than the earlier Acts which it consolidated, in that it laid down that there should not be conferred on any person immunities and privileges greater in extent than those which at the time of the making of the Order required to be conferred in order to give effect to any international agreement in that behalf. So it was then proposed to conclude a formal supplementary agreement conferring these extra privileges and at its conclusion then to lay the Order in Council providing for all the privileges to which the International Wheat Council should be entitled. After considerable discussion the idea of a supplementary agreement was then dropped. That took place in March, 1951, so that the Order in Council then needed to cover only the taxation of staff members as provided for in the agreement, and a draft Order was prepared accordingly. Then, a further complication had arisen inasmuch as, following the withdrawal from the House of Lords in July, 1950, of a draft Order in Council conferring immunities and privileges on the Universal Post Union, it was decided that all Orders in Council should be grouped and Cabinet authorisation obtained for the laying of this group of Orders. When that had been done the legal advisers were short-staffed and heavily engaged and were unable to complete the Orders until January, 1953, by which time the Protocol Department, which is very much concerned in this, was involved with the Coronation; and the result was that the work was only completed in July, 1953, when the Order was laid. So that gives you an idea of the inter-departmental and international consultation which goes into hammering this out. I think, to come back to your question about N.A.T.O., the problem is similar, and the last complication which we had to face in N.A.T.O. was the decision to group the Orders and bring them before the House in one package rather than in isolation as they were ready.

2860. But was that a necessary decision? Could not the Order which conferred the exemption from taxation have been laid by itself?—It could have been, Sir, but I think, very rightly, I am not consulted as to how business is going to be transacted in the House and when Ministers are going to bring Orders or as to the form in which they are to be laid for approval.

2861. As you are answering for your Department and the responsibility for laying the Order is the responsibility of the Minister, I think it is a proper question for me to press. After all, it was a choice between contravening the law and laying an Order perhaps a little less conveniently than laying it with the rest of the batch?—Yes.

2862. Would not it have been better to have laid this Order as required before the House, and if any criticism had been made in the House of Commons as to why these Orders had not been laid all together, there would have been an excellent answer from the Foreign Office?—I think that is a matter of opinion. I think it might be held that the delay had been inevitable through the preparation of the Orders in Council and it was better to bring them forward as a batch, the question of delay being only one of degree.

2863. But you will agree, Sir Ivone, that this Order could perfectly well have been laid in good time, it was only a question of administrative convenience keeping it back until it could be laid with the others?—We could, I think, have laid the Order earlier, but I do not think we could have laid the Order in time to get it through when the N.A.T.O. staff were originally being recruited. The Committee must recollect that we were under great pressure. The Russian threat was very real, the N.A.T.O. Treaty was signed and it was necessary to get things moving, and as soon as the N.A.T.O. Treaty was signed the N.A.T.O. Organisation began to organise itself; and I do not think it would have been, in view of the imminence of the military threat overhanging us, possible to tell the Organisation that they could not recruit a man until the Order had been drafted and laid.

2864. I am sure no one has suggested that the Organisation should be held up pending the laying of the Order. I was only saying, and I think this has been confirmed by your adviser, that the Order could have been laid earlier?—Yes.

2865. The way it strikes me is that it shows on the part of the Foreign Office a certain, I might say, disregard of statutory authority, in that they do not lay an Order of this sort as soon as they possibly can if meanwhile the practice involves a contravention of the law?—In this particular case I think I am right in saying that the decision was not taken by the Foreign Secretary but by the Cabinet.

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

2866. I do not think it makes any difference to this Committee who takes it?—No.

2867. I will pass on from that point. There are two matters I wanted to ask you: are the tax and other privileges granted uniformly for all officials of all these Organisations?—In what sense do you mean “uniformly”, are the provisions of each Treaty similar, do you mean?

2868. Yes, are they on the same basis?—No. For example, in N.A.T.O. all the officials are exempt, whereas, for example, in the Wheat Agreement the British Members of the Organisation of the Wheat Council, which is domiciled in London, are not exempt. So that the provisions of the Treaties are not necessarily the same in each case.

2869. Generally speaking, when exemption is granted is it granted to all grades of staff?—Yes.

2870. Typists and so on?—Yes.

2871. Even if they are locally recruited?—Even if they are locally recruited, if that is what the Article in the relevant Treaty lays down.

Mr. Speir.

2872. I am, I am afraid, a newcomer to this Committee and a newcomer to this problem. I had not heard anything about it until I came here this afternoon. I must say I have some slight sympathy with the Foreign Office in their difficulties and I do take it it is largely a post-war development?—Yes, it is really a post-war development, it flows from the integration of international activity and from the circumstances that none of us really can pursue completely independent foreign policy.

2873. I think you would say that it is probably a paying proposition for this country to act reasonably generously in this matter?—Yes, it is, in two ways: first of all because, as I said before, we do try to attract some of these International Organisations to London, and secondly because in some cases we have a very big share in the total expenditure. In the Brussels Treaty Organisation we bear one-third of the total cost. If the salaries had to be paid on a taxable basis, of course, they would be higher and the total contribution payable by the Government would be by that much greater.

2874. The fact that it is tax free is taken into account in assessing the salaries?—Yes, and while we would lose, obviously, on those Organisations which are domiciled in London, in that we could not levy the taxation, in respect of Organisations domiciled abroad where we cannot get the whole whack of taxation, we would be landed with a considerably larger contribution. One

20216

Organisation which springs to mind is the United Nations; if we had to pay our whack to the United Nations, and their salaries on a taxable basis, the dollar bill here would be very considerable.

2875. You are satisfied that other countries are being as generous in their treatment to us as we are to them?—As I told the Committee, I am satisfied that in general we are more enquiring and more restrictive and less liberal than almost any other country and always have been in this regard.

2876. Do the persons concerned get other diplomatic privileges, such as duty-free goods?—In general, no.

Mr. Speir.] Mr. Chairman, the only other point I would have is that it does seem to me that there is a divided responsibility here, and if we had one Department sponsoring all these various Orders, such as the Treasury, there might be a more definite policy and might be more co-ordination and we might get better results.

Colonel Crosthwaite-Eyre.] I think, Mr. Speir, it is not really for us so much to question the policy. I think this Committee is mostly concerned with the payment of moneys for which there is no statutory authority. We cannot challenge the principle that makes these payments; that is policy, but we can say what we think of an arrangement which is not supported by any Act of Parliament. I think that is the correct position.

Mr. Steele.

2877. Sir Ivone, I was very interested in your answers to Mr. Speir, because it is quite clear that the system of tax exemption is now a general policy which has been accepted. It is clearly defined in all these agreements and well understood by the Foreign Office. In that case one would imagine that when an agreement of this kind is entered into it would be reasonable to expect that the Foreign Office, with the precedents they have before them and the general experience and knowledge of what has gone before, would put through an Order giving them the necessary power to enable the Inland Revenue to grant these people tax exemption. Do not you think so?—I think, in the light of our experience with these agreements, and all of them are of some antiquity now, that is, indeed, the subject of the criticism. I think, in the light of this experience, it would be correct to assume that Orders would be more quickly and more expeditiously laid.

2878. So that you now appreciate that two years is a long time?—I do, Sir, yes, but, as you see, all these Treaties were signed some considerable number of years ago and they all came in a spate, and I think the situation was created which is

L 2

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

now the subject of discussion. I would repeat that I think in future the co-ordination of the Order and the application would be much more close than it has been in the past.

2879. I would hope so, after the efforts of the Public Accounts Committee. So I take it that when you receive further letters from the Inland Revenue on matters of this kind, or on any other matter that they have in view, they will be given more attention? Is not that what it means?—I think they have been given plenty of attention as the files before me testify, but we cannot lay an Order always by an act of our own volition. As you will see, these agreements are sponsored by other Departments and the final drafting of the Order is a work which can only be completed when we have got the assent of a number of people who at the outset are not always in complete agreement.

2880. But are you trying to tell me that the other Departments do not agree to tax exemption?—No. What I am trying to tell you is that the exact drafting of the Order gives rise to legal and technical difficulties on which other Departments wish to make observations.

2881. "Passed to you"? But, surely in a matter of this kind where the Departments concerned are anxious, and I would think desirous, of getting something done surely the Departments concerned, as I see it, the Ministry of Food, the Ministry of Defence, the Air Ministry and so on, would be anxious to see the job done properly, because if anyone was being appointed they would probably come from those Departments. Are they so little interested in their own officials that they are just not concerned?—No, I think there are genuine differences of opinion on the drafting of some of these Orders. Perhaps Mr. Vallat would enlighten you further on that because he is the legal adviser who is concerned in the drafting of them?—(Mr. Vallat.) That is quite true.

2882. I do not want to get into a legal argument and I have no doubt your legal adviser could convince me that there was a lot of legal difficulty, but I had some experience as a junior Minister in asking officials to get Orders and Regulations put forward, and it would seem to me that two years is a long time to get this done, and they are not done yet?—(Sir Ivone Kirkpatrick.) Yes, I would agree with that. The only point I was making was that the Foreign Office cannot, by an act of its own volition, draft an Order and lay it just like that without any form of consultation with the Departments, it may be, the many Departments, who are interested in this very technical international specialised agency.

2883. But surely the Foreign Office who, no doubt on behalf of the other Departments, were the signatories to the Treaties by which they took upon themselves this obligation, have a responsibility to Parliament to ensure that these Orders are laid?—Oh, certainly, yes.

2884. I cannot understand why the legal difficulties were such that an Order could not be laid for the purpose of ensuring that these people were entitled to tax exemption?—I think that we are agreed that two years is much too long.

2885. I would think two months would be a long time?—The only point I was making is that the issuing of an Order is a legal process and I understand that legal processes are not always simple.

2886. But there was a precedent for this, because I take it that Orders have been made for all these other Organisations set out in paragraph 1 of Appendix 5?—Yes.

2887. If there was a precedent, and I am sure legal Departments appreciate precedent, for doing it, I just cannot understand why the legal people say there were difficulties in this?—There are difficulties in the sense that the legal adviser of some other Department will not agree with the draft which our legal adviser considers appropriate for the Order and the discussion of that difference between two lawyers does appear to require some clearing up. It seems to be a fact.

Mr. Godber.

2888. Sir Ivone, in paragraph 3 of Appendix 5 there is a list of different organisations for which Orders in Council are to be sought. In paragraph 4 it states quite clearly: "No concessional relief has been granted except in the case of N.A.T.O."?—Yes.

2889. Do I understand, then, that in these other organisations there are individuals concerned who will receive concessions but who, at the present time, are in fact paying their normal rate of tax?—I think the Inland Revenue will have to tell you that. (Sir Eric Bamford.) Yes. (Mr. Webb.) At least in the case, I think, of the World Meteorological Organisation, we have had a list of people who will come within the scope of the Order.

2890. They will come within the scope of the Order and will that be retrospective?—Not in that case.

2891. So that N.A.T.O. are in a special position here in that they have been granted special relief without the authority of Parliament in any way and these other organisations, which we are told are equally worthy, have not had the same privileges? Is there

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

any reason for that?—(Sir Ivone Kirkpatrick.) I think the N.A.T.O. Organisation is, perhaps, in a little different position in that, as you are aware, it started in London and then moved to Paris, so that the period of tax exemption was confined to the initial months when the N.A.T.O. Organisation was housed in Belgrave Square; and when they packed and moved to Paris, of course, they ceased to be liable to United Kingdom taxation.

2892. You did say earlier on that one of the advantages of giving these concessions was to attract these international organisations to stay in this country?—Yes.

2893. It seems to have failed lamentably in that respect?—It did for various reasons, though the Foreign Secretary of the day put up a very stout battle to retain them here. As I say, we have got a number of international organisations in London, and the point I am making is that the retention of these Organisations here and the prospect of having specialised agencies housed in London would be diminished if we acquired a reputation for illiberal or restrictive treatment in contrast to that given by other countries.

2894. And you have previously said this afternoon that, in fact, all other countries are at least as liberal, if not more liberal than us?—To my knowledge, yes.

2895. That is one of the justifications for doing what has been done, in fact, flouting the authority of Parliament to some extent in regard to this?—If I may say so, I think, no. I think the dilemma has been more an obligation under a Treaty and a risk that you would be accused of a breach of faith if the international organisation, having recruited these people on the basis of an Article, and the salaries having been fixed on that basis, were then confronted with a demand for tax.

2896. So, in effect, a breach of faith under the Treaty was considered to be more important than a breach of law in this country? Is that right or is that an unfair question?—I think, if I may say so, that is an unfair question.

2897. Perhaps it is. Just one other point: I think you said in reply to Mr. Speir that these salaries were based on a lower level on account of the consideration of emoluments being tax free. That is so?—That is so.

2898. So, in effect, that would mitigate to some considerable extent any loss which the Inland Revenue might sustain in this particular form?—It would. In so far as, as I said, the organisations are housed abroad, I think the taxation of the members of the organisations would impose a larger burden on us. In so far as they are domiciled in London I imagine that the taxation of a foreign element would prob-

ably yield us something more than the corresponding increase in our contribution to the organisation.

Mr. Hoy.

2899. Sir Ivone, did I understand you to say that there were no real legal difficulties in the Wheat Agreement, that the only difficulty appears to be that the participants felt that they were not receiving quite as many privileges as others covered by other agreements?—I understand that there was that difficulty, and also legal difficulties. The note I have on that says there were a number of legal difficulties. The Wheat Agreement, of course, was not signed by a representative of the Foreign Office, it was a Ministry of Food Treaty and we are only the agents in the matter of the International Wheat organisation.

2900. The number of the people are growing considerably, are not they, who are receiving these exemptions?—Yes, they are because the number of specialised international organisations is growing with the tendency to conduct foreign affairs by means of consortiums rather than by means of independent states.

2901. Do I understand you to say that there are no other privileges? For instance, if I may single out tobacco and cigarettes, do they receive those at a cheap rate or do they have to pay just the normal price?—Speaking generally, the Treaties confer no Customs immunities on members of the organisations, and they are, therefore, obliged to pay the normal excise duty on spirits or tobacco or anything else they buy here.

2902. May I ask Sir Eric whether there are any other folk liable to income tax who do not pay for a couple of years without any legal provision being made for them, or could we all join in?—(Sir Eric Bamford.) I cannot think of any particular class but there must be cases of people, I imagine, over the whole range of taxation, where similar considerations to this come in, but I could not name any.

2903. Does it always take quite as long as this to get something made legal?—That, unfortunately, is not in our power. We merely refrain from collecting the tax during the period when they are not covered.

2904. But you regard it as extremely unsatisfactory, surely?—We do. And have said so on many occasions.

2905. Only to the Foreign Office. Do you ever go to the Chancellor of the Exchequer and say: "You know, we are getting no satisfaction from the Foreign Office. Why do not you bring some pressure to bear on the Foreign Secretary?" Do you ever do that?—Well, I should hate to discuss the inner workings of our organisation. We have done nearly everything.

L 3

20216

1 April, 1954.] Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., [Continued.
Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B., Mr. F. A. VALLAT, and Mr. J. WEBB.

2906. You accept all the liability. I thought perhaps I was putting too much on your assurance. Would it be fair to say, Sir Ivone, that the Foreign Office just says: "This is of no great moment to us, we are dealing with much greater matters and we will just put this off and eventually overtake it"?—(Sir Ivone Kirkpatrick.) No, Sir, I do not think that would be fair. As I say, again without, perhaps, revealing the whole internal mechanism of all these things, the Foreign Office is not an entirely independent agent in these matters and has to pay some regard to the wishes of other Departments and, indeed, of other Ministers who are, with regard to these Treaties, more interested and perhaps more responsible than we are.

2907. You say, then, a great deal of your difficulty is due to other Ministries. For instance, take the Ministry of Food. Over the Wheat Agreement they are so dilatory that you cannot get on with your job?—I would not say they are dilatory, they may have a view on this and on the terms of the Order, but, as I have said before, I quite agree that two years is much too long to lay an Order. I have also said that I think that these agreements were concluded in the post-war years at a time when they represented a novelty and we had undertaken these far-reaching obligations without, perhaps, considering how they were going to be implemented; and I do not think that when we undertake new agreements of this character we shall be

as laggard in making the mechanical arrangements for implementing the obligations which we have undertaken.

2908. Mr. Figgures, do you feel that this is going all right now? Are the Treasury satisfied that things are going in a satisfactory way?—(Mr. Figgures.) We understand, Mr. Chairman, that the Orders will be published, as Sir Ivone has said, within the next few weeks, and we hope that will be a satisfactory end to what is obviously an unsatisfactory story.

Colonel Crosthwaite-Eyre.

2909. I think, Sir Ivone, to sum it up from the questions you have been asked, you see the Committee do not like this position in the very least?—(Sir Ivone Kirkpatrick.) That I can understand.

2910. We do hope that you, as the responsible Department, in any future agreements you may reach will see that the Order, if it cannot be laid at the same time as the agreement is made, will, in fact, be laid at the earliest possible date?—Yes.

2911. We as a Public Accounts Committee do attach very considerable importance to questions of that nature?—I think I can give you an assurance that, when we conclude any future international agreement which contains any provision for tax exemption, part of the drill will be to see that the accompanying Order is drafted in co-ordination with the agreement.

2912. I think that would be very satisfactory to this Committee?—I can give the Committee that assurance.

Sir Eric Bamford, Mr. Vallat and Mr. Webb withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I TO VIII).

CLASS III.

VOTE 3.

BRITISH COUNCIL.

Mr. H. P. CROOM-JOHNSON, O.B.E., Controller, Finance Division, British Council, called in and examined.

Colonel Crosthwaite-Eyre.

2913. Will Members turn now to page ix of the Civil Appropriation Accounts (Classes I-VIII) the Comptroller and Auditor General's Report, paragraphs 18 and 19, Class II, Vote 3, the British Council? Sir Ivone, I see that there is a certain difficulty in getting a full annual report of the expenditure incurred by the British Council. Do you find difficulty in getting the branches of the British Council in certain countries to conduct their audit?—(Sir Ivone Kirkpatrick.) There is a delay, and

I think I am right in saying there always has been a delay, owing to the far flung character of these operations.

2914. How many cases were there of delay?—I am told that there are 13 countries now whose audits were in delay, and are today in various stages of delay, which are Argentine, Chile, Colombia, Denmark, Finland, Israel, Jordan, Mexico, Norway, Peru, Sweden, Syria and Uruguay.

2915. Is there any general reason for this?—(Mr. Croom-Johnson.) The reason, Sir,

1 April, 1954.]

Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B.,
and Mr. H. P. CROOM-JOHNSON, O.B.E.

[Continued.]

is that the accounts take some little time to audit after the end of the financial year, and that the machinery for auditing them varies. Some of the audits are carried out by our own audit staff which is small in number and takes some little time to get round. Some of the audits are carried out by professional auditors of local firms. Others in the Colonies are carried out by the Colonial Government auditors or by the Director General of Colonial Audit. It is not always possible to get those done in time for the final audit by the Comptroller and Auditor General.

2916. Of the countries which are now outstanding, are there any that have been outstanding for more than a year?—At the moment, no, Sir. There were three at the time that these accounts came in this year, two of them in the Argentine where we had then considerable difficulty in securing local assistance. Those have now both been audited. The third was in Poland where, for obvious reasons, we could not get an auditor of our own in. The whole of the audit had to be carried out by correspondence at long range and there were some rather doubtful circumstances which we wanted to elucidate completely. All those audits are now complete.

2917. Are you satisfied that there are no further steps you can take to see that accounts are rendered up to date?—I do not think we could, Sir, short of increasing our audit staff, which at the moment we are rather unwilling to do. The position is, in fact, rather better since I spoke to Sir Ivone on this subject. The total number of audits now outstanding is 13 altogether. Of those, seven are audits by our own people which have been arranged for April of this year, this month. Two are audits by professional firms in Indonesia and Mexico and those are in hand now; and the balance of four are all Colonial audits where we are awaiting reports from Colonial Government auditors.

Mr. Speir.

2918. It does seem odd to me that so many different kinds of people should undertake these different kinds of audits. Is an audit by an Indonesian really a good kind of audit? Would it be worth paying for?—It would be so extremely expensive to send our people all the way to Indonesia to audit a not very large budget. The total budget is under £18,000. What we plan to do with these distant countries is to get them carried out locally, where possible, and then send our own people every three or five years, just to make certain that the local standards being applied are efficient. On the question of Colonial audits, the arrangement for the audit of our accounts in the Colonies by Colonial Government auditors was, in fact, introduced on the recommendation of this Committee some five

20216

or six years ago, very largely in order to make perfectly certain that there was no overlapping of our own expenditure with the expenditure of Colonial Governments, and this Committee felt that audit by Colonial Government auditors was one method of guarding against that.

Mr. Oliver.

2919. I see in the last sentence of paragraph 19: "One report on expenditure during 1950-51 and two reports on expenditure during 1951-52 are also awaited". Where are those?—Those are the three occasions I have mentioned, 1950-51 and 1951-52, the Argentine, and 1951-52 in Poland. The audits are now complete. (Sir Frank Tribe.) That remark was made at the date of the signing of my Report in January.

Mr. Oliver.] I see.

Colonel Crosthwaite-Eyre.

2920. Will Members now turn to pages 76 to 79, the Account? I see, Sir Ivone, that the Grant in Aid that you received this year is £1,700,000 as against the corresponding figure of £2,700,000 for 1947-48. In addition you have received £800,000 from the Colonial Office. Could you tell me, based on those comparisons how the functional expenditure has changed between those two dates?—(Sir Ivone Kirkpatrick.) I think I will ask the financial adviser to reply. I think the answer is, not very much. (Mr. Croom-Johnson.) Your two dates, Sir, are 1947-48 and 1952-53?

2921. Yes?—General expenditure has changed considerably. To begin with there has had to be, of course, a considerable drawing in of our geographical horns. We have had to close a number of organisations which were formerly maintained overseas and to slim drastically those that still remain in existence. On top of that we have had to cut down considerably the supplies that we send overseas, supplies of books, films, periodicals, and so forth, and to cut the grants that we make for such things as dramatic tours, concert tours, and so on. There has been one development since then, since 1947-48, which has been the assumption by us of an agency service for the Colonial Office on behalf of the Colonial students in this country, for which we are reimbursed from funds made available from the Colonial Development and Welfare Fund. So that, at the same time as we were running down in our general operations, we have secured a subsidiary source of income for a particular purpose from the Colonial Development and Welfare Fund.

2922. What do you consider is your major function in these countries where you have services?—It would vary considerably from country to country. There is no general pattern that you can predict. In some cases our major function may very well be to

L 4

1 April, 1954.]

Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B.,
and Mr. H. P. CROOM-JOHNSON, O.B.E.

[Continued.]

teach English and to improve the knowledge of the English language and the spread of the English language as far as possible. In other countries, where that function is perfectly adequately carried out by the local education authorities, that is not necessary, and in those we tend to concentrate very largely on the exchange of experts and the bringing of leading figures in their own spheres over here to see for themselves.

2923. You mentioned books and plays, and so on. I imagine that a tour arranged for "A Street Car Named Desire" through the Middle East would not be a primary function of the British Council?—It would not.

2924. What sort of plays do you send, therefore? Were you, for instance, responsible for the Stratford Company going to Australia?—The latest tour, no. The tour before that, we made them a small grant.

2925. What plays, if I might just take them as an example, have you sent and to what countries?—That particular tour, Sir, was Shakespeare. The plays involved were *Macbeth* and *Much Ado About Nothing*.

2926. And the countries to which you sent them?—They went to Australia and New Zealand.

2927. You have not sent English plays to foreign countries, then?—In the year under review, no.

2928. I am only thinking of the year under review?—In the year under review, as far as I remember, no.*

2929. When you send a lecturer to a country, is his primary task to lecture to the inhabitants of the country or the English colony?—To the inhabitants of the country, very definitely.

2930. So, you would only take lecturers who would speak the language concerned?—No, we should like to take lecturers who could speak the language concerned but they are very, very hard to come by. (Sir Ivone Kirkpatrick.) I think I could interject a useful observation here, Mr. Chairman, if I might. I think one of the functions of the British Council is in many countries to organise and promote a useful English Association Centre, Anglo-Finnish, Anglo-Belgian, and so on. In order to keep them together it is useful to have some occasions during the year which infuse some life into the organisation, and if a really prominent Englishman can be invited to give a lecture there membership of this body becomes attractive. The occasion is taken to invite notabilities of the country to advertise the work of the centre and so

* *Note by witness:* This answer was inaccurate; in 1952-53 the Council gave a small guarantee against loss to the Old Vic to enable them to play "Timon of Athens" at the Zurich Festival.

to repay a dividend which is quite out of proportion to the value of the actual lecture.

2931. When these lectures take place, Sir Ivone, perhaps you can tell me, they are given generally at headquarters of the British Council, are they not?—Yes usually.

2932. That is, if the Council has a headquarters. The first people to be asked would be the British colony?—No, I think the usual practice would be to make the members of the Anglo-Belgian, the Anglo-Finnish or the Anglo-Danish Society the principal guests on such an occasion and the vast majority, of course, of members of such an Association in a foreign capital are natives rather than the British colony.

2933. What would you say to the general criticism that the British Council tends merely to be part and parcel of the normal social life of the Anglophile and that there is very little penetration outside that circle into the life of the nation?—I think from my observation that depends very much on two circumstances, first, the character of the country and secondly the character of the representative. I do not think there are many activities of which it is so true to say that everything depends on the top man.

2934. If I might return now to this question of the pattern of expenditure, you have cut down since 1947-48, that is, if one forgets the amount that you receive on repayment from the Colonial Office, by something over £600,000 or thereabouts. Is that due to retrenchment or because of rising costs or any other particular factor?—(Mr. Croom-Johnson.) We have been affected by both, Sir. There has been very considerable retrenchment and at the same time we have had to make provision for rising costs, in other words, to swallow our rising costs within a falling grant.

2935. Do you ever do what might be called semi-commercial work? I saw, for instance, that you are reported to have distributed literature on behalf of a commercial organisation?—That, I think, Sir, was not quite the case. The commercial organisation which I think you are referring was not, strictly speaking, a commercial organisation, it was an organisation set up to was the Book Export Scheme, and that by us for the specific purpose of getting British books abroad at a time when the normal trade functions were not working and when it appeared important that British books should be got abroad in large quantities. It was a purely wartime venture, it was closed down after the war and has not been re-opened.

2936. Could you tell me in rough figures between the dates I have taken, shall we say, the 1st April, 1947 and the 1st April, 1953, how the numbers of the people employed

1 April, 1954.]

Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B.,
and Mr. H. P. CROOM-JOHNSON, O.B.E.

[Continued.]

by yourselves have altered?—I have no figures with me, I am afraid, for as far back as 1947.

2937. Perhaps you could give us figures for the last three years, then?—I can give you figures since 1951. In 1951 we employed British and local staff complete, everything, in other words, from the Director General down to the local office boy abroad, about 3,000 people, in fact, 3,097. At the moment we employ 2,248, so there has been a cut of roughly 800.

2938. As you probably know the future of the Council has recently been under consideration. Can you tell us anything as to whether any decision has been made, Sir Ivone, as to a change in character or policy of the Organisation?—(Sir Ivone Kirkpatrick.) The position of the Council was reviewed in 1946, and the Government of the day then decided that they should remain in existence in their present form for five years subject to a further review, and the further review took place in 1951. The Government then decided that there should be a review in 1961 and that meanwhile the non-official status of the Council should be preserved.

2939. From your experience, Sir Ivone, how would you say the British Council compares with, shall we say, the similar activities undertaken by the French, both in extent and expense?—I would say that the British Council compares very unfavourably with the French in one respect, and that is that its cultural work is a long-term effort. It represents a long-term effort from which you can only expect to draw dividends after a considerable lapse of time. The French, particularly in the Middle East, have been doing this for 100 years and the impact of French culture on the Middle East is consequently very marked. The British Council, unfortunately, has only been at this for a very short time and has had to suffer the interruption of their work brought about by the war. In consequence I would say that in large numbers of countries the British Council has not been able to overtake the French. So, they have the advantage of the long-term, then they have another advantage over us in that their budget for overseas expenditure in foreign countries is £3,365,000, which is almost exactly twice ours, so that they have twice as much money to spend. Having said that, from my own observation in countries I have visited, where I have been to see the British Council work at a time when I was a member of their Executive Council, I think it is true to say that, despite these disadvantages in a great many capitals, the prestige of the British Council is higher than that of their French competitors.

2940. Are you satisfied that there is no overlap in the Colonies and the Commonwealth between the work of the British

Council and the similar services provided by the Colonial service, for example?—Broadly speaking, yes. It is very difficult to say that in no country in the Colonies, the Commonwealth or foreign countries, is it possible to avoid all overlap between information services and the British Council; but, I think, with the passage of years, a satisfactory delimitation line has been drawn and there is virtually no overlapping.

2941. If I may come to some points under Subhead A, the sum for salaries, do you pay in general terms standard Civil Service rates and give conditions of service equivalent to the Civil Service?—(Mr. Croom-Johnson.) Yes.

2942. Under Subhead F, Hospitality, I gather that the hospitality shown under this Subhead only covers the visits of foreign visitors over here and similar visits arranged for distinguished Englishmen to your branches?—No, Sir, not entirely. There are occasions on which overseas there may be some sort of entertainment given, notably in connection with the visits of lecturers overseas, in which case, of course, there is a small block grant that the representative overseas can call on.

2943. But is it true that under Subhead A the item of expenses is included under the heading of salaries?—The position there is that the local allowances which are paid to our staffs overseas are supposed to cover the whole of the necessary expenses for their work. They are related though they are not identical with those paid to Government servants working overseas.

2944. Is not it a bit odd that you should spend £12,000 on hospitality when the whole of the Government Hospitality Fund only comes to £55,000?—(Sir Ivone Kirkpatrick.) I think I can reassure you on that, Sir. I think the Government Hospitality Fund confines its expenditure to the entertainment of foreigners coming to England, whereas the British Council operates in a large number of countries abroad and there are, as Mr. Croom-Johnson said, special occasions where the representation allowance of the senior official is perhaps not considered sufficient and a small grant may be given for some particular occasion.

2945. I agree, but is not the figure of £12,000 rather high compared with the other figure of £55,000 for the whole of the Government?—It is spread over 60 countries. Deducting, let us say, a notional sum of some £5,000 for hospitality in London, you would have a sum of some £6,000 odd for division amongst 60 countries.

2946. Under Subhead H, on the question of scholarships, do you consult the Ministry of Education before you lay down the terms and the amount of the scholarships?—(Mr. Croom-Johnson.) As far as I know,

1 April, 1954.]

Sir IVONE KIRKPATRICK, G.C.M.G., K.C.B.,
and Mr. H. P. CROOM-JOHNSON, O.B.E.

[Continued.]

yes. The standard that we have tended to adopt here is the standard applied by the Colonial Office for the scholarships that they award to people coming here from the Colonies and we keep in line with those.

2947. How would the fees for allowances that you pay compare with those of the Ministry of Education in relation to a State scholarship?—They are not quite on the same footing. The Ministry of Education are proposing grants for undergraduates. Practically all our people, without exception, are post-graduates and their needs are not quite the same.

2948. With regard to the residences, which are referred to in a footnote to the Account on page 79, I understand you have six of them, of which Hans Crescent is probably the biggest?—Yes.

2949. Do you remember that you estimated that in 1952-53 you would show a loss of 27s. per person per week in respect of Hans Crescent?—I cannot remember it, Sir, but I have no doubt that is true.

2950. Is it true that the actual loss per person per week is 42s. 3d.?—Yes.*

2951. Is not that a very large sum?—It is a large sum, Sir. I think I should probably put it down to the fact that costs are rising the whole time in this sort of regard. The cost of feeding them and the cost of fuel are rising. The fuel item at Hans Crescent, in particular, is a very heavy one because we have to keep it heated to Colonial standards, and although we do our best we cannot keep the place completely full the whole time, there is always a certain shifting population.

2952. Have you considered whether you could not raise the charges you make?—We have raised them fairly recently. The charges at Hans Crescent were increased about 18 months ago. There again, we keep in line, as far as we can, with the charges

* *Note by witness:* Estimates are compiled on a cash basis, excluding any allowance for capital depreciation or administrative expenses; on this basis the actual loss was 32s. 10d. as compared with an estimate of 27s. The loss of 42s. 3d. quoted was the trading loss after allowing for capital depreciation and administrative expenses.

being made at university halls of residence. The difficulties, I think, over that are that the accounts of university halls of residence are compiled on a rather different basis from our own and that there are elements of hidden subsidy, so to speak, in the case of the universities which do not show in our accounts.

2953. If I am correct, you charge £4 a week for a single room which entitles a student to full board and lodging, except for lunch, on Monday to Friday inclusive?—Yes.

2954. That seems to me a remarkably low sum?—It is, I believe, Sir, the same as is charged at a university hall of residence and it is, broadly speaking, the most that these people can pay. They come from the Colonies, they have not an awful lot in the way of money and it is our view that if the charges are raised further at the moment they will not, in fact, be able to stay there.

Mr. Oliver.

2955. Do you get any reports on the efficiency and the popularity of the various offices in the 60 countries in which we have offices?—We get our own annual reports, Sir, from our representatives, but I am bound to point out, of course, that they are speaking in their own defence. I would prefer Sir Ivone to answer that question, because he presumably gets his reports from his ambassadors. (Sir Ivone Kirkpatrick.) Yes, I think there are two sources of reports. It is customary to ask the diplomatic representatives in the countries concerned to report on the British Council and the Director General and other officials of the British Council, and, indeed, officials of the Foreign Office do from time to time go abroad to inspect British Council establishments. When I was a member of the Council I inspected some dozen British Council establishments abroad in conjunction with other duties when I was travelling abroad.

2956. Have you any means, Sir Ivone, of knowing to what extent they are serving a useful purpose in the countries?—Yes, we rely principally, of course, on our diplomatic representatives to watch the operation of the British Council and to furnish us with regular reports on the subject. They serve as a guide for our representative on the British Council.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASS IX)

VOTE 11

ADMINISTRATION OF CERTAIN AFRICAN TERRITORIES

On this Account no questions were asked.

The witnesses withdrew.

Adjourned till Thursday next, at 4 p.m.

THURSDAY, 8TH APRIL, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.

Mr. Niall Macpherson.

Sir John Mellor.

Mr. Speir.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. F. E. FIGGURES and Mr. G. P. HUMPHREYS-DAVIES, C.B., an Under-Secretary, the Treasury, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 104-107 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1951-52.

Sir GEORGE TURNER, K.C.B., K.B.E., J.P., Permanent Under-Secretary of State for War, called in and examined.

Chairman.

2957. Will Members turn to the Treasury Minute on paragraphs 104 to 107 of the Third Report of the Committee of Public Accounts, 1951-52? In paragraph 7 of the Treasury Minute I see that two of the responsibilities of Command Secretaries are "to give advice when called upon" and "to review the contracts after they have been placed". Why are not Command Secretaries fully advised of all financial arrangements that go on in their areas?—(Sir George Turner.) They are, Sir, but this reference is to those matters which are covered by delegated powers. If you have delegated to an official the power to make purchases up to a certain figure, he has the power to do it and he only goes to the Command Secretary in accordance with the rules that we have laid on him, in this particular case to have his contract looked at after he has placed it. If the thing is outside his powers, then either the Command Secretary and the headquarters of the Command deal with it generally or it is referred to the War Office.

2958. So the duties of the Command Secretary do not include general advice to a Command on financial matters?—They do, Sir. They do not include advice in advance on those matters within the delegated powers of the unit. He is in exactly the same position as we are at headquarters over matters which are dealt with in the Command. The Military Services refer to him as the finance or contract or establishment branch just as the Military Department in the War Office come to my people on finance, contracts or establishments.

2959. In that case then why should he be troubled to review contracts after they have been placed?—That is simply a control which we have kept over the delegated powers. We delegate powers to place orders or contracts to units or establishments in order to facilitate business, but in order to make sure that they are not abusing those powers and that there is

a certain regularity in their proceedings the contracts are reviewed by the Command Secretary just as, in the case of large powers delegated to Commands, the contracts are sent up to the Director of Army Contracts to look at. This is an attempt to maintain regularity even with delegation.

2960. Sir George, you are not responsible for the Treasury Minute, of course. Mr. Figgures has to face up to this?—Yes.

2961. Would you look at paragraph 10, the final sentence: "Arrangements will be made to bring the Command Secretaries into consultation, before action is taken, whenever appreciable expenditure is likely to be involved". Apropos of the purchase of carpets last year, the truth of the matter was surely that the whole thing got entirely out of hand and that the War Office did not anticipate anything like the weight of expenditure that did occur. Is not that so?—Yes.

2962. So here again there seems to be a possibility of a loophole?—You will remember, Sir, in connection with the carpets arrangements that what happened was that on a previous occasion we made attempts to purchase carpets secondhand in Commands. We fixed maximum prices and we fixed a limit of expenditure on that occasion and nothing happened. First of all I do not think they were there, but whether they were there or not, they were not obtainable within those conditions, and nothing happened. Then, a year or so later, it was suggested that another attempt should be made and on this second occasion, because nothing had happened before, the watchdogs' sense of suspicion was lulled and they did not attach the conditions. They set much higher maximum prices and they fixed no limit on the total, and that was the mistake which was made. All we are saying here, Sir, is that we do not intend to make that mistake again.

2963. Of course we cannot go into the question of the carpets. We are mainly on the Minute. The business of the Committee is not with that very large area

8 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

{Continued.

of your financial activity which runs smoothly. Our job is, of course, to look into such weak spots. You are satisfied that you have stopped up most loop-holes?—Yes. On this question of delegation, one thing that I wanted to put to the Committee was this: let us by all means see that the arrangements are right and that these errors are safeguarded against, but we do not want, and I feel sure the Committee have probably got the same feeling about it, to do anything which sets back the very reasonable modern attempt to delegate authority to local people, because otherwise we shall be going in the wrong direction from the point of view of making the machine work.

This delegation process which we have carried out very cautiously is really the only way that this big machine can be worked nowadays.

Chairman.] I think the Committee see that, Sir George.

Sir George Mellor.

2964. Sir George, when you referred to reviewing the contracts after they had been placed, I understand that you meant holding a sort of post mortem examination?—Yes.

2965. Not any attempt to repudiate?—No.

AIRMY APPROPRIATION ACCOUNT, 1952-53.

Chairman.

2966. Will Members turn to the Army Appropriation Account, to the Comptroller and Auditor General's Report, paragraphs 2-4, on page iii? Paragraph 2, Sir George, you do attempt to ensure that the numbers of your Reserve Forces do not exceed your authorised maximum?—(*Sir George Turner.*) This is somewhat different from the control on Regular numbers which, as you know, is provided for in Vote A and in the Army Act. The provision as regards Reserve Forces, I think I am correct in saying, is governed by the Army Reserve Act, 1950, which provides that each class of the Army Reserve shall consist of such number of men as may from time to time be provided by Parliament for that class. The first class of the Army Reserve consists of men transferred to the Army Reserve in pursuance of the Army Act, that is to say, who have completed regular engagements, and, secondly, of men serving in the Army Reserve for a term of part-time service, that is to say, National Service men in the Army Emergency Reserve. If you take those two groups together you will find that we made provision in the original Estimate plus the Supplementary for a total of 140,000 and we did not go beyond that. We went to 139,475. We had an excess on the Regular Reserve and we had a shortfall on the Army Emergency Reserve. The reason why it is extremely difficult for us to establish the number for the Army Emergency Reserve is that, as you know, we are now taking out from the Regular Army the National Service man on the completion of his colour service and taking him into what is provided for under the National Service Scheme, part-time service with the Territorial Army or Army Emergency Reserve, and until we know the man's circumstances, that is, his home circumstances and his private circumstances, what he is and where he lives, we really do not know, until we have had longer experience, how many of them will go to the Army

Emergency Reserve and how many will go to the Territorial Army.

2967. You are keeping an eye on it?—The result was that in this particular year we provided 81,000 in the original Estimate and we had to make an addition of 29,000 in the Supplementary Estimate, but even that was 8 per cent. out. As far as the constitutional position is concerned our suggestion is that we have committed no sin, as the two groups should be taken together.

Mr. Niall Macpherson.

2968. Do I understand that the Regular Reserve is fed, so to speak, entirely by people coming out of regular engagements?—Yes.

2969. And therefore that your Estimate is based purely on the number of, it might have been called, maturities, but, of course, they are really options exercised to come out?—Yes. We do not know whether the man is going to sign on to go on longer or whether he is coming out.

2970. How do you base your Estimates then?—The actuaries have a good deal of experience of that. They are making the same sort of guess on numbers as they do to establish the amount that they have to provide for pay. On the other hand, what happens to the National Service man as between the Territorial Army and the Army Emergency Reserve was completely in the dark, because they have no experience.

2971. Are actuaries good guessers of opinion?—Pretty good.

2972. The flow of men is largely based on opinion, is it not?—It is based on projecting trends, that sort of calculation. After all, they manage to keep the whole of the vast insurance business of this country going on an even keel, so I do not see why they should not help us.

8 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

2973. Is this a common occurrence?—Yes.

2974. The exceeding of the Estimate?—Yes.

2975. Quite common?—No, I am sorry, we have never exceeded seriously. We have had to adjust on Supplementary Estimates.

Chairman.] Now, paragraphs 16 to 24, the Arab Legion. I have no questions.

Sir John Mellor.

2976. I understand that you and the Foreign Office divide your financial responsibility for the Arab Legion?—The general arrangements, Sir, were explained to the Committee before and have been described, I think, in previous reports, but it is not quite fair to put it as a division between the Foreign Office and the War Office. The original subsidy or grant made by the British Government under the Jordan Treaty of 1948 provides for a grant in aid which is paid by the Foreign Office and it is devoted by agreement to the maintenance of the Arab Legion.

2977. Of the Regular Legion?—Yes. That covers the general use of the Legion for internal security and to defend Jordan, but the Legion also plays a part in the general scheme of Middle East defence, and when we were facing up to our re-armament programme and concerning ourselves with preparedness in Middle East defence, as in other general defence work, we came to the conclusion that it would be worth while improving the preparedness of the Legion from the point of view of the Legion playing a part in general Middle East defence jointly with us. So, we then made an additional payment in respect of steps which the Legion took to improve its preparedness for a general war as distinct from a war which concerned Jordan alone.

2978. Is that where the War Office comes in?—Yes.

2979. And that is nothing to do with the Treaty?—No. That is more a sort of insurance premium.

2980. Would not it have been better to have taken steps to combine the aid given so that it is given by one Department rather than two?—I must be careful about what I say on that. We should, of course, be only too glad to have had the whole of the charge on the Foreign Office Vote, but it is our business after all in the Defence Departments to pay expenditure which is related to the general defence of this country. It is not the business of the Foreign Office or the Colonial Office or the Commonwealth Relations Office to be concerned with anything except the expenditure on defence of the countries that they are concerned with, so they quite reasonably, I think, in the circumstances—I speak sub-

ject to other views the Treasury may have—felt that they should place this particular identifiable charge on to us.

2981. I find it rather difficult to draw any distinction between the functions of the Regular Force of the Arab Legion which is assisted by the Foreign Office and the auxiliaries which are assisted by the War Office. I should have thought that the functions of the Regular and the Reserve Forces from the point of view of defence of the Middle East would have been precisely the same?—Both in the case of the Arab Legion and of many of the Forces in Empire countries, throughout our arrangements we have made this distinction between expenditure on defence for internal security or the defence of the country concerned and general defence.

2982. The reserves, then, are only called up in the event of a general war in the Middle East? Are they not liable to be called up for internal security purposes?—Yes, once they have been provided they are there for any purpose, but the reason for training them and making more of them available was just about the same as led us to call up our Z reservists and train them to improve our preparedness in the event of a general mobilisation.

2983. Can you compare the War Office payments which are on a capitation basis, I think, with the actual expenditure by the Legion on their pay and allowances?—Not entirely, but broadly we can. We can establish it on the numbers that they have got under training.

2984. How do you know the numbers under training?—The Jordan authorities, first of all, provide a statement in connection with the payment that they receive from the Foreign Office and, secondly, they have agreed to provide us with certified statements which are examined by my officers in the Middle East; and while it is true that they are a foreign country and they run their accounts in Arabic and have got their own system, as I pointed out to the Committee on a previous occasion, the organisation of the Legion is by the accident of its leadership, and so on, very akin to the British system and it is, I am assured, quite easy for our people to make a general check of their accounts. They are reasonably satisfied about the broad accuracy of the statements rendered.

2985. I read, Sir George, at the end of paragraph 20: "Particulars of the numbers discharged to reserve under the War Office scheme at the 1st October, 1952, and later dates had not been supplied by the Arab Legion authorities when my officers carried out their examination". Have you now got that information?—We have got in the statement since, and one of my officers has been over there recently and he has established the numbers under training at the present time.

8 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

2986. What was the cause of the delay in the information being supplied?—I think the main reason is that their system of accounts is like any other eastern country's system of accounts, it is almost timeless. But they were not so very much in arrear of some of our own figures, if it comes to that. (May I say I have got an auditor out there who states he can count in Arabic.

Mr. *Blenkinsop*.

2987. The Comptroller and Auditor General points out at the end of paragraph 22: "Certain abatements from the charges are under discussion with the Legion". Have you got any further with that? Are those abatements now settled up?—Not completely, no. I can merely say that the discussions about the accounts, the adjustments that are necessary on the accounts, and so on, are proceeding and as far as I can say, are satisfactorily proceeding, but they are not complete.

2988. But you are not specially anxious in view of your general experience?—No.

2989. I suppose that would apply, too, to this question of the certified accounts at the beginning of that paragraph?—Yes.

2990. They had not then been furnished to the War Office but some of them now have, is that right?—Yes.

2991. There are still some to come through?—I may say that they have a pretty good accounting system with qualified accountants working as officers in the Legion, and just before I came to the Committee I was assured that the Director of Audit in Jordan, who corresponds for this purpose to our own Comptroller and Auditor General, and who certifies their accounts from their point of view, is appointed by the Government, but he is in the same position as the Comptroller and Auditor General, he can only be dismissed by Parliament. So in appearance, at any rate, they have set up a system which corresponds somewhat closely to ours and which we have to accept in the same way as they would accept ours.

2992. I take it then generally you are satisfied with the position with regard to the accounts and the abatements that you hope to achieve from them?—Yes.

2993. In paragraph 23 there is reference to long life equipment, that is, equipment having a useful life exceeding three years, and it was intended that record should be kept of this. Do I understand that this equipment which has been lent to the Arab Legion Forces has not been recorded?—I am assured by the Command Secretary, Middle East, that they anticipate no difficulty in establishing the lists of stores due to be returned at the end of the period.

2994. But that still leaves the fact that you have not at the moment got a record?—We know what has been issued from our own stocks, but we have not got the other end of the account, we have not got a receipt statement from them yet.

2995. So you have your own figures of what you think they ought to have?—Yes. He says now that he does not anticipate any difficulty in agreeing with them lists of stores that are due to be returned.

2996. Have you any idea of the value?—With reservation I should have said about £250,000.

2997. We are talking of a fairly considerable sum?—Yes.

2998. I understand from what you say that this will be returned at the end of the reservist scheme, is that right?—Yes.

Chairman.

2999. Are you satisfied generally with the control you have got and that you do know what is going on?—On the Arab Legion?

3000. Yes?—Yes. If I might make a formal statement on that, what I should like to say to you is this, that while we try to make suitable checking and accounting arrangements they cannot, as we pointed out in the previous discussion be entirely in accord with our usual standards; but we are, by and large, satisfied with them, and furthermore we do say this, as I think has been said to either you or to Parliament at some stage, that we feel that we have got value for money in the improved preparedness for defence in Jordan and we would add that at this time that is possibly more important than it was when we started because of the unsettled state of affairs out there. (Sir *Frank Tribe*.) I might say that the War Office have accepted the recommendation of last year's Committee, and in the 1954-55 Estimates there is now a note to say that some of the expenditure will not be accounted for in detail to myself.

3001. Thank you. Now, paragraphs 25 to 30?—(Sir *George Turner*.) May I give you maps on this, Sir?

3002. It would, perhaps, be helpful? (*Maps were handed to the Committee*.)—The problem before the War Office, Sir, was that they had in the back country at Trawsfynydd a large general training area, which is completely under their control, where they can carry out damaging training. They had, before this change took place, in and around Llanbedr on the Merioneth side in three patches surrounding the Llanbedr Camp, training facilities covering about 6,000 acres of non-damaging training rights for a Territorial Army unit. When the rearmament programme started the Air Ministry came to us

8 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

and said they wanted this R.A.F. airfield at Llanbedr back for their purposes, so we were deprived of the troop accommodation. What happened was that Western Command went across the Channel to Penrhos where the R.A.F. offered us another and similar airfield, and they set about building a camp there.

3003. All round Llanbedr belongs to the R.A.F. now?—Llanbedr Airfield has been resumed by the R.A.F. and is, I think, a regular airfield. The training land that we had, those patches coloured in red around Llanbedr, have reverted to their former occupation of agriculture, or what it may be.

3004. When you went to Penrhos you wanted about what area?—The same amount.

3005. About 13,000 acres?—No, about 6,000. There were various mistakes made over that quantity, but the problem was to replace this area over there.

3006. Where did the 18,000 acres come from?—18,000 acres was a mistaken figure used in one of the earlier negotiations by the land agent. We do not really know what he had in mind, but it is thought—this is wisdom after the event—that what he was doing was putting a ring round these three parts and saying that he wanted 6,000 out of an area of 14,000.

3007. Then, when you went to Penrhos you put in a demand there for training rights over the adjoining land?—Yes.

3008. But apparently you did not warn the Land Commissioner?—What we did was to set about the replacement of the camp, and instead of Llanbedr we got Penrhos from the R.A.F. We got at the Treasury instigation an assurance from the R.A.F. that they would let us have Penrhos permanently, and on that basis we set about providing camp facilities. The reason why we did not take up the training area then and there was that in any case we did not propose to purchase it, we merely proposed to ask for training rights, and in 1948, three years previously, we had, in fact, been at Penrhos and trained a division there for one year.

3009. Over this large area of land?—Yes.

3010. Apparently, then, you assumed without enquiry that you would get the same rights again?—We were told that no local difficulty was anticipated in getting non-damaging rights again.

3011. Who told you that?—Our own people.

3012. Your own local people?—Yes.

3013. People you had shifted to Penrhos?—Yes.

3014. So, when you raised the matter with the Land Commissioner you did not mention it to him, and later you did not

mention it to the Treasury, on the assumption that there would be no difficulty in getting it. Is that correct?—Yes.

3015. Did you make any enquiries of the local farmers again or did you start work on that assumption?—There were some enquiries made. They were not very detailed. In defence of the local people in this matter one must admit that it is not a good thing to go around announcing that you are going in for a training area, otherwise opposition is fanned up against it, and they were discreet in this matter. This is a case in which their discretion proved a mistake. They were cautious and quiet about it at the very beginning on the confident assumption that, as they had done it before three years ago, they could do it again. There is a considerable difference of opinion between all of us as to what is involved in these non-damaging training rights. In some places where they have had them they do not mind about them at all and we suggest that in these areas in Wales at that time they did not mind about them very much. We had no complaint about Llanbedr and we had had no complaints about Penrhos in 1948 but as you know, Sir, a feeling can be worked up on a matter of this kind quite surprisingly, and it did not happen until 1951.

3016. How far was it due to this Welsh nationalist agitation?—It is not for me to say that this was to a very large extent a political matter, but it is a peculiar fact that it occurred at that time and that the opposition that first showed itself was not local but national. The leaders of the opposition to the Penrhos proposal who took the first steps in it were national organisations or people, indeed, in South Wales and not North Wales, and it was only later that the local land people came up against it. But there it was, and in the circumstances the Government who had made this arrangement whereby a Minister for Welsh affairs was set up found themselves with this one item being used, as it were, as a test case to see whether Welsh interests were going to be looked after. I think that in the circumstances one must admit that the decision not to go to Penrhos was a perfectly legitimate decision by the Government. The consequences are the ones that you are facing up to, that we were landed with expenditure which looks like being largely wasted.

3017. In view of the fact that you had this enormous area in Trawsfynydd why did you go to Penrhos?—Trawsfynydd is owned, or it is very nearly owned—it is not entirely owned—by the War Department. We have had it a long, long time. It is a bleak, bare place. It had accommodation for only 1,000 troops, but we could use it for anything. When you take a Territorial division for training in the summer, there is always a tendency to put them somewhere which will provide the men

8 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

with a holiday as well as training, that is, in pleasant places preferably near the coast, and we needed in any case an area where there was accommodation for about 6,000. We had that at Llanbedr. The proposal at Penrhos was that they should do their non-damaging training in and around Penrhos Aerodrome and that they should be taken to Trawsfynydd for the damaging training. The damaging training, as you know, is the use of tracked vehicles, the firing of guns and throwing of grenades, and so on, which we avoid in these other places.

Mr. Niall Macpherson.] What was the distance involved?—30 miles.

Chairman.] Between what points?

Mr. Niall Macpherson.] Between Penrhos and Trawsfynydd.

Chairman.

3018. You could not very well house them at Penrhos and bring 6,000 people 30 miles a day?—No.

3019. Who exactly is the local Land Commissioner and what powers has he?—(Sir Frank Tribe.) I understand he is the local official of the Ministry of Agriculture.

3020. I see, with a large title?—Exactly, Sir.

3021. What are you doing with Penrhos now?—(Sir George Turner.) They have taken from Penrhos about £13,000 worth of removable stores. The expenditure largely consisted of roads and drainage and lavatories and things of that sort, but the accommodation that was put up was mainly temporary and a very large amount of it is simply canvas on poles. In so far as it is removable something like £13,000 is going towards the increase of the accommodation at Trawsfynydd. There remains the possibility that we may still be able to use the accommodation at Penrhos for a restricted purpose, but I do not claim that that is other than making the best of something that would be otherwise wasted.

Mr. Speir.

3022. I take it that from now on the regular practice will be to consult the Regional Land Commissioner in the first instance?—Certainly. We have not missed any of the processes on this, we merely timed them wrongly.

3023. And did not give the full facts to the Land Commissioner?—No.

3024. What sort of category was the land, do you know?—Most of the land round Penrhos was said to be practically the equivalent of that which we had at Llanbedr, and of that something like two-thirds was agricultural land. The current proposal was to take altogether training rights over 8,000 acres and use 6,000 in any one year in

order to give the farmers a chance to turn over. Trawsfynydd is very poor stuff, pretty well all moor and mountains. There is no trouble about land usage at Trawsfynydd.

3025. Do the War Office still own the sites?—The Penrhos site?

3026. Yes?—The actual airfield belongs to the Air Ministry and is in our use, yes. It is Government property.

Sir John Mellor.

3027. Is the War Department Land Agent a permanent official?—Yes.

3028. There seem to be two matters, really, in which the difficulty arose and the first is that I think you said that he was too discreet, but were you only then referring to avoiding publicity or did you mean that he was right in being discreet up to a point with the provincial Land Commissioner but that he should have explained more fully to him what was required?—Yes.

3029. I take it that if that had been the only trouble, that the War Department Land Agent had been insufficiently informative, then this move would have gone through?—Yes.

3030. What are non-damaging training rights?—Not using tracked vehicles, not firing guns or throwing grenades, making the maximum use of roads and existing tracks and restricting the amount of usage of land producing food. In most of these camps they propose to take one battalion at a time to Trawsfynydd to let them do the full training for a day.

3031. Are those rights obtained by agreement?—Yes.

3032. In the event of the agreement being not possible are they obtained compulsorily?—We are using defence regulations at the moment for them, Nos. 51 and 52.

3033. If it had not been for the agitation which began elsewhere do you think that the local farmers would have been against it?—We should have got it. We are quite confident we should have got it.

3034. By agreement?—Yes.

3035. That being so why was it you did not stand your ground and proceed by agreement to obtain these non-damaging training rights, because surely it would have been a complete answer to the agitation if the local farmers had voluntarily agreed to their land being used for training purposes?—By then they had got the local farmers to line up with the opposition and the decision not to go on with it was a political decision which was beyond the control of the Department. It was taken by Ministers after they had heard both sides.

8 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

3036. You had no evidence of the willingness in the first instance of the farmers to grant you training rights?—No, except that, as I said, we had them in 1948 without difficulty in the same place.

3037. Had not you a rather strong case to answer any public agitation?—We tried our best.

3038. Was it a matter in which the War Office was overruled by Cabinet decision?—By Ministers, yes. Bear in mind, I think I am right in saying that it was the one thing that was raised in connection with the use of land in Wales. It was the only case raised in Wales, you see, that is why it was critical.

Mr. Blenkinsop.

3039. I do not know whether this is really on a line with what we have been asking, but this map does show these other small training grounds actually just in front of the Castle at Harlech. Are you still using them?—No, that was given up when Llanbedr was given up.

3040. That is not used now at all?—No, that was part of Llanbedr and we gave the lot up.

Mr. Niall Macpherson.

3041. My only comment is, as it not a curious thing that the work should have already started and should have actually been progressing for two months before the matter even came informally to the notice of the local Land Commissioner?—No, Sir, that is not accurate. When we got the authority to use Penrhos Airfield we had referred to the local Land Commissioner, so we had been to him before we started building. What was done was that we had not cleared the training rights at that time but we had cleared the use of Penrhos with him.

3042. Your view would be that it never occurred to the local Land Commissioner that troops had to train round about there?—Anybody knew perfectly well that we were getting a substitute for all the facilities at Llanbedr.

3043. What was the loss mainly concentrated on, compensation for breaking the contracts?—No, we spent £82,000 in 1951-52. We started in August and by February, when the Ministerial decision had got to such a stage that we could give orders to suspend work, we had

spent on work on the spot and on stores, £82,000. We had a further £10,000 on the winding-up of the contract in the following year, which is the year under account here, and there has been £4,500 spent on caretaking and miscellaneous charges since.

3044. Has that come to an end now?—Yes, apart from the caretaking. We have still got that.

3045. You have still got the caretaking?—Yes.

3046. What are you keeping the camp in order for?—At the present time we are taking the stores out of it, transferring them to Trawsfynydd.

3047. That is not complete yet?—That is not complete, and then, as I said to the Chairman earlier on, I think there is a possible residuary use of the place.

3048. For a week-end camp or something of that sort?—Something of that sort, yes.

Chairman.

3049. Sir George, you had the use of the non-damaging training earlier on, I gather?—Yes.

3050. And you say that there would have been no great difficulty, apart from the political agitation, in getting the farmers' consent?—We thought not. We still feel that that was so.

3051. Then why is the Land Commissioner gravely concerned with the damage to agricultural production?—That is a point which is in dispute between us and the Ministry of Agriculture. For all general purposes of usage of land it has been accepted that non-damaging training rights do not seriously damage the food production.

3052. I presume that you do not go trampling growing crops?—No.

3053. What is this land here, mainly sheep farming?—The one at Penrhos?

3054. The one at Penrhos?—No, Penrhos is mixed farming.

3055. You keep off the arable land?—Yes.

3056. And stick mainly to meadow land and grassland?—Yes.

3057. I am afraid we cannot complete our examination this afternoon, Sir George, and we shall have to ask you to come before us again later on?—If you please, Sir.

The witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 13TH APRIL, 1954.

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.
Mr. Godber.
Mr. Hoy.
Mr. David Jones.
Mr. Niall Macpherson.

Mr. Oliver.
Mr. Speir.
Mr. Steele.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. G. P. HUMPHREYS-DAVIES, C.B., and
Mr. F. E. FIGGURES called in and examined.

TREASURY MINUTE ON PARAGRAPHS 108-110 OF THE THIRD REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir JAMES BARNES, K.C.B., K.B.E., Permanent Under Secretary of State for Air,
called in and examined.

Chairman.

3058. Will Members turn to the Treasury Minute on paragraphs 108-110 of the Third Report of the Committee of Public Accounts, 1952-53? I gather that you are having some difficulty, Mr. Figgures, in this matter?—(Mr. Figgures.) I do not quite know whether it is difficulty yet, Mr. Chairman, but at any rate it seems to be rather lengthy.

Chairman.] “Complex and difficult”, I believe is how you are finding it?

Mr. Hoy.

3059. That is what the Treasury said?—Yes.

Chairman.

3060. What are these difficulties, seeing that, so far as I gather, the Army have an entirely different system?—I think that is the problem, Mr. Chairman. If we consider changing the messing arrangements for one Service we are thereby forced to look at the detailed messing arrangements for all the Services and we then have to examine in detail whether there is justification for different systems and whether they should not be all on the same system: if you want to have them all on the same system almost certainly one, or possibly two, have to change and then all the arguments against changing them have to be deployed and dealt with.

3061. My question is not suggesting that they should all be on the same system, but I was wondering why you found it complex. Sir James, the Army system prior to the War is the system you have?—(Sir James Barnes.) That is so.

3062. They changed during the War?—That is so.

3063. Would you find any grave difficulty in changing over to the Army system?—Yes, we should.

3064. Why?—Do you mean changing over to the present Army system?

3065. Yes, the present Army system?—We felt that the original system of the

Army, which was changed for reasons that were peculiarly applicable in wartime, was in itself the better system, and apart from that we certainly should very grievously miss the assistance to general amenities of Air Force Stations that we are enabled to provide by the money that we get from the N.A.A.F.I. rebates, as I explained last year.

3066. I believe the Army get their money on the Vote?—They get the money on the Vote, but I have never been able to discover what they get and how they get it, and so on, and I do not think anyone else has.

3067. I should have thought that would have appealed to you, probably?—It is one thing to have it in that way. It is another thing to try to get it.

Chairman.] I see.

Mr. Hoy.

3068. Mr. Figgures, you remember that in the Report of the Public Accounts Committee it was stated that the N.A.A.F.I. rebate to the R.A.F. amounted to £475,000, and it was to this that the Public Accounts Committee took exception because they felt that this was a subvention to certain funds which, if it had to be made, ought to come by direct Vote of Parliament. Have you enquired into that part of it?—(Mr. Figgures.) Oh, yes, Sir, that is definitely one of the facts which is being ascertained. The question is, what is the best way of dealing with this.

3069. Perhaps I can put this both to Sir James and the Treasury, that the N.A.A.F.I. prices are so large that they make these 6 per cent. discounts possible?—(Sir James Barnes.) I do not think that that is so, Sir; I think it is merely the difference between retail and wholesale prices.

3070. As you are bound to know, in Parliament many questions are raised with regard to the prices which are charged by the N.A.A.F.I.?—Yes.

3071. Members always seem to feel that the N.A.A.F.I. prices are much higher than they really ought to be. All I am suggesting

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

is that, perhaps, what they are doing retail to the members of the Forces they are doing wholesale to the Air Force, and that is why you get a rebate of nearly £½ million?—I have no evidence that the retail prices that we pay are too high. Admittedly, if we bought wholesale then a good deal of this would disappear, of course.

3072. Mr. Figgures, we are dealing with the reply of the Lords of the Treasury in which they say: "The practical issues involved are complex and difficult." Then you say it is because you may upset some arrangement come to by the Army or the Navy, or some other Service, if in fact you change the system in the Air Force. Is that the only reason why this delay has taken place?—(Mr. Figgures.) No. I do not think so. As I attempted to explain to the Chairman, once we have addressed our mind to this problem as a result of the Committee's questioning, we are led to examine and question the arrangements for this in all three Services to discover what the existing system costs, what an alternative method would cost, whether a change in any of the Services would cost more or cost less, what is the correct method of setting it out in order that Parliament may know what is being done, and so on. I think it is quite fair to say the issues are very complex. We cannot simply deal with one particular part of the problem, we have to deal across the board with the messing arrangements for all three Services, which necessarily raises the question of how allowances are made available for institutes in the three Services.

Mr. Hoy.] When are you going into that investigation? I do not know whether this is going too wide, Mr. Chairman, you will correct me if I am, but would you go into the whole question of the N.A.A.F.I. supplies, because undoubtedly the members of the Forces, and I can think of them personally, have grave doubts as to the way it is being administered altogether and they feel that certain prices are charged by N.A.A.F.I. for goods which could be got very much cheaper outside.

Chairman.] I do not think we can pursue that line.

Mr. Hoy.] May I ask this, then, Mr. Chairman; if it is felt that N.A.A.F.I. charge prices much higher than they ought to and give the Services back a 6 per cent. discount as a consequence of the prices they charge, would not it be for the Treasury to make an investigation?

Chairman.] Yes. On this particular point, I said you need not pursue it.

Mr. Hoy.] I will not attempt to pursue it. All I suggested is that it does cause some great concern, and I merely added a rider to the effect that members who serve in the Forces who are compelled to make most of their purchases from

N.A.A.F.I. always feel that they are paying these high prices and, in fact, have no say in the distribution of these rebates which come back to the Services.

Chairman.

3073. I think you have made your point. Now, paragraphs 111-116. Again my question is to the Treasury. Here also, Mr. Figgures, you seem to be in difficulties. I see in the middle of subsection (1): "Where Supplementary Estimates are concerned, it is not always practicable, in the time available, to prepare Estimates with the same degree of accuracy under the separate classifications as is aimed at in the original Estimate." What are the particular difficulties?—I think the question to which, of course, this is directed, Mr. Chairman, is the information provided in the Supplementary Estimate. It will be prepared in that Appendix in the same detail as it is prepared in the original Estimate. It is that which it may be difficult to prepare accurately in the time available for the Supplementary. The calculation of the amount of money which is needed, of course, has to be done as accurately as may be in the time available. There is no reason to assume that there is any significant difference there.

3074. Do you have less time for preparing your Supplementary Estimates than you have for preparing your Annual Estimates?—It depends, of course, on when the need for the Supplementary arises. A Department knows quite well that it is going to have an Estimate and it can adjust its own time-table towards that, but it cannot know until late December, or early January, that it is going to need a Supplementary and then it may be very difficult. It must be presented quite early in the new calendar year.

3075. On the other hand, this, of course, had reference to works services?—Yes.

3076. On which, presumably, you ought to have a fairly early knowledge of what you are going to spend. Assuming that you cannot give this, is there any reason why Parliament should not be informed by a notation on the Appropriation Account of the expenditure and the variation?—When we come to variations, we are in the normal difficulty, are we not, Mr. Chairman, we can only observe a variation if we have a norm from which it has varied and if the information has been provided in the Supplementary.

3077. You see, there are new works services?—Yes.

3078. And very often new works services are not specially mentioned on the Estimate, I take it. The point is that Parliament should be notified in some way or another of the amount of money which has been expended on particular new works services, information of which has not been given

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

in detail in the Supplementary Estimate?—(Mr. *Humphreys-Davies*.) If I can suggest, the information will, of course, come out before this Committee on the Secret Supplement.

3079. Yes. I am not thinking of the detailed information one gets in the Secret Supplement, but rather that Parliament should know that so much money has been spent on new services?—Would not that emerge on the Account as it is? The Account would show the original provision under the broad classifications. It would show the supplementary provision under the broad classifications and it would show the expenditure against those classifications.

3080. Are you satisfied, Sir Frank, with the information available on the Appropriation Account?—(Sir *Frank Tribe*.) I understand that before the War it was customary to note in the Appropriation Account any expenditure which had been incurred on schemes which had not found a place in either the original Estimate or the Supplementary Estimate. I was wondering whether that practice could not be revived so that Parliament could still have some idea of the expenditure and the estimated total liability on schemes for which no provision had been made in the Estimates approved by Parliament. It is mentioned in paragraph 115 of last year's Committee Report that works estimated to cost over £51 million were started as against Estimates approved by the House of only £25½ million. (Sir *James Barnes*.)

I rather thought the point, (Mr. Chairman, was that, as you remember, when the practice was discontinued of showing Part I services in detail, the various Part I items were grouped, as you see, under Vote 8 in the various classifications, married quarters, accommodation for personnel, airfields, and so on, and I think, if I remember rightly, that it was not shown in the Supplementary in such detail as it was shown in the original Estimate and it was agreed that it should be done in future. Your Committee asked that it should be done and it will be done. I think this note is merely a minor caution that perhaps there will be not quite the same accuracy in splitting it up between the various classifications. I suggest there is not a real major point here; we are substantially meeting the wishes of the Committee. (Sir *Frank Tribe*.) There is just one point, Mr. Chairman. I think the other point you were concerned about was whether Parliament should be told by a note to the account, not necessarily in great detail, of the expenditure and the estimated total liability on works which had been put in hand on Treasury sanction without having appeared in Estimates approved by Parliament. (Sir *James Barnes*.) That would only come in the Secret Supplement, of course.

3081. Obviously one does not propose to publish the Secret Supplement to Parliament?—No.

3082. But there is no reason why one should not indicate the amounts?—No.

AIR SERVICES APPROPRIATION ACCOUNT, 1952-53.

Chairman.

3083. Will Members turn now to the Air Services Appropriation Account, 1952-53, paragraphs 2 and 3 of the Comptroller and Auditor General's Report? I think that one of your duties, Sir James, is to ensure that your reserve strength does not exceed what has been sanctioned by Parliament?—(Sir *James Barnes*.) Yes.

3084. What steps do you take to see that it does not?—We have a monthly return from Home Command giving the figures, which are carefully watched monthly, and on this particular occasion there was an omission in this return of the numbers of people who had been transferred to what is called the non-training list, that is to say, for example, people who are abroad and so on. That has now been rectified and this error should not occur again. We do make an allowance for contingencies and in this case it was not adequate.

3085. Now, paragraph 5. You seem to have had a very large surplus on the outturn of your Account, Sir James. There

was a surplus of £22 million and had you drawn on Vote 11 to the amount that you estimated, that is, on the capital sum, you would have had a surplus of £27 million?—Yes.

3086. That is rather a large surplus, is it not?—It is large taken in the absolute. Of course, it is a large sum of money, but in a Vote of this size, of £520 million gross, I would suggest that it is relatively small.

3087. 5 per cent?—Particularly in the very difficult circumstances of the year when defence policy was fluctuating. We also had this credit of £9 million from the previous year which, under this bulk settlement arrangement, we could not take account of at the time the Estimate was prepared because we had not got the information. Therefore, from the point of view of making a real comparison between the Estimate and the outturn it is reasonable to deduct that £9 million.

3088. In other words, it is the £9 million that makes your variation larger than normal?—Yes, it increases it *pro tanto*.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

Mr. David Jones.

3089. I want to ask one or two questions on paragraph 8. Sir James, it appears from pages 34 and 35 that on new works only £47·7 million was spent against a £63·4 million estimate?—Yes.

3090. And works started in the year cost in total £36·8 million against an estimate of £84·3 million?—Yes.

3091. Would you like to amplify for the Committee's information the explanation on page 21 as to the radical disturbance which appears to have caused this? You have a note: "Due to changes in planned works services"?—As I said in answer to a previous question by the Chairman, this was a year when defence policy in many spheres was in the melting pot and we had provided, particularly in Bomber Command and Flying Training Command, for certain works which, under reconsideration of the plan which was then operative, were considered to be no longer required. There was also the additional point that the services we were undertaking for the United States Air Force were themselves reviewed and in some cases reduced and certainly delayed beyond the year.

3092. Are you completely satisfied that the estimates were realistic at the time they were framed?—I am, yes, because these very large variations were definitely caused by services that were intended at the time of the estimate and were reviewed in the course of the year and cut out.

Mr. Steele.

3093. Just a small point on paragraph 8, on page iv: the Comptroller and Auditor General says: "The deficit on Vote 6"—which is roughly £5 million—"is due mainly to increases in prices of, and in customs duties paid on, liquid fuels"?—Yes.

3094. Is that absolutely correct? It was not the question of extra consumption which accounts for all this extra money, this £5 million?—No, there was an increase of 7½d. a gallon in the customs duty.

3095. The customs duty went up, did it?—Yes.

3096. And the Air Ministry have got to pay customs duty?—We very much regret it.

3097. They do not get any dispensation from the Customs and Excise, like some people?—Not as regards fuel drawn in this country. We do as regards the uplift for overseas purposes.

3098. What do you mean "uplift"? If you are drawing it here and taking it abroad?—Yes.

3099. But not on anything drawn here and consumed?—On anything consumed here we have to pay customs duty and it is rather a sore point as far as we are concerned, because, of course, it reduces our total money that we have available.

3100. Have you any idea how much this would involve in a figure of £1 million?—I could easily let the Committee know. I would not like to hazard a guess. It is a very substantial sum.*

3101. But this £5 million increase is due to the 7½d. increase in petrol?—Yes.

Mr. Hoy.

3102. And duty?—Yes.

Mr. Hoy.] So that the Treasury get the £5 million.

Mr. Steele.

3103. That is the point?—That is the broad explanation. There were certain minor increases in prices, but the main reason is the duty.

Mr. Niall Macpherson.

3104. May I ask a question on Vote 11, arising out of paragraph 9? In the original Estimate how was it intended to meet this expenditure on additional married quarters?—We intended to have an appropriation in aid from the Consolidated Fund, but we were going to outrun, as we thought, the total amount that would be available, and we had to use a certain amount that was available from Vote 8 in the end.

3105. That is to say, you were going to outrun on other Votes, not on this one?—No, we were going to outrun the amount that was available from the Consolidated Fund.

Chairman.] Married quarters are built from two funds, from the Vote and from a loan.

Mr. Niall Macpherson.

3106. Yes?—The broad division being that the ones that are on Vote 11 are those that would be available for civilian use when we discontinued.

Mr. Godber.

3107. On paragraph 6, Sir James, the surpluses, the two main surpluses are on Votes 7 and 8?—Yes.

3108. Nearly £13 million on Vote 7 and between £16 million and £17 million on Vote 8. The Vote 7 surplus I can understand, because, presumably, it was due to delay in delivery of aircraft. You were too hopeful that you would get your supplies through, I take it?—Yes, and there is still this £9 million to take account of.

3109. That £9 million is on the aircraft side, not on the works?—No, definitely.

3110. It is all on the aircraft side?—Yes, aircraft in the broadest sense, of course; in other words, all the equipment that the Ministry of Supply provide.

3111. Which comes under the heading of aircraft?—Yes, certainly.

* Information supplied; not printed.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

3112. Following on that, you have this very substantial figure, the largest surplus of all. Could you just explain the reason for that very substantial surplus in what I should have thought would have been a not so difficult aspect to arrange for as with aircraft?—I thought I had explained in answer to a previous question that this was due largely to a change in the size and composition of the bomber force and the rephrasing of requirements of the United States Air Force, and a point that I did not make in answer to the previous question was, suspension of certain services abroad because of the abrogation of the Anglo-Egyptian Treaty.

3113. A substantial amount of this surplus is due to works abroad?—No, it is over £11 million at home and about £4½ million abroad. At home it was the result of a review of requirements in relation to a different plan. There was a plan in operation when the Estimate was prepared. In the course of the year the plan was reviewed as the result of revisions of major defence policy and we did not require either as many bomber airfields in this year or of the same type.

3114. Was that, then, in fact, linked up with the position of aircraft, when you have not spent so much on aircraft? Did you cut down on the number of bombers and therefore the number of airfields, or was it the other way round altogether?—The relation is not quite so direct as that, but there is some relation in the sense that we were reducing the number of Canberra bombers and switching over to the big V bombers, which would be dealt with at a later stage. We had provided for airfields for the Canberra force which was being severely cut down.

3115. The works in connection with the big bombers which you have just mentioned will be substantial and will follow in a later accounting period?—They will follow in a later account, but though there would be some minor reflection of that the two things are not really specifically related to each other because the reduction on Vote 7 goes through the whole field of aircraft, radar, and everything else from the Ministry of Supply. There were two forces at work in the year. There was, one, the drive to get ahead and then there was also a drive for exports, and the two things were in conflict.

3116. It was more a change of plan—this is what I am getting at—than a change of ability to do the work?—On works it was a change of plan rather than an ability to do the work.

Chairman.

3117. Now, paragraphs 12 and 13. Sir James, I think perhaps you had better make a general statement on the subject of pig breeding?—If I may. I will be as short as I can. You remember I told you

last year that I did not feel able, on the facts that I had before me at that time, to answer certain questions quite categorically. I said I was instituting an investigation. We appointed a Departmental Committee to examine every aspect of the scheme. We have had its report and it has now been approved, and the broad outcome is that we endorse the previous policy of the scheme. If I could go into a little more detail, I would like to point out first of all the relativity of the amount of land that is occupied by unit farms and gardens and the total land we occupy. Very roughly speaking, we occupy something like 70,000 acres. Roughly half of that is let out to local agricultural interests for one purpose or another, that is so say, 80,000 acres, and this scheme takes up less than 3,000 acres. So, it concerns mainly the bits and pieces on the station that are not capable of being let out to agricultural interests. Our purposes are that we want to assist home agriculture. We want to keep the station neat and tidy and more than ever—this has broad reference to the revenue from pigs—we are very anxious to get as much money as we can for non-public funds. I do not feel the least bit penitent that this scheme is proving very successful. The sales are going up. It has got to be fairly closely watched to see that we do not let people, who are there primarily to do another job, have too much of their attention taken up in a scheme of this kind however desirable it may be, and no new individual scheme is approved except at headquarters in the Air Ministry. Therefore, the pig farms do make a very substantial contribution to the money needed for the provision of the various amenities. We have now issued detailed instructions which, in effect, amount to a restatement of existing policy. We have brought together all the previous orders and consolidated them, but there is very little new. The thing that is new is that last year, you remember, I was not able to say that we did not employ airmen up to some point in working hours. Though that exists to a very limited degree where civilian labour is not available and where we have a small transient temporary surplus, we allow them to be used officially under strict control from headquarters, but the unit has to pay for their services. That was introduced within a few days of the last Committee. The units have been paying for their services since last May. That means that there is, in effect, no subvention from public funds to this scheme. I am satisfied that it is a desirable scheme and I think it is under entirely adequate control.

3118. Units started paying within a few days of the Public Accounts Committee's examination?—Though it was within a few days of the Committee meeting it was certainly not a consequence of it. If the

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

Committee had met a little later I should have been able to say: "They are now paying."

3119. I presume, however, that it was in some way related to the Comptroller and Auditor General's paragraphs?—No, because I had started an enquiry into this. I have not got the exact date, but I daresay it may have been accelerated; I cannot remember.

3120. That means, then, that some of the R.A.F. personnel are not voluntary?—In the strict sense, no.

3121. I am referring to their activities on the pig farms?—In the strict sense of the term the volunteers are the people who, outside working hours, volunteer their services and receive some form of payment, generally from the unit. The others that are in working hours are people who presumably are detailed for this, but it is to a very limited degree and only in relation to one or, at the most, two on a station who happen to be temporarily surplus.

3122. So that the major portion of the work is still voluntary?—No, the major portion of the work is done by paid civilians. The R.A.F. assistance is in addition to civilians who are paid by the unit. At most stations there is a bailiff paid by the unit.

3123. But the bailiff cannot do it all, I presume; he wants assistance? Does the bailiff do the whole thing?—No, other people assist him. In other words, the intention is that as far as possible where civilians are available the unit should engage them and pay them. The second step is that obviously, to keep down expenses and to utilise the initiative and zeal of the airmen on a station, those who are prepared to assist outside working hours, naturally advantage is taken of them.

3124. How much of the labour is of this voluntary R.A.F. type, approximately?—How much is voluntary?

3125. Yes, voluntary with a small honorarium or whatever you like to call it?—The relativity is shown by this, that over £70,000 is paid to civilians and roughly £10,000 to airmen, voluntary, part-time.

3126. Airmen, voluntary?—Voluntary, part-time. £70,000 odd to civilians, one-seventh of that to airmen.

Mr. Oliver.

3127. This scheme, Sir James, seems to have departed a little bit from its original intention, because I see in paragraph 12: "The intention is that the actual work on these should, in the main, be carried out by airmen voluntarily in their spare time and that the units' welfare funds should meet the expenses of the schemes, including the cost of any civilian labour employed?"

—No, actually I think it has always been the main intention that the main labour should be civilian.

3128. Is that the intention still?—Yes.

3129. The voluntary part is—?—As a supplement. The idea is that the unit should hire and pay for its labour.

3130. What constitutes an airman's spare time?—I think I raised this question at the last meeting?—I think you did. It is perfectly true, of course, that the Royal Air Force is not a factory, therefore it does not work from 8 to 4 or 9 to 5, or whatever it is, but although airmen are liable to be called on to serve at any point of time in the 24 hours when you might have, on any particular day, a very heavy pressure, broadly speaking, the hours of work are laid down in the individual Commands, and I am assured that it is a very easy thing to determine whether a person is working in his spare time or not. Broadly speaking, you do have hours that are reasonably fixed as the normal and though the men can be called upon to work considerably longer, I understand that there would be no difficulty for the individual officer commanding to determine in any instance what is and what is not spare time.

3131. I expect there is always a tendency, if there is a small contribution paid to airmen, for them to take the earliest opportunity to earn a shilling or two in assisting in the pig rearing business? I do not think that would be unnatural, do you?—No. You mean in their spare time?

3132. In their spare time?—In their spare time, not in working hours.

3133. As you very rightly said, airfields are not factories, and to that extent they do not clock on and clock off?—No, but if on any day they were supposed to be off at 5 o'clock, well, quite obviously they would like to earn a little through service of this kind.

3134. I should think so. I should think that is very human. Now, do you relate the number of pigs a station is allowed to keep to the strength of the station?—No.

3135. Or the area of land?—It is related to the area of the land and the availability of swill, and that sort of thing. It is controlled from headquarters as to the reasonable amount that can be allowed and also, as I have said before, what it is reasonable that the officers and airmen should be looking after. There obviously is some point at which it would begin to compete with their real job.

3136. Yes. This is the little bit that interested me: I see that only a very small proportion of pigs sold went to the mess. I take it that Air Force messes like pork, do they not?—Certainly.

13 April, 1954.]

SIR JAMES BARNES, K.C.B., K.B.E.

[Continued.]

3137. If they are rearing them why is it that such a small number go there?—It is only small in relation to the total amount. The answer is that they cannot eat pig all the time. The last figure I saw was that something like one-tenth was sold to messes. The mess can take it and they can take as much as they want of it as a substitute for the meat ration, and they do not have to pay any more than they would have to pay for meat even though pork is more expensive, and it is the remainder, and the remainder is, of course, the bulk of it, that is, roughly nine-tenths, which is offered to the Ministry of Food. But when you say "small" it is small because the actual amount is necessarily small.

3138. In other words there is no religious scruple?—None whatever. As I say, we should all get tired of eating pork every day.

3139. I see 65 per cent. of the total receipts is from the sale of pigs. What else is sold to make up this larger total?—Vegetables, fruit and market produce of all kinds.

3140. Is that sold to an outside source?—I think most of it is absorbed locally. Obviously there would be more demand for that kind of thing.

Mr. Godber.

3141. Sir James, you said just now that the number of pigs kept was related to the area of land. I would like to take you up on that point. I do not understand how the number of pigs can be related to the area of land at all. A pig is not a herbivorous animal, it is normally kept confined in buildings?—Perhaps I should have said, the size of station. That is what I had in mind.

3142. The number of personnel?—The number of personnel and the general ability to obey the rules which are laid down. You have to satisfy certain regulations as regards accommodation for the stock, availability of swill and so on, which are related to the size of the station. I meant, size of the station.

3143. I take it that this was started primarily as an efficient means of utilising the swill? That was the original intention of starting this pig-rearing scheme, was it?—I do not think I would say that.

3144. Could you tell me what the real reason was for starting farming, as it were, on this scale?—Farming was started in the war in general furtherance of the national cause.

3145. Farming by the R.A.F., as opposed to letting the land out?—By the R.A.F., the real drive started in the war in order to get more food. Then, pig keeping, of course, was a later stage and became very profitable and everybody, of course, started to go in for it.

3146. There is a sharp increase shown in 1952. Of course, we have not got 1953 figures. Will they show a further increase, do we take it? Is it still expanding, in other words?—I think it is still expanding, but it is being examined fairly closely at headquarters to see that it does not get too big from the point of view of local capacity.

3147. And it is not now so profitable as it once was?—Perhaps not.

3148. On this point you say, too, that a large part of the work is done by civilian labour?—Yes.

3149. There is a point here about the civilian labour so employed. Is it employed at roughly the same rates as the local farmers pay? The point I am making is that I hear complaints that men are enticed away from the farms by higher rates, so that these skilled men from the farms can be taken by the Air Service. Is there anything in that?—I am very sorry, I cannot answer it. I have not examined the actual rates paid to civilians as they are not public monies.

3150. You would agree that it is fair where they are employing civilians in a rural area that they should pay comparable rates?—Certainly.

3151. You will look into that?—Yes. For example, the payment that we exact in respect of airmen employed in working hours is directly related to the unskilled agricultural rate. I should normally have expected the civilian rate, which the mess determine similarly, to be related to the local agricultural rate, but I just do not know definitely whether it is so or not.

3152. May I go on to one other point, an entirely separate point on the sale of these pigs? Of course, now, the surplus ones that are not taken in the mess go to the Ministry of Food?—The Ministry of Food.

Mr. Godber.] There will be a different arrangement operating soon. Will it be necessary to consider that at all, or will they be sold to the local butcher? Presumably there will be no difficulties arising there?

Chairman.] I do not think we are entitled to go into future arrangements. We are a post mortem Committee.

Mr. Niall Macpherson

3153. May I just ask how the units finance this operation, both from the point of view of the pigs and any installations required for them?—They get a loan from the Central Fund, and, you see, this is gross profit, it is obviously not a net profit because a fair amount of it has to go back in repayment of the loan and to provide reserves for new equipment and maintenance, and so on.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

3154. Those that are already making profits from the sale of garden produce, I suppose, could utilise those if they chose to?—Yes.

Mr. Steel.

3155. I take it that what the Air Ministry are doing here is following out the good practice which applies in quite a number of industrial concerns where they have a big establishment in association with their canteens in utilising the food-stuffs which are the refuse from the canteens?—Oh, yes.

3156. And in that way they are making some money which is useful to them in this way?—Yes, they will have to pay for the swill.

Colonel Crosthwaite-Eyre.

3157. On the question of these loans which the various stations can get, do they pay interest on the loans?—I should think not.

3158. It is interest-free money?—I should think so.

3159. For an unlimited period?—Well, I think it is reviewed regularly by the Central Fund. The normal practice in a case of this kind is for the Central Fund to issue non-interest bearing loans. I have not confirmed that it is so in this particular case, but I am pretty sure it is. (Sir Frank Tribe.) This is not voted money, it is Central Welfare Fund.

3160. Yes, I fully appreciate that. Do the units concerned pay any rent for the Royal Air Force land of which they are in occupation?—(Sir James Barnes.) Yes.

3161. Rent assessed by whom?—Rent assessed by the Air Ministry. It is regarded as a fair, economic rent taking into account the special circumstances which are, broadly, that the arrangement is liable to have a speedy termination for public reasons; they are odd parcels of land, as I said before, which are only allowed to be used in this scheme if they are of no use to local farmers and then, of course, there are certain restrictions from the point of view of security and flying, and so on.

3162. You would, in general, say that the rent is based on the overall rent that the Air Ministry has to pay for the whole of the station site?—Well, you see, we own most of our permanent stations.

3163. Yes, but in that case you had to purchase them originally?—That is so. I cannot make a direct comparison with that. It is regarded as the economic rent that should be paid in relation to all the stations.

3164. It would be done by your Lands Division, obviously?—Yes. I may say I have had this reviewed once or twice to be satisfied that it is reasonable.

3165. Could you tell me a little more as to what is, in the words of the Chairman, the honorarium that these volunteers get? Is it a packet of cigarettes in kind or is it monetary?—No, it is cash, but I do not know how much. I only know it is entirely a matter for the local unit.

3166. I wonder if it is, quite, in view of the fact that civilian labour is employed?—With respect, I do not quite follow. The civilian labour is there to do it as far as it possibly can and if it wants assistance outside working hours the unit can make whatever arrangements it chooses with its own personnel for any voluntary activity.

3167. You do not feel that there could be any clash between what one might call the interests of civilian labour and the use of service personnel?—No.

Mr. West.

3168. I was wondering, Sir James, is there an establishment for the piggery scheme?—Of pigs, or the men to look after them?

3169. I am talking of the establishment in the service. Do you have an accounting officer to begin with, do you have an O.C. piggeries, or what do you do?—No, this is a voluntary scheme which is controlled from headquarters in the sense that we want to see that it is not conflicting with the public interest in any way and that it is not making a demand on public moneys.

3170. I have had some experience on an R.A.F. station. That is why I ask the question?—There is no establishment for this scheme, as such, at all. What happens is that the establishment that is laid down for the station would include provision for any necessary upkeep of the land, and if any airmen were established for the purpose of looking after the land any additional requirement deriving from the scheme itself would have to be paid for. That is, there are certain people established who can receive acting N.C.O. rank as corporal or sergeant, but the unit has to pay the difference between the normal rate of pay and allowances of such men and that of a corporal or sergeant.

3171. Of course, it becomes quite an expensive business now, and who would be responsible on the station for the keeping of accounts? Is it the accounting officer on the station or have you separate personnel for that?—No, in just the same way as all non-public funds on the station are kept, it would be for the P.S.I. to look after this under the general supervision of the officer commanding. It is not a public responsibility.

3172. No, I gather that the scheme was intended, I suppose, primarily, to raise funds for welfare schemes?—Yes.

3173. And, secondarily, to give airmen who are interested in this kind of work a hobby in their spare time?—Yes.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

3174. But undoubtedly it has gone beyond that stage now, has it not?—Well, with regard to the first of your reasons, namely, to provide money for amenities, it is a case of the more the better, provided it does not impinge on the public interest.

3175. And all the profits which are made are being used for the purpose of providing amenities on the particular station where the profit is made?—Yes, and also indirectly helping the other stations because, obviously, if there is any less demand on the general Command non-public funds which are shared out between stations, from any particular station where they are making a profit, there is a little more to go round to the units who have not got schemes of this kind.

3176. Do the profits that are made on a particular station go into the Central Fund?—No, they go to the station.

3177. Then, if they provide themselves with the necessary amenities out of this fund it will not be necessary for them to draw upon the Central Fund to the same extent as others?—Yes.

3178. Have you been able to find out how many, in fact, who are service personnel have been engaged on this work for, say, over twelve months?—Do you mean in working hours?

3179. Yes?—Something in the order of 60 over the scheme as a whole. There are 150 units who have this scheme.

3180. And they are detailed for the work, those who are engaged in service time?—Yes, provided civilian labour is not available and provided there is a temporary surplus, subject to control from headquarters to see that the period is not too long.

Mr. Hoy.

3181. Did I hear you aright to say there are actually men appointed N.C.O.s to look after the piggery?—Well, do not let us call it a “piggery”, if I may say so. Let us talk about “the scheme”.

3182. It is not meant in any derogatory way?—No, what I meant was that there are certain stations—very few—where you would definitely need an administrative orderly to keep the land tidy; and if there is one on the establishment to avoid them paying, say, a civilian bailiff, we are prepared to upgrade the man to corporal or sergeant, provided there is no expense to public funds.

3183. In other words, the difference between the ranks is paid out of the money that is drawn from the pigs, is that right?—Yes.

3184. Has it ever been suggested that men might be sent to do this work as a form of punishment?—No.

3185. Could you give us an assurance that that has never happened, that men have not been ordered to do this work, say, by an N.C.O. or an officer because of some misdemeanour?—I am afraid many years ago I learned never to prove a negative.

3186. Are you sure that is true?—Obviously I am not. There might be one doing it this afternoon.

3187. That is right. That is just what we are afraid of?—But I can say that I think it would be a very extreme case.

Chairman.] It is not among the statutory punishments!

Mr. David Jones.

3188. I wanted to raise almost the same point with Sir James, Mr. Chairman, in quite another form. You have got a number of airmen surplus to requirements and they are detailed to go and attend to the work on the farm—I will not call it a piggery—and they decline because it is not part of the implied contract which they entered into when they began service. What happens?—I think, as a matter of local administration, that I would expect them to get round that one by not pursuing it.

3189. I do not quite follow that?—By not insisting on the order.

3190. That is to say, on the part of the officer?—Yes.

3191. As long as you tell me that no personnel are compelled to do this because they happen to be surplus to requirement in any station, I am satisfied?—I am sure that is so.

Chairman.

3192. On paragraphs 14-16 I think my questions are to the Treasury. I take it that this adjustment between the Ministry of Supply and the Air Ministry is very largely due to overlap at the end or the beginning of a year?—(Mr. *Humphreys-Davies.*) Should I answer on this, because I have been present at discussions on this at previous Committees? We said some years ago, Sir, that we were fairly confident with this system and the way it would work out, and while I think that would remain true in normal circumstances, if you had a fairly stable defence programme from year to year, I doubt whether it is quite so satisfactory as we had hoped in the conditions as they have presented themselves over the last couple of years; and as you say, Mr. Chairman, during the last quarter there may be more violent fluctuations than can be bargained for when the determination is being made about Christmas time every year, as I have described previously. While we think, on the whole, that the object of this exercise is right—we would not wish, I think, to go back to a

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

system where there was not any adjustment at all, such as operated during the war years—I think we should like the opportunity of reviewing the working of this arrangement and seeing whether we cannot possibly suggest some improvements in the system which will avoid these overlapping adjustments which have to be made, sometimes to quite considerable amounts, from one year to the next.

3193. Sir George Turner told us, I think it was last year or the year before, that the Army always accept the Ministry of Supply accounts and that they do not attempt to check them. I think his words were, roughly, "It would be a waste of time if we checked the Ministry of Supply accountants"?—I think that is so, Sir. I think that is a slightly different point. There are two points here, as I understand it. The first is that the Air Ministry figures and the Ministry of Supply figures may not exactly coincide.

3194. Quite?—And in this case there was quite a big divergence between them.

3195. Approximately 2½ per cent.?—The other point is that even if both sums are right you might still find that the forecast of deliveries in any given year was not fulfilled, so that the Ministry of Supply the following year had to pay back money to the ordering Department. In this case it was the £9 million which Sir James was talking about which had to be carried forward to the next year, thereby upsetting the following year's Estimates.

3196. In paragraph 16 the Comptroller and Auditor General says that the Air Ministry checked the Ministry of Supply figures and decided that they had £5 million more of goods than the Ministry of Supply had debited them with, and they settled for a figure of £5 million more than the bill which was sent in to them. Presumably that would have tended to have rectified itself in the following year. Is there any particular reason why the Army are quite content to accept the Ministry of Supply figures whereas the Air Ministry check them rigorously, and is it a point on which the Treasury has any view?—I do not think there is any reason in nature for it, Sir, no.

3197. On the other hand, is there any reason in common sense?—(Sir James Barnes.) Except that I should have thought that delivery of aircraft and spares, and so on, are much more speculative in any given period than tanks and guns, and so on. I think so.

3198. How much time does your Department spend on checking these things, Sir James?—I would not like to say as an over-all figure, but it is considerable, because it is at three periods in the year. It is when the Estimate is being prepared, it is when the provisional settlement is being made towards the end of the financial year, and when the final settlement is made

in the succeeding year; but I ought to explain that, from our point of view, all we are doing is working the existing system which, with the approval of this Committee, was laid down whereby we pay for what is delivered, or what we think is delivered, to us in any given period, and it is up to us to satisfy ourselves, as far as we can on a broad basis, that what we pay for does, broadly, represent what we have received.

3199. Broadly, yes?—And what the Ministry of Supply pay out in the year, of course, does not refer to the deliveries that we receive in the year. They are making progress payments in relation to other years, they are making final payments not related to that year, and for a variety of causes you could never expect the two to tally and this is the difference between our figures and those of the Ministry of Supply. As you say, it begins with the discussion of this discrepancy of £5 million, but in the end the Ministry of Supply themselves agreed that our figure was the one related to the deliveries for that year.

3200. That is perfectly true, there is no doubt that your check produces a greater degree of accuracy, but it does so at the expense of putting a burden both on your accounting staff and on the Ministry of Supply accounting staff?—I should welcome any further examination of this problem.

3201. I would suggest that perhaps you might discuss the matter with the Treasury and see whether there is advantage commensurate with the strain put on the organisation of both?—Certainly, I am only too anxious.

3202. The Army do without it. I suppose the Army orders are lower than the Air Ministry orders, are they not?—That particular solution was explored at one time, and though it appears a very attractive one there were difficulties that emerged, but I should be only too happy to have this arrangement reviewed in conjunction with the Treasury to see whether we can get anything, while satisfying the canons of public accounting, which can reduce the labour.

3203. Now, paragraphs 17 to 23. On paragraph 23, Sir James, I see that in your stocktaking you disclosed a surplus of £½ million?—Yes.

3204. That is not a very satisfactory reflection on your accounting system?—I think, Sir, you will remember the difficulties that we were in in the first stocktaking after the war. We had got huge quantities of equipment over very widely dispersed sites and we had an enormous amount of equipment being returned from units that were closing down.

3205. This is a carry-over, is it?—This is the carry-over. These are, as I think I have endeavoured to explain on previous

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

occasions, rather paper surpluses which, when discovered, have been correctly accounted for and taken on charge.

3206. While we are on this question of stocktaking have you still, like the Army, large quantities of wartime material which are still cased and have never been opened?—No.

3207. Have you got rid of it yet?—There is some, but it is small. I do not think we have anything other than the items which have been referred to previously on this Committee, mainly electronic equipment and radar.

Mr. Oliver.

3208. I would like to put my first question to Sir Frank to explain the middle sentence of paragraph 20: "The units for purposes of stocktaking and write-off are a depot's holding under a section or, in some cases, a subsection of the R.A.F.'s store vocabulary". What does that mean?—(Sir Frank Tribe.) I am told, Mr. Chairman, that this was considered the most practical breakdown of total holdings in order to produce manageable units for stocktaking purposes and to spread the work of counting, ledger adjusting and submission of results over the stocktaking period. It is a method of breaking down the accounts so as to be manageable.

3209. When you use the word "vocabulary", I take it the depot or the sub-depot will have some written instruction to give them some guide as to how to ascertain the value of the things of which they are taking stock?—They do not value the stock. They see how much stock there is, but they do not value it. They are called on to value only the surpluses and deficiencies they find on their stocktaking. The accounting officer might be able to explain their system in more detail.

3210. Then, Sir James, I will ask you: In the stocktaking, would the people who

are stocktaking be able to see whether the stock was obsolete or obsolescent, and if that is so, would they be able to pass any comment about it?—(Sir James Barnes.) Their primary job, of course, is merely to count the stock. They have certain orders laid down for their guidance and in the kind of situation you are envisaging they would naturally ask for advice from supervisors and technical personnel.

3211. Are they trained men in stocktaking or are they just the ordinary service men?—They are mainly just industrial employees.

3212. Counting up the parts, is that it?—Yes, working under instruction.

3213. And they do no costing at all?—No, not the people who do the count. It is a physical check that they do.

Mr. Godber.

3214. Sir James, there is a figure of £138,277 at the top of page vi, paragraph 21, the figure of losses?—Yes.

3215. Then you see: "This item relates almost wholly to deficiencies disclosed at stocktakings carried out before 1952-53". Is it a cumulative sum over a number of years or does it relate to one particular period?—The stocktaking is a biennial one and the figures relate to a period of two years.

3216. But you would consider it is a reasonable figure in relation to the sums involved?—Yes. I have forgotten the exact amount, but it is extremely large and there has been a definite improvement in this regard. We started with a colossal problem and things were certainly not satisfactory in the last year or two, but I think now, without boasting or giving too many hostages to fortune, it is progressing very well.

3217. You are satisfied it is a reasonably low proportion?—Yes.

New Works Statement: Secret Supplement to Air Services Appropriation Account, 1952-53, forwarded in compliance with paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.

Further information relative to New Works Statement: Secret Memorandum supplied by the Air Ministry on four items selected by the Chairman for oral examination.

Chairman.] Will Members now turn to the secret documents? Those selected are on the small paper. There are four items selected. I have no questions on item 1, Wethersfield, and item 2, Farnborough.

Mr. Steele.

3218. With regard to Farnborough, could Sir James tell us in which year's Estimates and for what amount was Parliamentary authority obtained for this service?—(Sir

James Barnes.) I think we received Treasury approval for the original scheme at the end of 1945. Treasury approval for the larger scheme, the extension of the scheme to £214,000, was in August, 1950.

3219. It is an interesting story. Treasury approval was in December, 1945, and contracts for the service were placed in 1946?—Yes.

3220. But by 1950 new designs had been prepared?—Yes.

13th April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

3221. And then it goes on up to this point, and the contractor had done no building work?—Yes.

3222. Then, Treasury approval again in August, 1950?—Yes.

3223. Then tenders for the buildings invited in 1951?—Yes.

3224. And we go on from the original Estimate of £45,000 up to £327,000?—Yes. With the development of flying, of course, and the very increasing speeds in the air, of course, the whole thing changed from what was a comparatively simple method of testing to an extremely elaborate one.

3225. But, surely, in 1945, the developments in flying were known to some extent, as to the speeds which they were actually trying to operate or would be attempting to operate?—The speeds which were in operation in 1945, of course, were relatively small in comparison with the developments that have taken place since.

3226. The speeds that were being operated in 1945 might be small in comparison with what is being operated now, but in 1945 the speeds that were being visualised were surely different from what were being operated?—This began as a relatively small new feature in research and development; with the passing of the years it grew like Topsy to something very big.

3227. I have not been long on this Public Accounts Committee, but I already appreciate that these things start very small?—Yes, but I do, with respect, feel that a thing of this kind is at the very heart of future development and success of flying.

3228. I quite appreciate that, and surely in 1945 and 1946 this was known?—Yes.

3229. I remember being at Farnborough myself in 1946 and seeing a display, and it was quite clear even from what was being shown then what speeds were going to be great?—Is the criticism that we ought to have gone in for the thing in a much bigger way in 1945? If that is the criticism, then that may be so.

3230. No, the criticism is not that, the criticism is quite clear, that either the Air Ministry knew in 1945 or 1946 what their future plans were or they did not know. May I put the point to Mr. Figgures, that if it had been put to them in 1945 that this scheme was going to cost £327,000 rather than £45,000, would they have agreed?—(Mr. Figgures.) Of course, that is a hypothetical question which I do not think we could really hope to answer, but I think I would agree with what Sir James has just said. If, after we had asked them all the questions we should have asked, we became convinced that it could not be done for less than £325,000, and the Air Ministry showed us clearly in their reply

to our questions the central importance they attached to it, I think it very likely that Treasury approval would have been given then. But it is too hypothetical. It would be awfully difficult to say what one would have done five years ago.

3231. Then, are you satisfied now that the estimates put forward in 1945 were unrealistic estimates?—(Mr. Humphreys-Davies.) Yes, I think that we are. (Sir James Barnes.) Paragraph 3 of the Statement does show the extreme development that took place. (Mr. Humphreys-Davies.) I doubt, Sir, really whether the two figures can be compared. I think Sir James would probably agree with this, that the £45,000 and the £325,000 really related to different schemes. The final scheme is vastly different from the thing it began with.

Chairman.] Far be it from me to defend a witness, but I think, perhaps, if it had come to the notice of the Public Accounts Committee that you were looking ahead and you thought that you might possibly achieve the fantastic speeds we do now achieve and you were starting a scheme with the vague possibility in mind, the Public Accounts Committee might have taken rather a dim view of it, I do not know.

Mr. Steele.

3232. In my experience of this industry, Mr. Chairman, with all respect, it takes a long, long time from the thought of what might be achieved in this industry to the time when it is actually in operation, and in 1945 or 1946 I am sure there must have been some people who were conceiving speeds of 700 miles an hour and perhaps more?—(Sir James Barnes.) That may be, but what actually happened, I think, is described in paragraph 3 of this Statement, which shows what the project was at the time and stresses the enormous development that took place in the requirements.

3233. May I put one point to the Treasury: with these successive increases is not your financial control rather prejudiced?—(Mr. Figgures.) If this was in a perfectly ordinary case I think we would have to agree, yes, Mr. Chairman. I do not want anything I say to suggest that we do not mind things going up, but I think if one examines this, one can make a case for saying that there were, at least, two separate projects inside the one piece of paper; that the scale of the project changed so much, that the range, as I understand it, of the number of g. which had to be investigated in the later stage was so far above what it was at the earlier stage that it was really two projects.

Chairman.] I am quite sure the Committee has no idea what speeds there are going to be seven years hence.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

Mr. Godber.

3234. This centrifuge is a substantial project housed in a large building?—(Sir James Barnes.) Yes.

3235. Am I right in assuming that the main functions of Farnborough are being transferred to the new Royal Aeronautical Research Station near Bedford, in which case would not it be an extravagant thing to go ahead with this project at Farnborough when the bulk of this work is now to be done at the new station?—We have gone very far ahead with this Air Ministry Works service and the establishment you are referring to is a Ministry of Supply establishment. They are both Ministry of Supply Establishments.

3236. They are both, but the new one at Bedford was to take over the functions of Farnborough, as I understood it. It does seem to me a rather extravagant thing to build something of this nature at what we were told was a place which no longer had sufficient room to operate properly, and the new one would be on a much larger scale. Would not that have been the place to build the centrifuge?—At what stage was this done? This was started years ago at Farnborough.

3237. That is why I raised the point of the buildings. Tenders for the buildings were invited early in 1951. Surely by that time the new aeronautical station had not only been envisaged but was under construction?—I can only say that we specify our own requirements for research in aviation medicine and I cannot answer for the precise method in which Ministry of Supply services are carried out and where they are carried out. That must be for the Ministry of Supply.

3238. All I am concerned with is that this might be obsolete in the course of a year or two in its present position?—I sincerely hope not. I cannot answer a question about Ministry of Supply intentions at Farnborough.

3239. It should be addressed to the Ministry of Supply?—I think so.

3240. It is a serious point?—Yes.

Mr. Oliver.

3241. My difficulty, Mr. Chairman, is to find some standard by which we can judge the value for the money which is being expended. I expect that is your difficulty, is it not, Sir James?—It sometimes is, but I am very convinced that we have such an enormous amount to gain by good research and development projects that, provided the expenditure is reasonable and examined from time to time, this kind of thing pays tremendous dividends.

3242. I appreciate that. The point is that you have no means of judging whether the expenditure is reasonable, because you have

no criterion with which you can compare it? Is not that right?—The only thing we can do is to take technical opinion as much as we can.

3243. Yes. In many of these things it is not confined wholly to your Department but to other Departments where they are in the experimental stage; even the technicians cannot give you any substantial values, can they?—Obviously in the more speculative features of research and development there must be difficulties of that kind.

3244. I should have thought that was the answer. So, to some extent all your estimating in this field must be speculative?—Speculative, yes.

Mr. Oliver.] Mr. Chairman, Sir James says all the estimating is speculative, so it is very difficult for us to examine in any very great detail.

Mr. West.

3245. Before we pass from this, could Sir James tell us whether he knows of any decision to transfer these services from Farnborough to any other station?—(Mr. Humphreys-Davies.) If I might speak from what I know of the Ministry of Supply, while it is quite true there is this large National Aeronautical Research Establishment at Bedford which was started after the war by the Government and has been going on at a quite considerable pace, and at very considerable expense, there never has been any idea of transferring all the work from Farnborough to there. This particular establishment we are talking about today is, of course, not part of the Ministry of Supply establishment at Farnborough, part of whose work will go to this vast new place at Bedford, but is a separate Air Ministry medical research establishment, and as far as I know there is no reason to suppose that that will ever be moved. There certainly is no necessity for the Air Ministry establishment at Farnborough to go with any other Farnborough work which may eventually be transferred to Bedford. It is quite separate. (Sir James Barnes.) It is our aviation medicine side.

Chairman.] Does that answer your question, Mr. Godber?

Mr. Godber.

3246. I think so, although I had understood that there was a whole amount of comparable work to this going on at Bedford. I did not want it to be duplicated and this particular work to be found of no great value?—(Mr. Humphreys-Davies.) As far as I know the work at Bedford is more testing machines than testing men. This is testing men.

Mr. Godber.] Thank you, I am satisfied.

Chairman.] Are there any questions on Tarrant Rushton?

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.

[Continued.]

Mr. Hoy.

3247. Why have we underspent here?—(Sir James Barnes.) The reason we have underspent, particularly, is that we have to make provision in the Estimates before we have prepared the kind of careful analysis that we always hope to do of the requirements.

Chairman.] Now, Marham?*Mr. West.*

3248. I wonder if Sir James could tell us with regard to those items which are extensions and those items which are regarded as separate new works, how do those appear?—Is this at Marham?

3249. Marham, No. 101?—That was when we received the B.29's, or were to receive them from the Americans. We thought that the provision would be of the order indicated in the first figure here, namely, £169,000, but with greater experience of the requirements of these aircraft from the point of view of hard-standings and various other provisions it was necessary to make certain increases to the original provision.

* * * * *

3250. What is the principle that you apply in deciding what is to go under the

heading of extensions and under the heading of new works?—The new works represent the scheme as originally contemplated in the circumstances obtaining at that time, and the circumstances may change in a variety of ways; and if eventually provision is made it is put down as an extension to the scheme.

3251. New tracks, new runways, new hard-standings; would not they be new works rather than extensions?—Well, they are new works which we have to provide, but whether they are down in the original Estimate or as an extension would depend on whether they were in the scheme as originally envisaged.

3252. Does it make any difference at all to the accounting as to whether it is under the heading of new works or under the heading of extensions?—Well, it is all under the heading of new works in that sense. It merely is that you are dividing new works into new works for a scheme as envisaged at a particular time and additional new works to meet changing circumstances.

3253. And your financial control is exactly the same, it does not matter either way?—Exactly the same. It does not matter in which class they are put.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASS IX).

VOTE 3

MINISTRY OF SUPPLY.

Sir JAMES HELMORE, K.C.B., K.C.M.G., (Permanent Secretary, Ministry of Supply, called in and examined.

Chairman.

3254. Will Members turn to the Civil Appropriation Accounts, Class IX, paragraphs 33 and 36 of the Comptroller and Auditor General's Report, on pages ix and x? There seems to be some joint responsibility in this matter, and I do not see quite how to separate out the questions. I propose to ask you a few questions, Sir James Barnes, and then ask you a few questions, Sir James Helmore. I will take the Air Ministry first. I take it the cost is ultimately borne on your Vote, is it not?—(Sir James Barnes.) The cost is borne on our Vote.

3255. You will come first, then. How do you define a "special passenger"?—I do not think I wish to inflict on you, Sir, what I have here, which is the quotation from Queen's Regulations. It is defined in detail, but, if I might popularise it, I would say it is Ministers, senior officers and senior officials.

3256. When you say "Ministers", does that include junior Ministers?—It might on occasion, but broadly I am thinking in

terms not of junior Ministers, but of Air Council level, both of officers and officials.

3257. Officials of the Ministries?—Officials of the Ministries.

3258. How high?—Broadly, of Air Council status.

3259. That would include Accounting Officers?—Yes. I might say that the Accounting Officer has been abroad on several long trips, but he has never had the advantage yet of going in a V.I.P. aircraft.

3260. How far down the scale do you go? For instance, would you include the Treasury Officer of Accounts?—I do not think he would be permitted to go in it at all, or anyone from the Treasury unless he were going to a place that was not normally visited by civil aircraft. The principle is this: you asked me about V.I.P. aircraft, but, from the point of view of eligibility to travel in Air Ministry aircraft, it is only the three Services and the Defence Ministers and the Prime Minister. Civilians can only go if they are visiting places that would not be served by civil transport.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

3261. Do you agree with the accuracy of the contractor's statement that these fittings were very expensive?—(Sir James Helmore.) If I could answer that question, Mr. Chairman, I think the words "very expensive" occur in a Ministry of Supply letter. I do not know that the contractor ever said they were very expensive. They were certainly costly.

3262. Yes, "The Air Ministry were informed that, according to the contractor, the high cost" and so on. Were they very expensive fittings? I am quoting from the Comptroller and Auditor General's Report?—Subject to what the Comptroller and Auditor General has to say, I think the quotation is from a Ministry of Supply letter which was a paraphrase of the contractor's explanation. (Sir Frank Tribe) Could I just explain? The passage I am quoting was taken from a letter of the Ministry of Supply. They say: "The firm's explanation of the high cost is that the fittings, etc., which they were required to install were so very expensive".

3263. Who gave the order for those expensive fittings? Who was responsible for the standard of fittings?—(Sir James Barnes.) I think, broadly, the Air Ministry. We issued what is called an operational requirement which sets out in broad terms what is required. The translation of that into detailed requirements is done in consultation with technical experts of the two Ministries and also representatives of the contractors.

3264. I gather that when you first contemplated the alteration you set an upward limit of £15,000 per plane, and eventually the alteration cost £37,000 per plane?—Yes.

3265. And the plane itself only cost £100,000?—Yes.

3266. When did you realise it was going to cost all this?—I should think about the time of completion of the order.

3267. Not before? You started with one?—I think we had some intimation at an earlier date of a relatively small increase, something of the order of about £5,000, if I remember rightly.

3268. You had one plane seven months ahead of the others?—Yes.

3269. It took, apparently, some 16 months to complete?—Yes.

Mr. Hoy.] Before you go from that point, I think we might get this clear: according to the Comptroller and Auditor General's Report, "Delivery of these aircraft was completed by April, 1952, and it was only then that the Ministry learned that the cost of conversion was far in excess of the £18,000".

Chairman.

3270. I am just trying to lead up to that?—That is what I said, in substance.

3271. My next question is, how was it that you did not know until the final completion that the cost was so enormous?—Because we were not told.

3272. What do you say to that, Sir James Helmore?—(Sir James Helmore.) We did not know either, Mr. Chairman. May I try and put this in perspective, according to the system on which one has to work in buying aircraft?

3273. This is not buying an aircraft; this is modifying an existing aircraft?—I would like to relate those two things, if I may, Mr. Chairman. These are not things that are available; they are not things that are designed when you decide to take them. The best that you can do is to select a contractor and say to him: "We want this and this and this and this", in other words, the particulars in the operational requirement which comes to us from the Air Ministry; and, by keeping a watch on it, one keeps the cost down as far as one can. But, at the time the order is given, no one can say what the thing is going to cost.

3274. Just one comment: you say an "operational requirement", but were these four planes that were ordered the prototypes, the first four planes of this type that were ordered?—No.

3275. In that case, you knew about them?—(Sir James Barnes.) May I just attempt to interpret the phrase "operational requirement"? It is the technical term that is used for anything specified by the Air Staff as a requirement which must be met. The term "operational" is merely that it derives from the operational staff. The operational requirement in this case obviously was small, the fittings, and therefore that is not required for operations as such.

3276. Sir James Helmore, when did you, who were apparently supplying the planes, realise the enormous increase in cost?—(Sir James Helmore.) In about April, 1952. That was about the time of the delivery of the third and fourth.

3277. The first plane was ordered somewhere in June, 1950?—(Sir James Barnes.) About May, 1950. (Sir James Helmore.) Yes.

Chairman.] And you did not know that there was going to be an enormous increase in cost until two years after that, after you had made the order?

Mr. Steele.] Until they were delivered.

Chairman.

3278. That is two years. It was not a new design; it was four planes with their internal fittings being modified. They took two years, and over that period of two years, in which you had one seven months ahead of the others, you were not aware of what was going on?—That is perfectly true.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

3279. Can you explain it?—Subject to this point, that the first figure mentioned was £15,000; there was subsequently a revision to £18,000, and then later on we gave a revision of the £18,000 to £20,500, as I think is mentioned in the Comptroller and Auditor General's Report.

[Mr. Godber.] There is no indication of that.

Chairman.

3280. Even if you did, you only revised it to one half of what it really cost?—Just more than a half.

Chairman.] About £1,000 more.

[Mr. Hoy.] Which would cover the ash-trays!

3281. This was a de Havilland plane, was it not; they were the makers?—No, Handley Page.

3282. Why did not Handley Page advise you, over a period of two years, that this was going to cost enormously more than your original figures?—Than their original figures?

3283. Than their original figures; did not they advise you?—Not as far as I know, Mr. Chairman.

3284. Did you not inquire?—Not as far as I know.

3285. But why?—I think I must get back to the circumstances of this. This was an unusual operation for us. It is not one that was normal. Just after this thing was started, we had the war in Korea beginning in June, 1950, and an extreme pressure of work on re-armament, and I really make no bones about saying that for a thing of this sort it is very natural in those circumstances that people should not pay as much attention to it as they should have. I would be the first to say that financial control did not work as well in this case as it should work. The technical officers, in working out this specification, either did not realise or did not bring to attention that this was going to cost more than the figure that had been stated.

3286. What rank of person would be in touch with the makers?—About Assistant Secretary level.

3287. That is fairly high?—Oh, yes; a responsible person.

3288. And presumably some responsible person would know what was happening, that the cost, instead of being £15,000, £18,000 or £20,000, was skying? Someone must have known?—Oh, yes—well, let me say someone ought to have realised.

3289. Did you give the makers *carte blanche*?—*Carte blanche* is a very wide expression, Mr. Chairman. We did not have a cost limit. We did not have an expenditure limit in the contract.

20216

3290. Why not?—You cannot put a cost limit in a contract when you really do not know what the thing is going to cost. There was no cost limit, if I may say so, in the contract for the ordinary Hastings, which was worth several million pounds. Now, you cannot add to a no cost limit contract a contract which is only worth £150,000, as it turned out, or £70,000 odd, as we thought, with a cost limit in it.

3291. What it means is this, that you had one order running to the tune of how much—several millions, did you say? It was over one million?—About £2½ million.

3292. And while that contract was running, you gave this additional order?—We, as it were, took four off the line.

3293. [And said, "Do this"?—And said: "Bring those out differently finished".

3294. And in effect this was lost in the larger order? Is that your defence?—No, I would not for a moment say this was lost in the larger order; I am saying it was not practicable, when one has a large order which is of the order of magnitude of £2½ million without a cost limit running, then to say: "We want £70,000 worth of extras on four of these planes, and you are not to spend a penny more than £70,000". It makes no sense in relation to the £2½ million.

3295. It was not in relation to £2½ million, surely. You were providing special accommodation in four planes at a cost of £100,000 each; that is, £400,000 was the cost of those four planes. On top of that £400,000, on interior fittings you spent £149,000?—Yes. It is not quite correct to say entirely interior fittings. The implication of "interior fittings" is that we are only talking about ashtrays and carpets.

Chairman.] No; there were seats and a ladder, and things like that.

Mr. Steele.

3296. And a bar?—(Sir James Barnes.) No.

Chairman.

3297. I do not want to press the matter, but whose job was it to keep an eye on this particular piece of work? Was anyone responsible for it?—(Sir James Helmore.) Yes, the technical officer under the direction of the Director-General of Development (Air).

3298. Why did he fail to advise you that prices were skying?—I just do not know, Mr. Chairman. I suspect that he was frightfully busy, for the reason that I have mentioned, that the Ministry of Supply at that time was grossly overloaded with a very big re-armament programme put on it in a hurry. People know things and are not

M

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

conscious of them, or are conscious of them but do not realise the implications of them when they are busy.

Mr. Oliver.

3299. What I am interested in is this: do you suggest that the contractor was not working on a cost-plus basis?—The contractor's costs were investigated by our technical cost people before we agreed the price, which is one of the reasons why it took so long to agree the price.

3300. But you agreed it at a very low one. You did not agree the price at which it ultimately came out, you know?—The original estimate of £15,000 was subsequently amended to £18,000. That was a contractor's estimate for the job, which we accepted. But he said at the time: "I cannot be bound by this"; he did not say: "I guarantee to do the job for £18,000"; he said, in a much less committal way: "If you want a guide from me as to how much this will cost, the answer is £18,000". (Sir James Barnes.) I do not think at that stage the precise details had been set out. We had indicated there was an operational requirement of a general order of magnitude, but I think I am right in saying you had not got this translated into the precise detailed requirements which were eventually met.

3301. Whether the agreement was on £15,000, £18,000 or £20,000, they ultimately came out at an average of £37,350, from what I see, plus the basic price of the aircraft. That would rather suggest that whoever was negotiating this change had never taken the trouble to ascertain (1) what was being done, and (2) what the nature of the furnishings and fixings was going to be, because it is a substantial margin? It is not a small one?—(Sir James Helmore.) Well, of course, if you isolate one small piece of a transaction, any margin looks very great, but I would like again, if I may, to put this again in perspective. The cost of the military version of the Hastings transport is, as has been said, round about £100,000. These things, for this purpose, came out in the end at £137,000. The alternative that was considered before this was done was that the comparable civil airliner should be bought straight off the production line. That is the Hermes, which is the civil version of the Hastings, and I do not really carry in my head the exact figure for the price of a Hermes, but that was over £200,000; so that, for a total cost of £137,000, the Air Force received a transport fitted to its requirements using the same spares and with the same technical characteristics as the aircraft already in existence in Transport Command, and the saving there is quite considerable as against the nearest aeroplane available off the shelf, which would have cost £200,000. (Sir James Barnes.)

May I just add one thing to that, Mr. Chairman, if I may? I have always hated the phrase "V.I.P.s", and we are getting now into V.V.I.P.s, and I do not know where we are landing up in this; but, without in any way wishing to interrupt the questioning, again I would like to put something in perspective. These transports, before they were modified, were fairly rough going. We do have complaints from senior people that it is pretty hard. I think it is entirely reasonable to have one or two—"V.I.P." spoils the atmosphere—planes that are comparable to the reasonable standard of comfort that you can expect if you are travelling, say, by B.O.A.C. or any of the big airlines, because, V.I.P. or no V.I.P., in what they are doing when they go abroad they have got a terrific load of responsibility, and they are keeping all kinds of hours, and it is a broad economy to see that they travel not in the kind of luxury which the term "V.I.P." connotes, but at any rate in some reasonable standard comparable with civil airlines, and that was the intention of the operational requirement which was translated into detailed terms when the first estimate was made. I am not familiar with the contractual procedure of the Ministry of Supply, but I imagine that the £15,000 or £18,000, was pretty well a guess that was unrelated to the precise things which did cost money, such as the type of seating and that sort of thing which were eventually put in, with the result that the aircraft we got, despite the fact that the fittings and modifications cost twice as much as the original guess, was over 30 per cent. cheaper than the only civil aircraft that you could have bought to do that job; and obviously, as Accounting Officer, I am not too happy with any system whereby I cannot keep in close touch with developments of prices, because it obviously would have enabled you in this case, had we known of these things, to say: "What would you have done?" Well, I should have looked to see whether there would have been one on the stocks. I should at least have looked to see whether you could not cut and contrive a bit on the other three. At least I should have had an opportunity of doing so, and I am sure Sir James Helmore would entirely agree, it is not a satisfactory position when I do not know and he does not know; but I would say that, looking backwards, had we known, I do consider that the standards that have been exacted in this case are entirely reasonable and defensible as things to be purchased. I cannot answer as to how economically they were in fact purchased, which is for Sir James Helmore.

Mr. Hoy.

3302. Before Mr. Oliver proceeds, Mr. Chairman, may we get the answer to this, with regard to costs, and it may help Mr.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

Oliver as well: the Comptroller and Auditor General says in paragraph 34 of his Report: "The first aircraft, ordered in May, 1950, under a contract which left the price to be agreed later, was completed in September, 1951." Now, if this was the case, was there no inquiry as to the price when that plane was completed?—(Sir James Helmore.) It was on a price to be agreed basis, and it was not until the aeroplane was completed and we had technical costs people available to settle the price that we could so settle it. I agree straight away that there ought to have been available at that time a closer estimate of what the final price would have been.

Mr. West.

3303. I am not quite clear about this. I gather that the Air Ministry would have had some consultations upon the standards of accommodation required before they fixed the upper limit of £15,000?—(Sir James Barnes.) On a very broad specification. (Sir James Helmore.) I am bound to say there—I do not want to introduce any remote hint of a difference of view between myself and the Air Ministry—that we did tell the Air Ministry that we could not be bound by the £15,000 or £18,000 price.

Chairman.] I think we had better get back to Mr. Oliver.

Mr. Oliver.

3304. Sir James, forget V.I.P.'s altogether?—(Sir James Barnes.) I should be very glad to. (Sir Frank Tribe.) I did not use the expression.

3305. I am very glad to hear it. For ordinary decent civilian travel—that is the standard I am putting, and no V.I.P.'s about it—are you satisfied that what has been done and the costs which have been charged are reasonable?—(Sir James Barnes.) I am quite content that the standards are reasonable. When you say "the costs", I naturally want to get it at the cheapest price, and I must rely on the Ministry of Supply to get it at the cheapest price. If Sir James says: "This is a reasonable price to pay for what you have asked for", I am perfectly content. You may say, "Well, does that apply throughout?" Quite obviously it does not. If, for instance, he said he wanted £300,000 for a plane of this kind, I would have to say, "V.I.P. or no V.I.P., we must think again." But, within any reasonable limit—and I would have regarded this as a reasonable limit when the total cost comes out at more than 30 per cent. less than the comparable civil airliner—I am content with it as a gross figure. I am also content that the standards of requirements were broadly reasonable. I am in the hands of the Ministry of Supply as to the total costs.

20216

Mr. Hoy.

3306. Are there pictures of it?—Yes, I have brought these along so that we should not be cheating at all. (Sir James Helmore.) There are three of the unconverted Hastings *there*, and *those* are pictures of the details of the fittings. (Photographs were handed to the Committee.)

Chairman.

3307. Might I just inquire, while Members are looking at the photographs: the Hastings is the military plane?—Yes.

3308. And is the Hermes the identical plane modified for passenger transport?—No.

3309. Why did Sir James Barnes refer to it as a comparable plane?—(Sir James Barnes.) I said, if we had to go into the market and get one for this purpose that is what we would have had to buy at the time. (Sir James Helmore.) There are a number of identical components in the Hastings and the Hermes. Handley Page were building a military transport and a civil airliner with a great deal in common, but not all in common.

Mr. Oliver.

3310. My next question is directed to Sir James Helmore. I want to direct your attention to a question in the House of Commons, where Mr. Sandys gave the answer to the point which we are discussing, and this is what your Minister said: "The special fittings not included in the standard military transport aircraft which were installed in these aircraft were: crew's rest-room, with two bunks and two seats; front passenger cabin, with eight adjustable seats for staff; centre cabin, with conference, dining and sleeping accommodation; separate toilets for V.I.P.'s, staff and crew; air conditioning plant and fans; cupboards; wardrobes; luggage racks; oxygen supply; strip lighting; sound-proofing throughout; hydraulically operated door cum ladder with hand rails; refrigerator; cupboard and full kitchen equipment to cater for six crew, eighteen passengers; special emergency equipment; special aft-facing seats; special windows so that all seats had good view and passengers could read by daylight." Presumably that was the full measure of the alterations which had to be made to this form of transport?—That is so, Sir, yes.

3311. I take it that someone had to approve of all those things?—To the best of my knowledge and belief, all those particulars are quoted from the Air Ministry requirement.

3312. So the Air Ministry requested all those things to be put in?—Yes.

3313. Is it fair to say that the essential purpose of those aircraft could not have been achieved at an appreciably lower

M 2

13 April, 1954.]

SIR JAMES BARNES, K.C.B., K.J.B.E.,
and SIR JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

cost?—The requirement was to provide a Hastings fitted up to reasonable airline standards, and I do not find anything in there which is at variance with reasonable airline standards, nor do I see it in the pictures we have of the aircraft as converted. If you ask me whether I am satisfied, that work having been carried out, that we had got it at a fair price, the answer is Yes. We investigated Handley Page's costs on this transaction and agreed with them a price with which I am satisfied for this extra work.

3314. But, had you known it was going to cost this sum for what you have got and with which you now say you are satisfied, would you say the Ministry would have approved?—If we had known the cost earlier, or if we had had a more reliable estimate of the cost earlier, which I think is the better way to put it, then I should certainly have regarded it as our function to say to the customer, which is the Air Ministry: "We have a revised estimate of the cost of this job. You will see that it has gone up substantially. What do you want to do about it?" and, as the final change is borne, as was pointed out, on the Air Ministry Vote, I think Sir James would agree with me that it would have been his decision. (Sir James Barnes.) Certainly. We would have examined it in complete detail to see whether there was any individual item which we could either eliminate or modify.

3315. So, do you regard this aircraft as setting the standard for fittings for future aircraft?—Well, I think this will be in service, for, I hope, a very long time. We do not get many of these so-called V.I.P. aircraft, and what the standards will be in future, in some years time, if and when they are replaced, I do not know.

Mr. Steele.

3316. According to the picture, they are not luxurious?—They are not luxurious.

3317. I am just wondering whether you got your money's worth?—That is another thing. From the point of view of requirement I do think it is defensible. As I say, I have had two very long tours in ordinary aircraft and have done a lot of work in each place I went to, and, believe me, it is a very big strain; and I consider that the provision of reasonable amenities like that do materially add to the efficiency of the people who have got the job to do. (Sir James Helmore.)

* * * * *

Mr. Oliver.

3318. Yes, but is that not rather begging the question, Sir James? The question is this: the gravamen of this, if I may use the more serious term, is that neither of you had the opportunity to say: "We do not want this", or "We want something else"?—(Sir James Barnes.) I agree.

3319. Is not that the whole thing?—I admit that; I must admit it; in fact, I think I have already. I said it is wrong that the customer should not have a chance of re-judging his requirement if the cost increases.

3320. I rather put the onus of this job on the competence of the person who is entrusted by the Ministry to negotiate with the manufacturer. He, to me, is the man who ought to have the censure, if a censure should be passed on anyone, because I cannot believe that any manufacturer would do this unless he had a pretty free hand and he knew he was going to get his bill met without controversy?—(Sir James Helmore.) What the manufacturer said to us in May, 1950, was this: "As a general indication and not as a tender price, we would submit therefore that the figure which we quote, namely £18,000, should be used, and that on the understanding that the seats will be issued to us on embodiment loan and that the work of conversion is done on the production line." I might perhaps explain that phrase about "embodiment loan" It was at one time contemplated that the Ministry of Supply would issue seats free to the contractor, but those seats were afterwards, when the technical people went into it, found to be unsuitable for the job, and the contractor was thereupon told to buy seats in the ordinary way.

Mr. Godber.

3321. Mr. Chairman, it seems to me there are two very distinct and separate issues here, and we are in danger, I think, of getting them a bit muddled up. The one I think is the standard of the conversion and the standard which we expect these V.I.P's. to travel in, and on that I would like to say, Mr. Chairman, that as far as I am concerned I am perfectly satisfied that this standard is not excessive, is not unreasonable, and I think that that is not a matter for this Committee. It is not, perhaps, for me to say, but I do not think it is a matter that needs further probing. But the other issue, which it seems to me is the important one, is the issue of accountability for what has happened. The point that really seems at issue is, if in fact the original estimate had been £137,000, probably this Committee would not have bothered with it at all. They would have considered it reasonable, in conjunction with what Sir James has said, in comparison with civil aircraft costs. That I concede, but the point that worries me is why there is this wide discrepancy, how it has arisen, and why it was not found and checked much earlier. The first aircraft was delivered, as I think Mr. Hoy, said in September, 1951, but the first indication we have of any price does not come until over six months later. Then it was, presumably, as a result of bargaining between the Ministry of Supply and Handley Page

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

from about May until December, 1952, that the figure was finally arrived at. Am I right in saying that?—(Sir James Helmore.) That is quite right. (Sir James Barnes.) I think further detailed requirements were being formulated, you see. It was not a case of having the thing cut and dried at the start; certain things were specified originally and in the course of the normal discussions taking place between the technical advisers of the Ministry and the contractors and so on, further reasonable requirements emerged. I have got a list here accounting for about £47,000. They are all reasonable from the point of view of requirements, and they could certainly never have been dreamed of being catered for in the original £18,000. What has gone wrong, as Sir James Helmore has said, is that neither of us can be satisfied with a system whereby we are not kept closely in touch with prices. That should have happened, and I think at this stage from my point of view, if I do not know anything, I assume that the discussions are taking place in the normal course between the technical people. Had I seen this as a piece of paper coming through the office, I should have assumed it was within the price unless my attention was specially drawn to it, and had it been said, "I am afraid we want some new seats and sound-proofing for the cockpit, that is another £6,000", I am sure my Division that would be dealing with it would have said, "Well, that is fine; go ahead", on Sir James's assurance that it was a reasonable price.—(Sir James Helmore.) Yes.

3322. The point is whether that £18,000 is considered a reasonable price; in addition you had this sum for seats which were not suitable, you were providing the seats and therefore one would assume that the £20,000 would not cover it, but there is this estimate of a further £11,000 per plane which is not accounted for in any way?—May I account for the whole of the increase? Would not that be of assistance?

3323. If you please?—This is for four aircraft, so all the figures are four times one. The original estimate was £18,000, which gives you £72,000. There were then design costs which came to £15,500; the Comptroller and Auditor General's Report just refers to that. The reason for that is that at that time there was a change in system. Previously drawing office work in firms had been charged for in their general overheads. It was decided, as I think rightly, at about that time that design work attributable to a particular aircraft should be put into the price for the aircraft. So that the overheads on these are lower, but there is a substantial lump of £15,000 worth of design work that had to be done. Then there were wage awards and increases in material prices and various

things, another £15,000, leaving £47,000 for what is called detail not included in original estimates, because they were missed. I can read you the list of those if you wish.

3324. No, the total seems rather large for details?—(Sir James Barnes.) They are major details in the sense of new seats, a cold air system, alterations of water system and septic tanks, different windows, and so on.

3325. The cost may well be justified. What is not justified is the delay in finding out and agreeing a price. That is what seems to me to be wrong?—(Sir James Helmore.) Certainly. If I might say so, the pricing system in this case worked perfectly normally. We are quite used—

Mr. Steele.

3326. To dealing in millions?—And so are the Air Ministry to placing orders on a price to be agreed basis where we put in our technical cost people and investigate the price charged. That happened in fact on the pure Hastings contract out of which these were taken and we did, in fact, on technical cost investigation there save far more over the estimate than the sum we are talking about now. That is perfectly normal, but the failure in this case was to transmit up-to-date estimates of what the job was going to cost.

Mr. Godber.

3327. That is the point. You did say, I think, in reply to Mr. Oliver that the larger order for the Hastings itself was also done without a cost limit. Was that so?—Yes.

3328. It was?—There are very, very few aircraft manufacturers who will take an order off the drawing board on anything but a price to be agreed basis.

3329. One other point: the question of urgency crops up several times in paragraph 33. Was there any real urgency for the first aircraft? It is mentioned that the first aircraft was required urgently?—(Sir James Barnes.) I think there was, because for over a year, if I remember rightly, there had been considerable dissatisfaction with the previous so-called V.I.P. aircraft, which was a York.

3330. You were having a strike among V.I.P.s?—That is right. One of them was a V.V.V.I.P., I think!

3331. That I think applies to the first aircraft, and then the others were ordered almost immediately. Was there further urgency with regard to them?—Not as much, no.

3332. So it could afford really to have waited until you knew what the cost of the first one was?—This is rather a Ministry of Supply point, but I should think it would be

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

very helpful from our point of view that they should be modified while they are on the production line.

3333. Oh, yes, it would be extremely wasteful to wheel them off the line and let them wait?—Again, this is yours, Sir James, rather than mine, but I should have thought that if you had guarded yourself from every conceivable criticism by getting everything absolutely right on paper, we should have paid a good deal more by waiting until they came off the production line.

3334. Would there have been any good at all waiting until they came off the production line? You say these were taken out of a bulk order. Presumably the later ones would have done as well as the first ones?—It depends how quick the line was. (Sir James Helmore.) This is pure guessing, because I was not there, but I fancy that the Hastings contract itself was running out round about that time.

Mr. Steele.

3335. You said the original cost of the aircraft was £100,000. Was that complete?—The bare Hastings?

3336. Yes?—Yes.

3337. My point being that this £18,000, which is the sum assumed here, was not the difference between the complete Hastings as you would have got it normally and the cost of this alteration. This alteration was really a stoppage of the plane at one point and new fittings being added? The cost of the plane was £100,000. I take it that was at the stage we saw in the photograph?—Yes.

3338. That is the point. Therefore, the £18,000 is the cost which you visualised as being for all the fittings?—The work of modification. (Sir James Barnes.) The fittings and modifications.

3339. What modifications would be necessary?—I imagine one of them was the alteration to the portholes. (Sir James Helmore.) I do not know that you can call sound-proofing a fitting. I would myself call that a modification. At any rate, the £37,000 per aircraft was the price settled after investigation as the extra to be paid for not having this aircraft in its ordinary form, but having it in its V.I.P. form.

3340. It was not a question of the cost of the fittings; it was the cost of everything that was involved in doing it?—(Sir James Barnes.) Yes. (Sir James Helmore.) Yes.

3341. My concern, Mr. Chairman, is that the Air Ministry decided that this work could be done for £15,000?—(Sir James Barnes.) We were told when the original general specification was given that that was the order of magnitude of the cost, but I think we were told at some stage that that certainly could not be regarded as in any way a final price. (Sir James Helmore.) That is so.

3342. What standard of work was it, tapestries and not moquettes? What was the standard of work you expected to get for £15,000?—(Sir James Barnes.) If you put it the other way, I think I could say one or two things that were not in, which were the ones we have been recently considering, such as the seats that were supposed to be not in the original price and needed special seats. You wanted new windows for a better view. There was a cold air system and one or two points like that.

3343. So what you are telling us now is that these things were not thought of when you decided on your original estimate?—No, because it does not work quite like that. You have a general conception which requires to be worked out in detail between the technical officers of the two Departments and the contractors, and in the course of that and a general mock-up that you have, certain other desirable features are put forward. If the system had worked perfectly at that stage we should have been advised that those things would cost such and such extra money. Then it would have been up to the Air Ministry to say whether they were prepared to have them and pay the money or do without them and not pay the money.

3344. So, in effect, then, as Sir James Helmore from the Ministry of Supply said in the early course of his remarks, the job was started and then a watch kept on it, but in this instance, as far as we understand from your evidence, the watch was kept on it but the people who were watching did not understand and appreciate what was happening?—They did not appreciate the development. (Sir James Helmore.) They did not appreciate the financial implications of this, nor did they transmit it.

3345. Well, is not that rather difficult as, if that is the explanation we are given and you referred to a contract of £2½ million which is being handled by the same firm and probably by the same people, what assurance can we have that if they are looking at this, with figures of such magnitude they are not, perhaps, overawed by the figures and they are keeping a proper watch on it?—I think I can give you the pretty complete answer on that. There is a great difference between a production contract to a design that has been approved and a production contract which is by way of a conversion, just: "Alter four." In the ordinary way when we are developing aircraft we buy a prototype, we follow that through, we have not exactly a sealed design, but something very like it, which forms the basis of a contract. In our long experience of average cost per pound weight of an aircraft our estimates are in fact fairly good. Modifications to aircraft which are running on a production line are dealt with through a well understood procedure

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

intervals of any changes that come to light on the probable prices of aircraft or engines that we are buying for them. I think the weak link in the chain—I speak very frankly about the weak link—is that technical people are usually surprisingly good about being cost conscious but they do need reminding from time to time that when they make within their authority any alteration which may be perfectly justified on technical grounds—it may be so obvious on technical grounds that no further question arises in their mind—when they do those things they must bear in mind the financial implications and go back to the proper authority and secure the necessary authorisation to do them. That will ensure that through the system I have just been mentioning the changes in prices are regularly conveyed back to the Air Ministry. Now, if I could quote an example on the other side of the Ministry of Supply, the side which supplies the War Office, there has been a recent case where this machine has really worked. There was a particular article we were going to buy for the War Office of the nature of mechanical transport, and we made the best estimate we could of what it would be likely to cost when in production. That estimate was subsequently revised and there was a War Office grumble about it. They said: “Well, nevertheless, we still want it”. They then cut their order and, of course, put the price per unit up and they were advised of that and they cancelled the order; and that is how I think the system should work. We should be able to keep our customers properly advised of changes in prices so that they have an opportunity to consider. (Sir James Barnes.) Of course, on these large orders of operational aircraft, as opposed to these smaller things which are being modified, there is really a system whereby one of my officers sits on the Aircraft Modifications Committee at the stage when these things are being developed. There is a watch dog of the Finance Division concerned which is responsible for this Vote who is watching to see what is happening and then reporting through the usual channels. Therefore, we have our estimate of the development of prices and are in detailed touch with the process of modifications and can work out their cost.

Mr. West.

3346. I wonder, Sir James, if you could say what is the difference in price between the ordinary standard cost and the V.I.P. or special passenger cost of conversion?—(Sir James Helmore.) I am afraid I do not quite follow the question.

3347. I understand that the Hastings aircraft has equipment or fittings to a normal standard—the ordinary form, I think, was the word you used?—Yes.

20216

3348. What is that compared with the cost for the special passenger standard?—Oh, it is £100,000 as against £137,000.

3349. I thought the £100,000 was the bare price without any fittings at all?—(Sir James Barnes.) No, it is the complete aircraft but not of the special standard.

* * * * *

3350. What would be the extra cost, then, of the ordinary standard?—£90,000 to £100,000, I think.

3351. I am afraid I am not making myself clear on this. The cost of the machine is £100,000?—You mean, what is the bare bones before you fit it up at all?

3352. Precisely?—I do not know. (Sir James Helmore.) I do not know, almost trivial.

3353. Trivial, because it seems to me that you would have to add those costs to the costs of the conversion to find out because they were not put in originally in the four aircraft. They were converted, as it were, in the process of construction, were they not?—Yes.

3354. And I was trying to find out what precisely the cost would be for the conversion for special passengers. It could be more than £37,500?—All I can say is that the Hastings as delivered in its ordinary form costs approximately £100,000.

Chairman.

3355. Might I just intervene here? You have shown us a picture there of the Hastings. Is that the Hastings as delivered to you?—As delivered to the Air Ministry, as subsequently delivered to the Air Ministry.

3356. As subsequently delivered to the Air Ministry without any seating at all, apparently?—(Sir Frank Tribe.) I am told that the latest estimate of the cost of the airframe is £53,000 and of the four engines about £20,000.

Mr. West.

3357. What about the fittings, the seating and things of that sort, to ordinary standards?—(Sir James Helmore.) It is a somewhat colloquial answer, but I think it is about half-a-crown's worth of tin and straps.

Mr. Steele.] They are really transport for freight?

Chairman.

3358. These are transport planes?—These are not necessarily for troop transport, for personnel transport, in their bare form. They are available for transport, that is to say, it may be, to take spare engines or a machine tool to a squadron, or freight of any kind or passengers, and all the passengers who happen to travel in them take the dimmest possible view.

M 4

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

Mr. West.

3359. Were the seats which you were to provide originally satisfactory to the Air Ministry?—(Sir James Barnes.) No, apparently not.

3360. Was it your Ministry who decided against that seating, or was it the manufacturer?—Oh, it would be the Air Ministry. It would be a joint conference, but the main responsibility would be the Air Ministry's in that, as to what was required, what was a reasonable standard. Then, the others would advise the practicability and whether it could be done in another way or a cheaper way, but we would say, I imagine, "This standard of seating is not good enough, now we have seen it, for the purpose required."

3361. And I assume that your experts, when they looked at it, would know what the approximate costs of those seats would be which would be supplied by the Ministry of Supply as compared with the approximate costs of the others which would be put in?—They ought to, but as I have already said, we do think there has been in this particular case a certain degree of unsatisfactoriness in the sense that it was not financially appreciated and reported.

3362. Do I understand, generally speaking, when you have contracts of this sort, that your estimates are firm and are well within the ultimate price and this is an exceptional experience?—(Sir James Helmore.) I would certainly not like to claim that our first estimates are always near the basic price. For one thing, we have been living in a world where costs have been increasing of both materials and labour.

3363. But your advisers on this point would know what the increased costs are?—We do not know what they are going to be. (Sir James Barnes.) Nor do you know what modifications there are going to be in the plan. (Sir James Helmore.) What I do claim is that we have a system which normally enables the Air Ministry to keep up to date with what we know or can foresee about the cost.

3364. Apart from someone not having done the appropriate thing at the appropriate time, do I understand from you now that what is revealed in the Comptroller and Auditor General's Report with regard to the conversion of these four aircraft is typical of the contracts which you enter into?—No, it is typical in the aircraft case in this sense, that it is a contract placed on the basis of an estimate by the firm, which we may or may not criticise, what it will cost, without a cost limit, but with a provision for technical cost investigation and settlement of the price. Now, it is different in that it was for only four off, four to be modified. In the case of fighter aircraft we obviously talk of hundreds off,

and there it is possible to get much closer to a final price by about the time the twenty-fifth or thirty-fifth, or some number of that sort, comes off the line. (Sir James Barnes.) There is, I should have thought, an additional difference too. We are talking here of detailed modifications which are regarded as entirely reasonable and economical, though they were not mentioned and evaluated by the people whose job it was to see that these aircraft were fitted up to reasonable airline standards, but when we are dealing with operational aircraft you have the first estimate and you know precisely what that relates to. Then, when you begin to make modifications and alterations there is a very exact procedure for financial consultation. We are in very close touch with the development of prices and this kind of thing could not happen on a big scale because you would have a financial representative in, without being specially brought in, at a much earlier stage.

3365. Do I understand then that so far as your general contracts are concerned you do not work on the basis of "We will pay you at the end" and not consider what the price will be?—Well, I do not do that myself. (Sir James Helmore.) Basically we must always work on the basis of a settled price when the manufacturer finds out what it costs to make the thing.

3366. It is after the event?—Yes, after cost investigation and settlement.

3367. So it would be quite wrong for me to suggest that any estimate which you received then would be anything more than a very, very rough idea at all? Those estimates which you get Treasury approval for, for instance, would be very rough and unreliable, would they?—Let me take an imaginary case: a requirement may come in today from the Air Ministry for us to develop a completely new fighter, and in order that all of us can consider whether that is to be done and how many we should aim at producing it is necessary to have some estimate of the cost, and we do try to make an estimate of what a fighter may be likely to cost when we first see it sketched out. After it has gone out to design and tenders come back you can make a better estimate. When you select the firm on the basis of the designs and have a mock-up you ought to be able to make a better estimate, and so on. What I said about settlement of prices was that when you are taking a production of 400 you may have a good opportunity to settle the price as soon as the manufacturer has produced, say, 25 or something of that order, but when you are doing four you clearly have no such opportunity. Our estimating, I think, would be better on fighter aircraft because that is a thing we understand very much better than conversion of bare transports to airline standards.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

Mr. Steele.

3368. May I put one question following that: in settling the price at the end of the day in this contract you had to come to some settlement with the contractors and, therefore, in settling the price did you have some difficulty? Were the contractors satisfied, or did you have to say to the contractors: "Well, look here, you are asking too much", or what exactly happened in this case?—It is done on the basis of investigation of costs on a system which I think is accepted so far by the aircraft industry and by us as producing the right answer.

3369. Were the contractors satisfied the right answer was produced in this case?—I think, generally speaking, the aircraft industry regard our technical costs people as beasts, but just beasts, which is perhaps how it should be.

Mr. Hoy.

3370. The Comptroller and Auditor General says in paragraph 33: "The basis of equipment was a layout plan prepared by the contractor to a standard which was supposed to be no higher than that of up-to-date civil aviation services". That is the plan that was laid out by Handley Page; and the Air Ministry were then informed that this was going to cost £15,000, and they said: "Well, you will keep it down to this". Then, when they were told it would be £18,000, they said: "We are prepared to go to this limit", and that was for that amount of work. I do not think there is any dispute about that. That is the amount of work. Now, let us go to the finish of paragraph 34: "The Air Ministry were informed that, according to the contractor, the high cost was due to the very expensive fittings, etc., which had been installed". Now, we are not dealing with modifications at all, we are dealing with fittings, and the Air Ministry have been informed by the contractor: "Well, all this addition is in fact due to the very expensive fittings which had been installed". Who gave the order for those fittings to be installed?—The words "Due to very expensive fittings which had been installed" are a quotation from a Ministry of Supply letter.

3371. I am prepared to accept the Ministry of Supply's word for this. I do not believe they would have said they were very expensive unless they were?—I think one can only rely on the judgment one now forms on looking at the photographs of the aircraft, which seem to me to show that the fittings did truly cost this amount, but the implication in the words "very expensive", is that there was something culpably expensive in them.

3372. It was your own Department who said: "These were very expensive", so you informed the Committee. Why did

your Department say they were very expensive fittings? What was your reason for so doing?—I think the Department was trying to excuse itself for having appeared to mislead the Air Ministry in the earlier estimate.

3373. Are you suggesting, then, that there was nothing expensive about the fittings and, in fact, what you told the Air Ministry was quite untrue?—The £18,000 did turn out to be erroneous.

3374. With all due respect, I am not dealing with that. You agreed that there was a plan laid out by Handley Page, which is a very competent firm. They had a layout to the instructions of the Air Ministry and it was said it was going to cost £15,000, and the Air Ministry were very good in this respect, they said: "All right, but keep it down to that". However, the contractor decided it was going to be £18,000. You so informed the Air Ministry, and the Air Ministry said: "All right". I suppose they did not like to going up £3,000, but they said: "We are prepared to accept that figure". Now, it turned out that they cost more than twice that sum and the Ministry of Supply informed the Comptroller and Auditor General and the Air Ministry that it was more than double because of the very expensive fittings which had been installed. Now, apparently there was a change in the original fittings and the final fittings. In other words, at least let us agree that they were much more expensive than the original fittings?—Yes.

3375. Now who gave the order for that to be done?—I think I have the point now. The assumption of your question is surely that somebody had specified all the fittings in detail before the order was placed in the first case, or the estimates of £15,000 or £18,000 were given, and that at some stage somebody said: "There is not half enough chromium plate on this table or the ashtrays will not take a big enough cigar," or whatever it might be. That is not so.

3376. But, Sir James, it was you who said so. I can only accept your word?—(Sir Frank Tribe.) The letter which I quoted said this: "The firm's explanations of the high cost is that the fittings &c., which they were required to install were so very expensive." That implies it was not the firm's initiative, it was somebody else's initiative.

3377. Yes, that is just the point I am trying to ask Sir James. Who, in fact, gave the order for these fittings which Handley Page were required to put into these particular planes?—(Sir James Barnes.) I think, if I may, I can answer this. I think the Ministry of Supply probably know more about it than I do, but I am quite confident that this was done by our own operational requirements people in consultation, as I have said several times before this after-

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

noon, with Sir James's technical experts, and they have said: "Now we want to have a decent aircraft. We do not want too luxurious a one but clearly these seats will not do." In the initial stage we had said: "Well, we will give you the seats." They decide the seats will not do, then they decide that something else will not do. From their point of view all these things taken individually are all right, but when somebody attempts to blow up the contractor and say: "Goodness gracious, what is all this about," and that sort of thing, the contractor says: "Why do you ask for such expensive fittings, &c." I would suggest, though this is a letter not in my Department, that the word "fittings" has a rather indefinite connotation in this particular context. What was expensive were the things that they were asked to do, and what we have attempted to explain this afternoon is that, from my point of view, though I did not have an opportunity of examining these details as I certainly ought to have done, and would have done had I had the opportunity, looking backwards and without going into it in as much detail as we would have had to do at the time, these things strike me as reasonable requirements and it is for Sir James Helmore to say whether he thinks he paid too much for them or not.

3378. With all due respect, Mr. Chairman, that is not the point at issue. I must say that that answer is the least convincing of them all. I am saying that this was given and this firm said "This has cost twice as much because somebody has ordered very expensive fittings." Now all I am asking is the simple question, who gave the order for these more expensive fittings? Surely either of the Ministries can answer that question?—(Sir James Helmore.) No, I cannot answer it in that form. What I can say is, as Sir James has said, that the representative of the operational requirements side of the air staff and one of my technical people, a responsible person, agreed together that this chair, or this chair, was the right answer to the general description "seats to normal airline standard."

3379. I do not think that has taken us very much further. May I ask you about this plane that was completed in 1951? I presume that this plane was fitted in exactly the same way as the other three?—Yes.

3380. Did nobody ever say to the Air Ministry or to your Ministry that this had gone up to more than twice the amount Handley Page had said to you this would probably cost, £18,000?—No.

3381. But Handley Page surely was bound to know—because this plane was in fact a completed plane—that the cost of it was going to be more than double that? Did not Handley Page ever say to either yourselves or to the Air Ministry—it would be

to you, I suppose, because you were the ordering department—"This has cost more than twice as much as we originally figured it out to be"?—To the best of my knowledge and belief this is certain: the first plane was delivered in October, 1951. The first we heard of the probable final cost of the four was the 1st April, 1952, and I have no record of any message from the firm about the first one costing, let us say, £37,500.

3382. I think you will agree it was amazing slackness that a firm can go on to do that sort of thing when it knows that the price is more than twice as much as it had originally suggested to you it would be?—Do you mean slackness in the Ministry of Supply or at Handley Page?

3383. I think both, if I may say so. Now, were these planes actually used for the purpose for which they were specified?—(Sir James Barnes.) Yes.

3384. Are they still being used for that purpose?—Still being used.

3385. Are they used very much?—Yes.

Chairman.

3386. I would just like to ask Sir James Helmore a question or two. After you had had the estimate of approximately £18,000, were there continuous modifications in the specification on your orders?—(Sir James Helmore.) Yes.

3387. There were. For instance, did you arrange for a certain quality of seat to be put in and then increase the cost of the seats that actually were put in?—As regards the seats there was a definite change.

3388. One moment. It was a change from a less expensive to a more expensive seat than was originally specified?—Yes, and moreover, it was a change from a seat which we would have issued from stock to a seat which had to be bought. That is to say, in the original estimate the cost of the seats was nil.

3389. I see, there were no seats in the original estimate?—The firm were not supplying the seats in the first estimate.

3390. And they did in the second instance?—We were supplying the seats to them to fit.

3391. How far did that steady modification of the requirements apply to everything throughout the whole of the alterations?—I think it is the list I read out in reply to another member of the Committee.

3392. First of all you had the bare aeroplane?—Yes.

3393. You then apparently gave the manufacturers a specification of the alterations you required?—A very broad specification.

3394. Yes, a very broad specification. Probably you would specify qualities and so on?—Only in general terms.

13 April, 1954.]

Sir JAMES BARNES, K.C.B., K.B.E.,
and Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

3395. What I want to find out is how far, during the process of the alterations, did you modify the general scheme that you originally put to the manufacturer? Was it an entirely different aircraft that you got at the end from the one which you had suggested at first?—No, not entirely different. It was better. The first ideas were deficient in certain things, for instance, polishing the aircraft and painting the top white and putting in a cold air system, total cost, £5,700, because otherwise if you have these aircraft standing at an airfield in the Tropics people will faint when they get in them. That is the sort of modification that airlines have had to do after they have bought aircraft.

3396. Apparently you really had not thought out the scheme you wanted?—In full detail, no.

3397. Even approximately, is not that true? I am trying to get the facts. Is not that true that when you first approached them and got a price of £15,000 you had only the sketchiest ideas of what you wanted?—(Sir James Barnes.) I think I must accept a little responsibility here. I think that is true. That is what normally would happen. You would give an indication and you would get a broad estimate of cost. Then you would go and have conferences—it is not one conference, it is a series of conferences—and the mock-up of the aeroplane. You then find certain things which you must have and certain things that you think are desirable. As we said before, what went wrong was that at that stage, which is the proper stage, we should have been kept in closer touch, both of us, with the cost of the proposed modifications, because these are people who are saying: "No, in working this out you really must have this, that and the other addition, and you must have this, that and the other slight change", when you are not making a definite addition. Then, in a perfect world nothing ought to happen at all until your chaps report the cost to you.

3398. I am not worrying about the cost for the moment, I want to get at what has happened to the physical thing?—The physical need would be that at the start there would be, we call it, a general one, but it is a general one with a good deal of detail in it, to enable the thing to get started; and there is nothing abnormal, as I understand it, in working this out in the early stages after the broad design.

3399. How many different modifications of the modification were there? Did you do a job and then rip it out again and alter it?—(Sir James Helmore.) No, I do not think so. I have never heard any such story about this.

3400. You said that if you had wanted Hermes, which were equivalent aircraft, you would have had to pay £200,000?—(Sir James Barnes.) I used that as an illustration. If we had had to have an aircraft that would have been the one, but the Hermes is not strictly comparable in price. It is true that I said that we saved over 30 per cent. by buying these and if you had bought a civil machine you would have had to pay that, but the Hermes is a bigger aircraft, is not it, it has got greater seating capacity? It is the comparable one. If we had had to buy a civil aircraft we would have had to buy one at £200,000, approximately.

3401. So, really, the shape of the matter seems to be this, that you started off with the sketchiest ideas, that the people on the site developed as they went along and did not keep you informed?—I think that is right. (Sir James Helmore.) Yes, if I may say so, Mr. Chairman, if by "sketchiest ideas" you mean ideas in outline. (Sir James Barnes.) "Ideas in outline" I think would be fairer.

Chairman.] Very well, if you prefer that phrase.

Mr. Hoy.] What is the phrase?

Chairman.] I suggested "sketchiest" and the witnesses prefer the phrase "ideas in outline". I think we can agree on that.

Mr. Hoy.

3402. I must say the finished product does not look luxurious to me. I just wondered where all this money went. It does not look luxurious by the photographs?—It is not.

Chairman.

3403. I rather think the trouble of the matter is this, as so often happens, that your first price is always a great deal too optimistic?—Yes.

3404. There may or may not have been extravagance here. I do not think we can cut it out, but the Public Accounts Committee is entitled to take great exception to an estimate of £X and a final cost of £2½X?—Certainly. (Sir James Helmore.) Oh, yes.

3405. That has been the grayamen of our problem today?—(Sir James Barnes.) Certainly.

The witnesses withdrew.

Adjourned till Thursday, 29th April, 1954, at 4 p.m.

THURSDAY, 29TH APRIL, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Mr. Godber.
Mr. David Jones.

Mr. Niall Macpherson.
Sir John Mellor
Mr. Oliver.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES, called in and examined.

CIVIL APPROPRIATION ACCOUNTS (CLASS IX).

VOTE 6.

MINISTRY OF MATERIALS (TRADING SERVICES AND ASSISTANCE TO INDUSTRY).

Sir ERIC BOWYER, K.B.E., C.B., Permanent Secretary, Ministry of Materials, called in and examined.

Chairman.

3406. Will Members turn to the Civil Appropriation Accounts (Class IX) to page xi, the Comptroller and Auditor General's Report paragraphs 40 and 41? Sir Frank, I think perhaps it would be for the help of the Committee if you would explain rather more fully what is, I think, a strictly accounting point embodied in paragraph 41?—(Sir Frank Tribe.) Yes, Sir. The question is a very simple one. It is whether the whole of a grant in aid can be charged in the Appropriation Account in the year in which provision has been made if in fact a part of the grant has not been paid to the grant-aided body but transferred to a deposit account under the control of the paying department. The Ministry's 1952-53 Estimates provided for a grant in aid of £90,000 for the company mentioned and £84,500 of the grant was duly paid over in the year. The Ministry, however, thought that the company would not need the remaining £5,500 until after the end of the financial year and with Treasury concurrence they transferred this sum of £5,500 to a deposit account until such time as it might be wanted. The whole £90,000 has been charged in the Appropriation Account, and there is a note on page 34 disclosing the fact that £5,500 of it was placed in the deposit account. I think one must consider this in relation to the Exchequer and Audit Departments Act which says that "An Appropriation Account . . . shall"—these are the actual words—"exhibit on the discharge side . . . the sums which may have actually come in course of payment within the same period"—that is, the financial year—"and no imprest or advance . . . shall be included". An unpaid balance transferred from one account to another in the Government books cannot, in my view, be said to have come in course of payment, and if by some

stretch of the wording it could be regarded as paid, that is, paid out of one pocket into another, it would then be an imprest or advance and not a final payment. The procedure adopted has, of course, certain practical advantages. You either save unnecessary expenditure in the year or save the trouble of surrendering the balance and revoting it in a later year. The fact remains, however, that under the accepted rules of Vote-accounting it does not seem to be in order; and I am doubtful whether any strictly admissible alternative can be devised to surrendering the unpaid balance and asking Parliament to revote it, if required, in the following year.

3407. In other words, in the way it has been carried out, the Accounting Officer gets a discharge for the £5,500, though it is still in his control?—Yes, that is how I see it. I should perhaps say that I have referred in paragraph 41 to certain previous considerations by past Committees of Public Accounts of similar problems that have arisen from time to time. I could, if the Committee wished it, give details of those but I do not think it is necessary for the consideration of the present case.

3408. No, I do not think so. Sir Eric, why did you choose this method of dealing with this balance?—(Sir Eric Bowyer.) We did think that we were complying with the rules as we knew them but the practical reason why we did it was, in the first place, that we were keeping fairly close control over the advances to the company to see that they were not put in funds to too great an extent, and we had decided that £84,500 was as much as they needed that year. If we had surrendered the balance of £5,500 we would have had to have had it voted again the following year and at that particular point in time it would have involved a Supplementary Estimate. These were the practical considerations which

29 April, 1954.]

Sir ERIC BOWYER, K.B.E., C.B.

[Continued.]

made it desirable to do it that way, in our view, if it were in accordance with the rules. As to the question of any misunderstanding by us about what the rules were, I think that that is an accounting point on which the Treasury would probably wish to speak.

3409. In other words you pass the problem over to the Treasury; Mr. Figgures?—(Mr. Figgures.) Yes, Mr. Chairman. Could I emphasise again that as a matter of practice we had these three choices, first, to surrender the balance and take a Supplementary, because when the information that the money would be needed in that year arrived it was too late to put it in the main Estimate, secondly, to pay over the money to the grant-aided company even though it would not actually be required before the end of the year, and thirdly this particular technique. This particular technique was adopted primarily because it was felt to be unnecessarily cumbersome to have a Supplementary when in fact the amount of money which would be spent during the two years would be precisely the same as Parliament had been told and had approved. The excessive issue was not adopted, I think, quite properly, primarily because this Committee has been discussing the question of keeping the balances in the hands of grant-aided bodies down to the minimum at the end of the year and we, therefore, fell back on this particular technique. This technique is an ancient technique which we have regarded as being valuable for use in extraordinary and exceptional circumstances. The last time we used it was in 1928.

3410. It was discussed in this Committee the first year I appeared, in 1929?—Now, I must confess that we did not follow out in the new technique all the details in which we had established it at that time. At that time a similar occasion arose, we used a similar technique and there was discussion between the Treasury and the Comptroller and Auditor General of the day, which ended with a Treasury Minute which, after setting out the method by which this should be done, has these words at the end: "They direct, however, that if in future the transfer of any part of a grant in aid is made in an account not clearly indicated in the Estimate, notification should be made concurrently to the Comptroller and Auditor General".

3411. That is a Treasury Minute, but as far as I remember, the Comptroller and Auditor General was still highly critical of the method adopted in 1929?—I do not think so, Sir. I hate to quote the Comptroller and Auditor General against you, Sir, but there is a letter saying that he agrees to that very proposal of the two courses open in dealing with this and thanking us for the letter containing a copy of the Treasury Minute.

3412. What were his comments in the body of the Committee? At any rate, I think the question is not what Sir Malcolm Ramsay said but what this Committee says?—I understand this drill was understood by the Committee and was not commented on adversely by them; at least, there appears to be no reference to this Committee's comment subsequently.

3413. No, it is merely the minutes of evidence?—That is right, the Committee knowing this was the practice did not comment.

3414. In effect, if I understand you rightly, you use this method because you think it is less trouble than to surrender and then produce a Supplementary Estimate; but in view of the fact that one of the strict principles of accounting is that Departments do surrender, and that it is the essential of our system that Departments surrender balances, the mere fact that on rare occasions, for example, once every 25 years, the Treasury is put to a little trouble does not seem to me to be a particularly strong argument for breaking the fundamental rule of Parliamentary accounting?—With respect, Mr. Chairman, I do not think it is a question of trouble for the Treasury or for the Department. There is no trouble involved in submitting a Supplementary Estimate for this.

3415. Then what is the objection?—Quite frankly, I think the unnecessary overloading of Supplementary Estimates for an amount which in this particular case is really trifling. While we think, with respect, Mr. Chairman, if the Department had handed over the £5,000 to the grant-aided body—

3416. No one is suggesting that. The Public Accounts Committee has expressed its opinion on that quite clearly and definitely, I think, but the point is that you did not follow the normal practice of surrendering money that was to be spent in the following year and that, I think, is the question that the Committee will have to consider?—We would not pretend that this method should be used save in the most exceptional cases and for small amounts. With respect, I think that the handing back of £5,000 to the company could have been justified as not being an excessive balance against the amount of capital that they were working on and the expectation of early use of it. Given the Committee's ruling I think we could have justified it as being not excessive, but because the Committee has been concerned about excessive balances, we used this technique to avoid the cumbersome of a Supplementary, asking Parliament three times for something it had already approved twice, and as an alternative to that and to putting the company in funds. But I do regret that we did not follow the understanding which we had drawn up in 1928; this was, quite

29 April, 1954.]

Sir ERIC BOWYER, K.B.E., C.B.

[Continued.]

frankly, due to the fact that we have not used this procedure very regularly and we had forgotten. (Sir *Frank Tribe*.) Perhaps I might explain. The arrangement was that what had been done should be reported to the Comptroller and Auditor General who would have an opportunity of reporting it in his next Report to Parliament if he wished to do so. I have raised this, not really so much on the desirability of one course or other, as to inform Parliament. I think I should have had to do so, even if I had received notification, as in my view, however practically advantageous this may be, it is a contravention of the Exchequer and Audit Departments Act which I am bound to bring to the notice of the Committee.

Mr. David Jones.

3417. On paragraph 40, Sir Eric, do you think the joint provision of £120,000 would be sufficient to prove or disprove the possibility of large-scale production?—(Sir *Eric Bowyer*.) No, there is, in fact, an additional sum of £40,000 in the Estimates for this current year.

3418. Do you think that the additional £40,000 will enable you to reach satisfactory conclusions?—We hope so. It will enable another year's crop to be tested. It will enable them to carry the test a stage further and certain quantities of the fibre which have been produced already and which has been tested in the Dundee Jute Research Association have given promising results.

3419. You think it reasonable to hope at this stage that that will be the end of public finance for this purpose?—Well, I think it would be a rash man who would say that on a scheme of this kind.

3420. Are you satisfied that the public expenditure to date has been justified by the result?—I would put it this way, that we are all satisfied that this is an eminently worth-while experiment. There are indications that the amount of money appropriated to it so far and to be further appropriated this year, if Parliament so approve, is worth while spending on it. One cannot say whether it will in the event be successful but it is an experiment which, certainly, we should have been failing in our duty if we had not tried.

Mr. Niall Macpherson.

3421. Is the proposed expenditure of £40,000 to be matched by a similar contribution from the industry?—Yes, it is £20,000 from the Department and £20,000 from the industry.

3422. How is that to be collected this year?—£20,000 is being collected by £1 a ton levy on jute.

3423. Again?—Yes.

3424. What was the levy per ton in the previous year?—The levy before was £1 a ton.

3425. Is that charge passed on to customers?—Yes. At any rate, the spinners are allowed to do so.

3426. Was there any contribution from the jute spinning industry itself apart from that excess which you speak of as passed on?—No.

3427. So it is really the consumer who is contributing rather than the jute industry?—Yes.

3428. Does it give the industry an equal voice with an equal control of the research company?—No, not quite. Actually the control of the research company is vested in three Government directors including the chairman, three from the industry one nominated jointly by the industry and the Government, and one by Messrs. Booker Bros. McConnell & Co.—a firm with wide experience in the growing and marketing of crops in British Guiana and elsewhere, which provides various services for the Research Company. It does not give the industry quite equal rights in the ultimate disposal of anything that may accrue, but it is true the Minister is bound to consult them on the disposing of any rights or benefits which may ultimately accrue from this, whether on liquidation or on the floating of a new company to organise production on a big scale if the experiment is successful. It does give them rights, but it does not give them quite equal rights with the Government.

3429. Is the point here, that this total amount of £160,000 will be spent over a period on these experiments, and on the winding-up there will be nothing else?—On the winding-up there will be certain plant which will be of value.

3430. The experimental plant?—The experimental plant, the machinery for cultivation and packing and so forth.

3431. Will there be any permanent installation in British Guiana itself apart from that?—I should doubt whether there would be any permanent installations of any value. I think most of the physical assets which will be created by this experiment will be in the form of plant. The experiment is being carried out on the land of Messrs. Booker Bros., McConnell, and the land is being rented to us at a low charge for the purpose. So I do not think we shall be creating any substantial assets on land which is not ours.

Chairman.

3432. Turning to paragraph 45, Sir Eric, with regard to compensation, what is the total amount of the compensation paid out to staff?—£364,000. That is the order of it.

29 April, 1954.]

Sir ERIC BOWYER, K.B.E., C.B.

[Continued.]

3433. What was the United Kingdom share?—Effectively, a quarter. The compensation provision was charged to operating expenses and according to the financial arrangements half the operating expenses of the Wool Organisation were met by contributions from the wool growers, collected by their Governments. The other half was expenditure from the profits of the Wool Organisation which came half to this country and half to the three Dominions concerned.

3434. Was there any contract with regard to compensation when the engagements were made?—That I cannot say. The position was, effectively, that provision was made in general terms for compensation in the Memorandum of Association of the company when it was set up. The actual running of the company on matters of this kind was controlled by the directors, of whom there were four nominated by this Government, one of whom was Sir Richard Hopkins.

3435. That is, Sir Richard Hopkins late of the Treasury?—Formerly of the Treasury, and the other were three very reputable figures in the wool industry, some of whom had been in Wool Control during the war. The Chairman was Sir Harry Shackleton, who was Wool Controller during the war. Having entrusted the operation of this company to directors of such repute, together with the directors similarly appointed by the three Dominion Governments, in accordance with the financial plan and the disposal plan which was laid down, we left them to carry it out.

3436. You did not consult the Treasury at all, you just left the responsibility to the directors?—We left the responsibility of this to the directors.

3437. Did they consult you on this at all?—They did not consult us on this at all, no.

Mr. Godber.

3438. I would like to ask, on this question of compensation, what was the largest individual compensation payment granted under this scheme out of this sum of £203,000?—It is £360,000 in all.

3439. Yes, it is £369,000. According to this paragraph, £165,000 remained at 22nd January. The difference of £203,000 was expended in compensation payments?—Yes, £203,000 was spent before the point of liquidation and the balance was spent during liquidation.

3440. All in compensation?—I do not remember the figures and we have not, as a Department, got details of the individual payments. We understand they were disbursed according to a broad scheme laid down and that in this country they were disbursed by the head company; in Australia, New Zealand and South Africa

they were disbursed by the subsidiary companies which were created there for the operation of the scheme in those Dominions, and though general principles were laid down there was a considerable discretion left to the three individual sub-organisations to deal with particular cases.

3441. You do not feel that your Department were in any way bound to have any cognisance of the way these sums were expended?—No, frankly we do not. We feel that, having along with the Dominion Governments appointed directors of this company, and having appointed men of such repute and standing as that, there was no occasion for us, and it probably would not have been right for us, to attempt to intervene in that sort of thing. It would have been right for the directors, if they had so wished, to have consulted us but apparently, and I see no reason to question their discretion in this matter, they did not consider that it was a thing it was necessary for them to consult us about.

3442. You do not think that you should have, in fact, any responsibility over the disbursement of these sums?—I think probably technically you could say we had a responsibility, but we could have exercised that responsibility directly only by interfering with the discretion of the directors we had appointed and giving directions to them (but not of course to the Dominion directors).

3443. In fact you have not discharged that responsibility, would you say that?—We have not intervened.

3444. You have just accepted that though you have a responsibility?—I think, probably, technically we have a responsibility.

3445. Technically, then, you have not discharged it?—I should say we discharged it through the discretion we have given to the directors.

3446. You had given that discretion to the directors?—We gave them the general discretion in matters of this kind which is implied in their appointment.

3447. Have you any knowledge of how these sums which were granted compared with, for instance, usual commercial practice in these matters?—No, I have not.

3448. You do not feel that you should have enquired into that aspect?—Any enquiry we had made would have been *ex post facto*, would it not?

3449. I suppose it would, but at the same time the point I was trying to establish is that there is some degree of responsibility in your Department which cannot be entirely put off on to these directors?—I should have thought it was quite usual for responsibility to be discharged through reputable and trusted agents. The directors

29 April, 1954.]

Sir ERIC BOWYER, K.B.E., C.B.

[Continued.]

were in a position of trust. They had a plan to which they had to conform. The only specific matter on which they were required to consult their Governments was the question of a reserve price for wool in connection with disposals. They were required to consult the Governments about the initial reserve price which was, of course, a matter of very great financial importance. They were not required specifically to consult the Governments on the matter of compensation which, I suppose, was regarded as a matter of normal commercial administration which could be left to the discretion of reputable directors.

3450. That was the point of my question, as to how it compared with normal commercial practice?—We have not got detailed information about the payments made. All we know is that there was £364,000 disbursed of which so much was disbursed in the United Kingdom, so much disbursed in Australia, so much disbursed in New Zealand and so much disbursed in South Africa—by far the larger part in Australia by the sub-organisation there.

Mr. Oliver.

3451. Has the liquidation of this company been completed?—It has been completed, yes, and the liquidator discharged.

3452. Have there been any further sums accruing?—Yes, there is a sum of rather over £1 million accrued to this Government in the accounts of 1953-54.

3453. Over £1 million?—Yes, over £1 million.

Sir John Mellor.

3454. Arising out of your answer to Mr. Godber, Sir Eric, you said you had a technical responsibility and I am just trying to see how that arises. You have either responsibility or you have not, and when you limited it to the technical responsibility I should be glad if you would explain what you had in mind?—I am not quite sure that I understand myself. I have been looking at this rather from a practical angle and I was admitting that there might be a technical responsibility, but from the practical point of view I was claiming that whatever that may have been we were justified in leaving this to the discretion of the directors and their co-directors from the three Dominions.

3455. You mean there might be a responsibility which you did not consider it necessary to exercise because you thought you were justified in leaving the matter entirely to their discretion?—Yes, at no time was it considered necessary to reserve for the consent of the Government the compensation proposals.

Mr. Niall Macpherson.

3456. Could you just inform the Committee when U.K.-Dominion Wool Disposals Ltd. was set up?—It was set up in May,

1946, and at that particular time it was due to dispose of about £170 million worth of wool equal to about two years world consumption and it was thought that that would take 13 or 14 years to dispose of. It became clear about 1948 or 1949 that it was going to be disposed of very much more quickly. The disposal of wool, of course, requires skilled technical staff for storage and auctions and so forth, and it was because of the danger that skilled men who were necessary to the efficient operation of the disposals would leave that the Organisation felt it necessary, as I understand it, to frame and promulgate proposals for compensation and set aside reserves for the purpose from their receipts.

3457. Were the contracts given to the employees in the early days for a term of years?—That is what I do not know.

Chairman.

3458. Now, paragraph 81 on page xix. Sir Eric, on this question of stocktaking to what extent have you carried out the working party's recommendation as to formal inspections?—Perhaps I can deal with that by making a short statement, Sir?

3459. If you would?—Because the working party was only a part, the beginning of a continuous process which is still going on. The working party report was the basis of initial consideration by a Committee which I set up in the Department under my own chairmanship, which we called the Strategic Stores Committee, which meets roughly once a fortnight or once in three weeks, and is keeping under review all aspects of storage. Due both to this report of the working party and the activities of the Storage Committee we have done a number of things. Perhaps I may take them in the order I have them here. What we are trying to do really is systematise the thing a little more and create what I may call habits of vigilance. We have, for example, addressed ourselves to the storage requirements before any new material goes into store or any additional material goes into store, and we have required there definite statements of requirements of frequency of inspection, of the adequacy of the storage accommodation itself, the policies of turnover, if any is required, the sort of physical stocktaking that is possible, the means of stocktaking. We have ruled that all those things shall be done before new acquisitions are put into the store. We have addressed ourselves also to the nature of our agreements with commercial stockholders. As you may know some of our stores are in the hands of commercial stockholders under contracts. Others are in our own storage depots, others in the Ministry of Supply storage depots, and so forth. We have investigated the question

29 April, 1954.]

Sir ERIC BOWYER, K.B.E., C.B.

[Continued.]

whether our agreements with the commercial stockholders are satisfactory, whether the responsibility and reliability is properly pinned on them so as to keep them alert. We have with the help of the Treasury Solicitor drawn up a standard model agreement which we cannot obtain in all cases but which it is rather important to obtain where possible as the best form of agreement with the commercial storeholder to ensure the security of our stocks. On physical security we have reviewed the dangers of theft, for example, and where the materials are theft-worthy, that is, where they are of high value in relation to their bulk, we have taken, for example, the advice of Lloyd's on the best method of preventing theft. We have taken very special precautions with materials likely to be attractive to thieves, such as the high value stuff, cadmium, beryllium, copper and so forth. Those sorts of things, of course, are the subject of special precautions. We have even experimented with guard dogs at some depots and, of course, we are seeing that the local storeholder has a particularly close liaison with the police in any case where the commodity is particularly valuable. We also have taken particular precaution against fire and that is one of the things to which our inspectors address themselves when they are inspecting the stores. Some materials are, of course, more inflammable than others and in the case of commercial store activities we have the benefit of the advice of the fire insurance offices and their technical people because we insure our commodities in commercial stores.

3460. You do not carry your own risk?—We carry our own risk in our own stores, but we insure with the fire offices against fire in the case of commodities in commercial stores.

3461. Have you any particular reason for that?—Yes. We get the benefit of their technical advice to prevent fire. It is insurance against loss not of money, but to get the best advice possible to prevent fire.

Sir John Mellor.

3462. Is not there another point, settlement of claims is facilitated if it is done through that machinery?—Yes. We addressed ourselves particularly also to the protection of stocks from physical deterioration and there we have sought scientific advice from the Department of Scientific and Industrial Research and from the various research associations connected with particular commodities, and as a result of that we do sometimes find out things and are enabled to take preventive measures. To take an example, we found that one particular store was subject to the depredations of some beetles and the scientific pundits were able to put us on to a preservative which has prevented that

form of depreciation. On physical stock-taking which, of course, is another method really of keeping people on the alert, we are making physical checks wherever we can. I think I explained to the Committee last year that it was not generally possible to make 100 per cent. physical checks of stocks over the whole field. It would involve too enormous expenditure and would not be worth it, but where we have occasion to move stores for one reason or another, or where they are small in quantity in relation to their value, we have in a number of cases cleared them and made physical checks. We have also made some sample checks to ensure that the commodity in a case or a barrel or what have you is what it purports to be. We have made sample chemical tests, or sample checks, of other kinds. On inspections, which is the thing we have concentrated on perhaps most and made the biggest attempts to systematise, we have surveyed all our commodities and laid down minimum frequency of inspection for each of those commodities which varies but in no case is it less frequent than half-yearly and it is very often quarterly. We have increased our staff of inspectors. Some are full-time and others are employed part-time on inspection and part-time on other stockpile business. In fact, we have about doubled the time devoted to inspection in the last six months. We have forms of reports which the inspectors must fill up and these reports must be submitted to higher authority and it must be ensured that any action recommended in those reports is carried out, or if it is not possible to carry it out, an explanation has to be given. All these things I think I would say we do with the primary objective, not only of improving our storage, arrangements where they may be defective, but of keeping people on their toes the whole time, because we do think that that is the best safeguard of all, to employ reputable, reliable storekeepers and keep everybody in the organisation on their toes.

Chairman.] I think I have your picture now. With that paragraph we will take the Accounts on pages 71 and 72.

Mr. Blenkinsop.

3463. Could you say what has been your general experience as a result of your spot checks? Have you found any considerable losses?—No, we have not, we have only found losses which are within the limits of tolerance, as it were.

3464. You cannot compare it at all with past experience because it is on the whole a developing new effort?—No, we have no basis of past experience to compare it with, but where we have been enabled to carry out a complete physical check, perhaps where we have been clearing a store for complete turnover, the discrepancies have been very small indeed.

29 April, 1954.]

Sir ERIC BOWYER, K.B.E., C.B.

[Continued.]

Mr. Niall Macpherson.

3465. What is the costing of your inspection department in relation to the average amount of stocks held at the time under review?—The inspection department is not a separate part of the storage. We have one organisation now under the Director General of Strategic Stores. The organisation as a whole from the Director General downwards, to typists, messengers, and so forth, including accountants, probably comprises something of the order of 200 people. I cannot give you an exact figure at the moment because we are in a state of flux. We have been transferring some of the staff which were formerly engaged on commodity trading, where that runs down, to storage, where their expertise would be useful and we have not got down yet to the final organisation, but I would say that is about the order of magnitude of the storage organisation at the present time.

3466. Could you say what proportion of your stores are liable to deterioration and therefore subject to turnover?—I can only speak from memory, I have not got the figures with me, but we did analyse that some months ago and my recollection is that the figure is less than one-third.

3467. And the rest of them are not normally turned over strategic stocks which are subject to deterioration?—Yes, a high proportion of the value of our stores is in things like copper, aluminium, nickel and so forth, which do not deteriorate and do not have to be turned over. For some of the other things frequency of turnover is not great. Wool, for example, of which we hold a stockpile of considerable value probably has to be turned over over a period of five years.

3468. In dealing with the commodities which are subject to deterioration and are turned over, are you quite satisfied with the storage available nowadays? I remember there was considerable difficulty about accessibility of storage and the high cost as a result some years ago. Has that rectified itself?—I am not sure that it has completely. Our worry there is more with a

a few miscellaneous commodities such as the rosins and gums and oils, some of which have to be turned over fairly frequently, and we are really investigating in those cases what it is costing us to turn over these and whether in some cases the game is worth the candle, whether we are not paying too much for the security we are getting in that particular commodity.

3469. Do you mean that it really is not worth while having strategic stocks concentrated under Government hand for those goods?—For some goods, where the cost is high, it may not be worth having. In a particular case we might come to the conclusion, that the cost of storage and turnover was abnormally high, that is, a high percentage of the capital value of the goods, and think that perhaps we ought to stop storing this particular commodity, though we would not, of course, do so without taking instructions from the appropriate strategic authorities. We would submit our case to them.

3470. These stocks are strategic in the strict sense, are they, in all cases and not in any sense buffer stocks? They are not for economic purposes?—No, they are not for economic purposes at all.

3471. They are all strategic?—They are all strictly strategic, yes.

Mr. Oliver.

3472. The things that you keep in commercial stores, you say, you insure with fire offices in respect of fire?—Yes.

3473. Do you insure for any other kind of loss, theft, or anything like that?—No, we do not, except that there is one case in which the fire insurance carries with it a theft insurance. That is rather fortuitous and historical, but as a general principle it is fire insurance alone, because we are doing it for the particular purpose of getting the best technical advice as to the precautions which should be taken to prevent fire. We are more concerned with the safeguarding of the stocks physically than with the money.

TRADING ACCOUNTS AND BALANCE SHEETS, 1952-53 (VOL. III).

Chairman.

3474. Will Members turn to the Trading Accounts, Vol. II, pages iv and v, paragraphs 1 to 8 of the Comptroller and Auditor General's Report? On paragraph 4, Sir Eric, can you say why it was necessary to make these contracts at premium prices and why one could not buy at future market price in all cases?—Yes, I think I can. Actually this has more relevance to zinc at the time than lead, but it has some relevance to lead. 144,000 tons, or thereabouts, of zinc in 1952-53 was bought at what purported to be the market

price. That was bought under normal arrangements with customary suppliers, mainly from the Empire, and about 110,000 tons was bought under arrangements which probably carried with them some sort of premium or were above the market price in some sort of way. Now, all this 110,000 tons, or thereabouts, which came into course of payment in 1952-53, was ordered by contracts placed in 1951 and I will have to ask you to cast your mind back to the conditions of 1951 when there was a very acute scarcity of zinc in this country

29 April, 1954.]

Sir ERIC BOWYER, K.B.E., C.B.

[Continued.]

3475. I am not sure that you have got my point. Why was not the purchase made at the market price prevailing at the time of delivery?—Because there was not a market price.

3476. I know, but presumably you could go into the market now and buy aluminium or zinc or tin at the market price prevailing in 1955 or 1956?—Yes, indeed, but if you will forgive me for a moment this dates back from 1951 when the department was in the position that it was desperately short of zinc. They were at the outset of a three-year rearmament programme which requires large quantities of zinc itself. The commercial uses of zinc were heavily restricted, galvanising was cut to 50 per cent., all sorts of end uses of zinc were prohibited and they really were desperately short. They contracted for the maximum quantities from their normal suppliers, Australia, Canada and the Imperial Smelting Co. in this country, but they still found themselves with only little over half of the supplies which they anticipated they required for the following year. At that particular time the price for zinc for our normal supplies was based on what is known as the E.M.J. price, that is, the Engineering and Mining Journal of the United States, and our supplies were bought from our customary suppliers at the E.M.J. price, but the free world price was miles above the E.M.J. price. The E.M.J. price was really, in a sense, a controlled price, a privileged price, which the Americans got from their producers and which we got from our customary producers, but we could not get nearly enough that way and we had to buy and get more supplies of zinc. The only way we could do it was either to go out and buy spot quantities on a catch as catch can basis, which would have run the danger of killing our standard price with our own producers, or we had to bring in new sources of production, which to a large extent we did by entering into contracts for zinc concentrates from mines which were uneconomic in normal times, but were prepared on the basis of a medium term contract for a year or two years at a fixed price or at a premium price to produce these concentrates for us, and then we had them smelted either in the United States or in this country or in Belgium. These constitute the bulk of the premium contracts. We did buy in addition some refined zinc also at premium terms. That is the reason why these contracts were entered into, it was the only way we could get enough zinc.

3477. In other words you bought for delivery for a period of three years from uneconomic mines which would not have been prepared to work unless they got a guaranteed price?—Yes, we got some supplies from marginal sources of production.

3478. Can you give us any idea what the total loss in 1952-53 is?—The total loss in 1952-53?

3479. Yes, the year under account?—Do you mean in this premium zinc or on zinc as a whole?

3480. On the premium contracts?—That is rather difficult to assess. In some respects it is a fictional figure. I think the best way of putting it is that the amount we paid for these premium contracts over the price we paid for our other zinc from our normal suppliers probably cost us about £5 million.

3481. Are you still buying premium zinc?—In some cases, yes. The bulk of that premium zinc was on contracts which ran out in 1952 or shortly after.

3482. But you are still buying some premium zinc at the premium price fixed in 1951?—We are still buying small quantities at a premium price.

3483. But not much?—No.

3484. When do those contracts expire?—There is one which goes on to June, 1956.

3485. I take it that you have disposed of this zinc at the market price?—Yes.

Sir John Mellor.

3486. When you were referring to the market price, is that in the world market?—The price really that had to be paid. It was the going price for anybody who had not got what might be called customary sources of supply at the E.M.J. price. It was the price which the Europeans were paying.

3487. And you were paying over and above that price in some cases?—No, we were paying less than that price for the larger part of our zinc which we obtained at E.M.J. prices. For the remainder we were paying above the E.M.J. price, which was very much lower during 1951 and part of 1952 than the world price.

Chairman.] Will Members turn to the Accounts on pages 70 to 73, the Foreword. I have no questions.

Mr. Niall Macpherson.

3488. In point of fact has this reserve for timber, the £43,000, proved adequate or more than was necessary or what?—Oh, it is probably more than is necessary. We have cleared most of that off. There is still some unsettled. I think I can give you some figures on that. The unsettled things have been considerably reduced since then and debit notes have been issued to the wharfingers for a considerable proportion of that and the unsettled amount is only a fraction of that £43,000 now.

3489. It has been more or less absorbed, has it?—Yes, of course we do not yet know whether the wharfingers will in all cases accept debits.

29 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

3490. My only other question is, is this £1½ million for the possible cost of removing accumulated chalk residue a contractual liability?—No.

3491. Is it an amount which you have to meet?—No, we may not have to meet it. Last year there was considerably more chalk sold than was accumulated, but it would perhaps be optimistic to think that that would wipe off the chalk deposit. It

is rather a question of whether we can keep the accumulation of that chalk deposit within the limits of the space available and so avoid the cost of removal for which this contingent provision exists. So that provision may not be necessary.

3492. It is a contingent reserve which may return to the Exchequer eventually?—Yes.

Sir Eric Bowyer withdrew.

ARMY APPROPRIATION ACCOUNT, 1952-53 (Continued).

Sir GEORGE TURNER, K.C.B., K.B.E., J.P., Permanent Under-Secretary of State for War, called in and further examined.

Chairman.

3493. Will Members turn to the Army Appropriation Account, to paragraph 31 of the Comptroller and Auditor General's Report?

* * * * *

3494. I think perhaps, Sir George, would you like to start off by making a statement or subject yourself to cross-examination? Have you anything to say particularly which expands the Comptroller and Auditor General's Report?—(Sir George Turner.) Perhaps it might be a good thing if I just said, first of all, that you will remember, when we were discussing earlier the powers of Command Secretaries, and so on, we did discuss how the process of review of contracts worked out. In this particular case the contract was a large contract and it was placed locally after very full consultation and indeed with the Command Secretary's expert contracts staff actively taking part in the negotiations. It has further been very fully reviewed by the Director of Army Contracts at the War Office and, of course, as a result of the comments of the Comptroller and Auditor General in this Report, we have all looked at it very closely. My attitude officially, I think, must be that we feel that on the whole and in all the circumstances, some of which I would like to mention now, they have made a pretty good deal.

Mr. Niall Macpherson.

3495. Who have, Sir George?—The local contracts authorities. You will bear in mind that the circumstances under which this contract had to be placed of themselves precluded us from arranging a contract in the ordinary terms. We were faced with the Egyptian authorities encouraging the whole of their people to stand off and cease to co-operate with the British in the Canal Zone, and one of the principal things they did was to withdraw all our labour, which led us ourselves into a very large increase of numbers, and to close down one by one the civilian shops and sources of supply that had previously maintained the

garrisons in the Canal Zone. We had got in the Canal Zone then and have now a population of service men and their families and civilians, various people serving the Services, approximately equal to the City of York.

Chairman.

3496. How many is that?—About 100,000. It had supplying it all the things that a population of that kind normally expects. There were shops provided by the civilian population; there were, in addition, the Army organisation and N.A.A.F.I., and so on. All the Egyptian side of this supply arrangement began to wither and very quickly disappeared. At the same time our people were put under conditions which made it more than ever necessary that they should have the best amenities we could provide for them because they were restricted in their moving and they were in danger. So, apart from any improvement which we could make in their position by expanding the operations of N.A.A.F.I. we had on the ordinary supply side to take drastic action and we had to go outside the Canal Zone for such things as fresh vegetables, fruit and eggs. Now, in the ordinary course even that would not have been very easy, but it was far less easy under these circumstances because in the surrounding countries, in the Middle East, there were a number of possible sources of supply that were closed to us for one reason or another, either they were friends of the Egyptians or they were, shall we say, enemies of the Egyptians, and for either the one reason or the other they were not willing to supply us. You could not get anything out of Israel, because if a ship came out of Israel it could not go into the Canal at the time, and the other places were most anxious not to appear to be going against the Egyptian Government. Secondly, there were very few of the main sources available to us and we could not go very far afield, because what was at issue was supplies of fresh vegetables and so on. The other difficulty about making arrangements was that we did

29 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

not know how long it was going to go on, and although it may be said, and it is suggested in the Report and it is true, that there has been a change in the position as regards certain supplies, it is still uncertain how long we have got to make this arrangement and it is still, and this I want to emphasise very much to the Committee, extremely uncertain whether we shall continue to get some of these supplies. Dealing with that sort of situation you could not do what a Department would do in the ordinary circumstances, go out to competitive tender and take the best supplies they could and follow the normal practices. I would remind you that the places within range of supply for this purpose are not countries which normally export this kind of thing. There are very small quantities which come out of one or other of the eastern Mediterranean countries, but they are very small and very irregular and they are not necessarily the things we want. The nearest customary supplier I know in this quarter is Israel, and that was not available to us.

* * * * *

In the case of Cyprus we make fairly heavy demands on their exportable surplus for the maintenance of our own people in Cyprus. It is a small place and the addition we have already made to Cyprus in man power is sufficient to be a strain on a small economy of that kind. We have been using some of its exportable surplus for Egypt but there was not a market in the ordinary sense of the word open to us that we could seriously rely upon. You cannot for this purpose go very far afield, and while it was possible to get some things from Turkey, and people suggested we might get them also from Greece, they were very limited and there, I am told, and we have checked this fact recently, the existence of an exportable surplus in Turkey is entirely dependent on whether they want or do not want to obtain sterling. They are not in the market in the ordinary consistent sense of the word. In those circumstances, Sir, one feels that the local authorities in Egypt were bound to move very gently and carefully in their arrangements and they took the one firm that had got any experience of this kind of thing. It is, I believe, a literal fact that there was no-one else. They were, therefore, not in a position of seeking a competitive tender but had to negotiate the best terms they could with the one firm that looked like being able to carry the load.

3497. Who previously were your suppliers?—They were suppliers on a small scale, of course. Therefore, the question was not so much of getting the best price available but making the best terms you could with somebody who was really your only choice.

* * * * *

It was also, we felt, fully justified in the circumstances, to make this peculiar provision about the insurance reserve. There the simple point was this: you were moving perishable goods. You wanted some guarantee that they would arrive in a satisfactory condition. At the time when the contracts were being negotiated no-one would give us an insurance against certain risks of delays in the shipping of these foodstuffs at all and we consequently fell back on the arrangement whereby the contractor undertook this insurance reserve. As you know from the Report it has gradually been found to be unnecessary, it was reduced by stages and it is now down to nil, but one did feel that that was a somewhat strange provision. The answer to it is that insurance at that time was completely impossible and it was quite vitally necessary from our point of view to make some provision which guaranteed that the stuff when we had obtained it did arrive sufficiently quickly in the Canal Zone to be worth while.

* * * * *

3498. I understood you to say that ships coming from Israel could not get to you?—At that time there was a ban on anything that had called at an Israel port.

3499. Does that mean that the Egyptians can ban importation of anything into the Canal Zone area into our base there?—They could stop the labour at the ports.

3500. You did not feel inclined to turn your own staff on to unloading?—We have done a certain amount of it. You cannot run the whole of that Canal. We are not running the Canal, you see.

3501. But supposing the Egyptians took this line of cutting off all shipping to you, what would happen, would they completely freeze you out?—They cannot do that because most of the shipping is our own.

3502. That is why I do not quite follow why you could not have sent your own shipping to Israel, got your fruit there and unloaded it yourselves?—I am not sure, but I think we have done to a certain extent, have we not? I ask the Comptroller and Auditor General because he has been out there recently, and one of my deputy under-secretaries has also been there and I rather think now that some of that shipping is being diverted to our use, but at this time, at any rate, it was pretty nearly an effective ban and it is still as regards certain dealings with Cyprus.

3503. With Cyprus?—The Cyprus people will not let us use supplies from Israel.

3504. I understand that you were buying oranges in Cyprus at two prices, under the old contract at £18 a ton and for the new contract, or whatever it was for making

29 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

good the supply to your Canal base, £50 a ton?—Yes, but the last costing shows that the cost to the contractor of Cyprus oranges, selected, sorted, packed and transported ready for shipment was £43 12s. 0d. a ton.

3505. But when the trouble started you were buying at £18, I understand?—As regards that comparison with prices in Cyprus I think one has got to bear in mind that you are not comparing like with like. The contracts with which comparison is made were for small lots purchased locally, not subject to shipping and therefore of quite a different quality standard.

3506. But did not both contracts specify first quality fruit?—Yes, but it was delivered on the spot in that case, it was not for shipping. You have got to get first quality stuff which would be first quality stuff a good time afterwards and on a limited supply it is a different thing altogether.

3507. In effect you have got a cost-plus contract, have you not?—A maximum price contract subject to costing.

3508. That was the best you could arrange?—Yes.

3509. What is your position at the moment?—We have got to put out a further contract. We have got a number of minor variations in availabilities, mainly from Cyprus, but although the thing will not be quite so large as it has been we shall have to maintain some such contract as this as long as we have got the present conditions, and our advice within the last few weeks is that they are still in just the same position generally.

3510. Is your relationship with Egypt so bad that it cannot very well get worse?—It cannot get worse from this point of view.

3511. There is no particular reason, then, why you should not use your own shipping and import from Israel and unload yourselves?—No.

3512. You have plenty of British labour there for unloading, have you not?—I would not say we have plenty. We have managed with the military labour in the place of the civilians but we are still having grave difficulty and in another part of the Report you will see reference to our store-keeping problems there, and so on. We have got a margin of labour and at present time the policy is, if possible, to reduce the garrison by stages. Quite frankly, unless you can get some sort of a settlement which removes this ill-will that at present exists in regard to the Egyptian attitude to the British in the Canal Zone, until you can get rid of that you are going to have all these difficulties continuing and in some cases probably getting worse, because they get worse by merely being longer.

Sir John Mellor.

3513. Would not it be possible to bring in supplies from Israel by aircraft direct to our base?—I do not think that under the conditions that apply there we can make free use of supplies from Israel.

3514. The difficulty of bringing them by ship, I understand, is that the Egyptians will not allow the ship passage through the Canal if it is coming from an Israel port, but there would be nothing to stop an air lift except possibly that it would not be economic?—Yes, the cost.

3515. Would it not be economic to bring in supplies by air from Israel?—I do not think your supplies on the scale that were required would be economic.

3516. Has any attempt been made to grow supplies locally by our own labour?—There is nothing to be grown on the Canal Zone.

3517. It is not possible?—No.

3518. Just one point on Cyprus: I think you said that there was some difficulty about importing supplies to Cyprus from Israel. What was that exactly?—Yes, there is an objection on the part of the Cyprus authorities to contracts which involve supplies from Israel.

3519. Is there political hostility between them?—Yes.

3520. I was not aware of that. Is the contractor a well established firm?—Yes.

* * * * *

3521. They are a firm of very good reputation?—Yes.

Mr. Niall Macpherson.

3521A. May I just ask a question about this insurance reserve? I understand you to say, Sir George, that that had now been whittled away until it was no longer a surcharge on shipments, is that correct?—Yes.

3522. Does that mean that a reserve has been built up that is available and in whose hands is it?—The original reason for the reserve was uncertainty in the supply line. It has been proved in practice that they can manage quite well without.

3523. But these are surcharges that have already been paid?—Yes. At that time the contractor was taking the risk and the risk is now assessed at nil.

3524. This is money which has been paid as an insurance premium?—Yes, to the contractor who carried the risk.

3525. And it is paid and finished with. There is not a reserve available for this?—No.

3526. How was the percentage fixed, in relation to the assessed risk?—I asked that question myself and the answer is that it was fixed in the same way as most of the other things were fixed, on the best terms that they could agree with the firm. They

29 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

made enquiries about insurance earlier on and found that nobody would give a rate, and then when pressed they said if they did give a rate it would be fantastic; and the Command Secretary said that he had formed the impression that this was not an unreasonable figure. It was experimental in the first place.

3527. Did this actual insurance premium also attract profit?—Yes.

3528. It is stated that the contract was to sell at or below established maximum prices. By and large were the maximum prices charged?—Using some of the provisional information which the costings officer has got out we have found that on some items the contractors were paying more than they were charging us under this contract and there are only one or two cases in which the assessed cost per ton for contract purposes was above the cost to the contractor.

3529. In no case was it below?—The overall position was that costs plus the agreed profit were somewhat below the maximum prices.

Mr. Oliver.

* * * * *

3530-31. I appreciate your difficulty, the ordinary commercial practices could not operate in this case, but I observe that there was a reduction to 7½ per cent. for the cost plus profit?—Yes.

3532. So it is pretty clear that they were quite aware that the costs that they had been charging were too high?—Is it quite fair to put it that way? Is not it really that when they started off they quoted a certain price. They naturally tried to cover themselves. They found by experience, and partly because they discovered that the risks of transport were very much less than they had anticipated, that they could do it at a better price, and they have given us a better price on the contract. I would not have said that that meant that the price was fixed too high, it had worked out high.

3533. They had no basis, of course, on which they could fix a fair price?—They had no basis before, but on the second contract they had a basis.

3534. Reverting to the question which has just been asked you about the scheduled maximum prices, how were these arrived at, how were they shown the scheduled maximum prices, who fixed them?—That is one of the difficulties. There is not a market in many of these cases. You cannot buy a local newspaper and see what is the market price for this, that and the other in the Middle East.

3535. I appreciate that?—You may get some figures quoted but they are not a general price, they may be a local market price, or something of that sort, and they

may be for very limited quantities, and they really have not got very much information on that score. They are from careful enquiries we made through the British Consular Service about available supplies and what sort of prices ought to be paid, but I am told that the local authorities depended very largely on their own knowledge from previous contracts as to what would be reasonable. Up to date the enquiries made by the costings officer, who has been out there since, suggest that they did not go far wrong. There are no very large discrepancies.

3536. Had you no alternative sources at all other than through the medium of this firm? Were you completely in their hands?—For anything on that scale. Several of these contracts were for £½ million, and that sort of thing, and the amount of export business done in and around the eastern Mediterranean is very small indeed. I take it that the local habit is to eat the food that is available and if the food is not available they have something else, but the British, of course, have been brought up in a different way; and really the only alternative to this would have been tinned stuff and missing the fresh fruit.

3537. You may have answered this question before: how do the competitive prices now being paid for the supplies from Cyprus compare with the prices paid to the original contractor? I am not sure that you have not covered that ground, or some part of it, in your examination?—We have made a comparison between them as far as we can go and our view is that in so far as they are comparing like with like they do compare not unreasonably, but where there are differences they are not necessarily the same thing, that is to say, fresh fruits or vegetables suitable for immediate consumption in Cyprus is an entirely different thing from fruit and vegetables packed for consumption as fresh when they reach the Canal Zone; just in the same way as in this country it is an entirely different proposition to buy flowers in the Isles of Scilly, which I was visiting last week, for your own purpose from sending up to London. You can get them for a song locally because they are out then.

3538. Has the original contractor been able to purchase other supplies from less costly sources than previously?—No, I think those have mainly been variations in local prices. When he first started everything was against him. He has now established a number of fairly regular suppliers.

Mr. Niall Macpherson.

3539. May I just go back on to a question I put: I am not quite clear as to the price control involved in this matter. On the one hand, maximum prices seem to be fixed which are invariably charged,

29 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

[Continued.]

although it appears that the prices that the firm have to pay are sometimes in excess of those maximum prices, but on the other hand a definite percentage of profit to cost is established. Does that mean that there is a review after all the transactions, that there is a maximum percentage of profit fixed and that if the profit is greater it is returnable? Is that what it means? If the profit is greater than 10 per cent. it is returnable?—Yes, that is the operation of the costing clause.

3540. That is the way it works so that the maximum prices that are fixed are really just indications as to the maximum price that the War Department are prepared to pay for the goods, is that right?—Yes.

3541. And not to buy much above those prices?—Yes.

Chairman.] Now, paragraphs 36-48. I have no questions.

Mr. David Jones.

3542. Sir George, why is it that your stocktaking is so often unreliable?—Because it is so difficult to count.

3543. If Dr. Joad were here he would say there are lots of interpretations of that?—That is right. You will realise the number of items involved in many of these things and the quantities. In another connection there is a reference to some stores that were brought back from Germany recently and there was some delay in taking them on charge at Chilwell. In that particular case there were 54,000 tons but they represented three quarters of a million cases and as for the items, there are so many noughts on that one really cannot keep count. If you remember that, certainly in the Middle East, a very large number of these stores were brought in during the War or just after the War, many of them from unknown sources, because they had all come in as lend-lease or something of the kind, or as backloadings from various areas, and they were not properly vouchered. Very often, therefore, stores were taken on as a matter of expediency at assessed values of what was in the cases without the cases being opened, and simply because of differences in workings, and so on, you can get tremendous variations once these things are properly counted. The other thing that we have found is extremely difficult with a place like Tel el Kebir is that you have been using unskilled local labour there doing stocktaking currently while the situation is changing, and they have a tremendous capacity for missing out the fact that one part of the thing was counted one day and the other was counted months later. I would have said that having regard to the very large numbers involved some of these stocktaking variations are not really surprising. On the other hand, as you see from a refer-

ence in the Comptroller and Auditor General's Report, our own accountants have themselves recognised the fact that some of the stocktaking has not been very well carried out because they have tried to wait until the next stocktaking to see whether it would put itself right. We have said that they must stop that practice, but it is an indication of the fact that they themselves know that there has been bad counting.

3544. Whilst one is prepared to make some allowances for the inability to count in some of the stores and depots overseas, is not it true that you are having precisely the same kind of complaint in the store depots in this country? For instance, on page 43, regarding the Southern Command Vehicle Depot at Ashchurch, which, as I understand it, is in this country: "Owing to shortage of trained staff and frequent changes in personnel this account became unreliable"?—Yes.

3545. While there may be some justification for the overseas difficulties and the incapacity of foreigners to count in English, anyhow that would not apply to the store depots in this country?—The process of counting crates and assuming that their contents were as stated, does apply to this country and has applied in several of these cases.

3546. Would you agree that the answer which you have given to me this afternoon is by and large the answer that you have been giving for the last three years at this Committee?—Yes, I have.

3547. Is there any possibility at any time of this Committee getting some reliable information and some reliable stocktaking as far as the War Office is concerned?—We maintain that according to accounting standards for this size of job our stocktaking is not bad.

3548. Would it be the case that the real answer is that you have got inadequate staff to do the job?—Up to a point that is true, but, of course, it would not be economical to employ a very largely increased staff permanently and that is what you want for skilled storekeepers. You want people who have been on it for some time.

3549. Are you saying to us that it is cheaper in the long run to take the risk of having inaccurate stores accounts rather than accept the responsibility of a competent, efficient staff?—Yes, up to a point I am.

Chairman.

3550. Is it fair to say one can split your store accounting problem into two, one, your current stores, which is current intake on current orders, and the other the material, war-time stores, that has been floating around in various depots?—Yes.

29 April, 1954.]

Sir GEORGE TURNER, K.C.B., K.B.E., J.P.

455
[Continued.]

3551. Part of which has been, you say, sent on lend-lease?—Yes, in the case of the stores in the Middle East it is overwhelmingly that.

3552. You are satisfied, are you, as to the efficiency of your current store intake?—I think so, yes. I think that has been demonstrated by this incident which is mentioned in paragraph 42, where coincident with the large increase in the new stores coming in under the rearmament programme, the first flush of the rearmament deliveries, we also had this mass of old stuff coming back from Germany, and the accounting and storekeeping people in Chilwell, wisely I think, decided that they would keep their attention on the new stuff and take the old stuff in their stride. They have done that and we would say in connection with that transaction that in the circumstances they have done pretty well. They have dealt with all but 18,000 cases out of three-quarters of a million cases returned from Germany and in due course they will have dealt with the lot. Any greater effort would not have been economically worth while in proportion to the value of the things involved. Many of these things when taken on charge from Germany in the end will go for scrap.

3553. That is the point I wanted to get at. How much of the non-current intake is likely to be scrapped, of the stuff which has come from Germany, and the stuff which has come from Mackinnon Road?—A very great deal. That is particularly true of M.T. stores, because as long as you have got a type of vehicle in service you have got to maintain spare parts for it, and so on, and although you do not go on adding to it after the thing has become obsolescent you will always be left with a residue of stuff which is out of date from your point of view and out of date from the market's point of view and a very large amount of that stuff has got no other market than scrap.

3554. That is a point I wanted to enquire into. You are getting a lot of M.T. parts?—Yes.

3555. Which are being sold by weight in fact as scrap?—The big bulk of this surplus is handed over to the Ministry of Supply for disposal and the disposal arrangement as far as mechanical transport spare parts is concerned is mainly on the basis of sending it back to the manufacturers.

3556. You do not dispose of it yourself?—We only dispose of small quantities ourselves. The rest of it, on being declared surplus, is handed over to the Ministry of Supply for disposal, and they have got a regular arrangement for mechanical transport spare parts.

3557. So, you yourself sell nothing as scrap?—Nothing except very small quantities.

3558. One cannot put it in terms of percentage, but is there an unduly large proportion of the labour available at your Ordnance Depots taken up with dealing with this obsolete stuff?—At one place, I think at Bicester, there is a good deal of obsolete stuff and there are at one or two of the Royal Engineer Store Depots, but, for example, at Chilwell, I would have said the big effort now is on new stuff.

3559. I visited Chilwell, as you know, Sir George, and it is perfectly true that the handling and accounting of the current stuff struck me as extremely efficient, but there was this flow of spare parts, some of them metric, and so on. You are quite satisfied you are not absorbing too much of your labour, of which I understand you are short, in handling this material which is going to be no good?—I should hope not, but after all, a member of this Committee has rather made the point that we are restricting our numbers to some extent, and I doubt very much whether we could restrict them much further without making the position worse.

The Witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 4TH MAY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Godber.
Mr. Hoy.

Mr. David Jones.
Mr. Niall Macpherson.
Sir John Mellor.
Mr. Oliver.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. F. E. FIGGURES and Mrs. D. C. L. JOHNSTONE, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 127-129 OF THE THIRD REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Mr. C. G. EASTWOOD, C.M.G., Permanent Commissioner and Secretary, Office of the Commissioners of Crown Lands, and Mr. F. J. ROOT, C.B., an Under-Secretary, Ministry of Works, called in and examined.

Chairman.

3560. Will Members turn to the Treasury Minute on paragraphs 127-129 of the Report of the Public Accounts Committee, 1952-53? Mr. Figgures, just to make one small rectification, do you remember the memorandum put in by the Treasury in reply to a request for the present value of £2,400 for 17 years? A figure was given, and it was printed in our Report as £52,311. The correct figure, I believe, is £31,651. Is that so?—(Mr. Figgures.) £31,971, I think.

Colonel *Crosthwaite-Eyre.*] Where does this come, Mr. Chairman?

Chairman.] You may remember the memorandum which Mr. Milner Barry sent in on the question of the present value of a rent for 17 years for the residue of the lease.

Colonel *Crosthwaite-Eyre.*] That is the value of £2,404?

Chairman.] Yes, it is the value of £2,404, which is the net amount received by Crown Lands over 17 years.

Mr. *Oliver.*] What paragraph are you referring to, Mr. Chairman? It is all very vague.

Chairman.] I am referring back now to a memorandum which was sent in by the Treasury. It has been circulated. This is a memorandum which was sent in by the Treasury in reply to a request last year.

Mr. *Oliver.*] I have it, yes.

Chairman.] The Treasury made the mistake of giving the cumulative value of a sum over a period of years, instead of the present value, and, as the memorandum was printed, I thought it desirable that in this year's Report the correct figure should be given.

Mr. *Oliver.*] What is the correct figure?

Chairman.

3561. The correct figure is £31,971, instead of £52,000?—(Sir *Frank Tribe.*) The memorandum was printed as Appendix 2 of the Committee's Report last year.

Chairman.

3562. You will find it in the big volume. That was primarily for the purposes of correction. Now, what I would like, for clarification, Mr. Figgures, is this: in paragraph 5 of your Minute you refer to a 99 years' lease, but in paragraph 4 you refer to a lease expiring in 2031, which can only be at the most an 81 year lease. Now, why do you jump from an 80 year to a 99 year lease?—(Mr. *Figgures.*) I am not sure that Mr. Eastwood could not answer this question better than I can, but, as I understand, the position is this—

Chairman.

3563. This is the Treasury Minute?—Exactly, but this is referring back to past history. At the time when these first negotiations took place, culminating, I think, in the early months of 1949, the proposal had been that a larger Queen's Hall should be built by Chappell's, and it was during the course of those negotiations, which finally broke down early in 1949, that the negotiations with Chappell's and Crown Lands had taken place. In those negotiations it had been proposed that Chappell's should surrender their old lease and take a new lease for a term which ended in the year 2031. The date was probably first spoken of in the year 1948, which would make it 52, plus 31, 83 years. I think that is right. Why it should have been 83 years for Chappell's, perhaps Mr. Eastwood could say. The reason why we say 99 in the

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

next paragraph is that in the discussions in the next stage which had taken place, the discussions between Crown Lands, the Ministry of Works and the Treasury, we had been working for the moment on the assumption that the lease would be for 99 years.

3564. Yes. I would also like to ask you this point, Mr. Figgures; The £6,500 included an element for compensation. It was compensation in point of time?—Yes, compensation for the value to Chappell's of their lease between the year 1948, when these discussions took place and 1967, when the lease would have broken down, on the assumption that the war damage payment would be made, a notional Queen's Hall rebuilt, and that during that period, 1948 plus whatever period was necessary to rebuild the hall, until 1967, Chappell's would be receiving the profits from a reconstructed Queen's Hall of the old size. That was the asset which Chappell's had to surrender.

3565. What I want to point out is this: you make the same calculation of £6,500 to include the compensation for an 80 year lease as a 99 year lease. Not only do you manage to confuse two leases, but you change the length of the leases, but keep the compensation figure equal?—No, Mr. Chairman; the £6,500 figure includes no compensation. The lease which was being negotiated for Chappell's was for £3,700. Had there been no compensation, the lease would have been £6,500, but the value of the compensation to Chappell's for the asset which they had by right was calculated at a certain amount, and then recalculated as an abatement of the lease spread over the 85 years.

3566. You keep the same figure for a lease spread over 99 years?—No, Mr. Chairman. (Mr. Eastwood.) If I may just say so, the £6,500 is the full value of the site without any element of compensation.

3567. I know it is. I propose to come to that next. You had a full, complete reversionary interest in the site in 1967?—Yes.

3568. So the whole value of the lease reverted to you then?—We had a clear sheet.

3569. There is no question of Chappell's having any interest whatsoever?—Beyond 1967, no.

3570. You paid £112,000?—Yes.

3571. You paid that to get possession of that site 17 years earlier than you would have got it?—Yes.

3572. So that the £112,000 can only represent such advantage as you get over a period of 17 years?—No, Sir. I do not think that is really quite true, because it assured us, of course, of the additional rent straight away for 99 years.

3573. No, it did not. It assured you of a rent for 17 years. In 1967 the reversion came to you without you paying a penny, did it not?—Yes.

3574. Then how can you say that the £112,000 assured you for 99 years? In 1967 you got that irrespective of paying a penny?—There was no telling, I suppose, that in 1967 we should have been able to get a lease for 99 years for £6,500.

3575. Come now; please do not put that across the Public Accounts Committee. I really must ask you to treat this matter seriously?—Yes, indeed.

3576. Then what is the use of pretending that if you can get it for £6,500 now, you cannot get a lease at £6,500 in 17 years' time? Do you really put that forward seriously? Do you suggest that there is going to be a drop in land values in London in the next 17 years?—I would not, no.

3577. Then why suggest you would not get a lease at £6,500 in 17 years? What are you buying that you would not get automatically in 17 years time?—We were buying the right to immediate use of the site, and we had to pay to Messrs. Chappell's something which would compensate them for the loss of income which they would have got from it during those 17 years.

3578. I am not interested in what Messrs. Chappell's got out of it. I want to know what you, as the Commissioners for Crown Lands, were buying?—I can only say, Sir, and of course, I am bound to say that this was before my time; I was not concerned—

3579. What were Crown Lands buying, then?—We were buying an assured rent of £6,500 for 99 years.

3580. You were not; you were buying something that Chappell's held?—Yes.

3581. And Chappell's held something until 1967?—Yes, indeed.

3582. Therefore, you were only buying a rent from 1950 to 1967, were you not?—Yes, certainly.

3583. Do you agree with that, Mr. Figgures?—(Mr. Figgures) No, Mr. Chairman, I disagree, I must say.

3584. Then will you please tell us what Crown Lands were buying?—I think it is fair to start by the assumption that this was a sale from Chappell's to Crown Lands.

3585. Of what?—Of the asset which Chappell's held.

Colonel Crosthwaite-Eyre.

3586. May I interrupt, Mr. Chairman? I do think Mr. Figgures ought to be careful with this word "asset". If he is going to introduce assets, perhaps he will tell us what the assets were?—Yes. The assets were the unexpired portion of a lease which

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

would have expired in 1967, plus the right to receive from the War Damage Commissioners a cost of works payment sufficient to rebuild the old Queen's Hall, and thus give them a physical asset—the Queen's Hall—from which they could expect to earn revenue at a rate which was obviously estimable, though not ascertainable, but which, for the sake of argument, can have some relation to their pre-war profit from the asset. That, I would submit, is the asset which they had to sell.

Chairman.

3587. One moment; you have forgotten one rather important thing. You have overlooked the fact that Crown Lands also bought a liability?—Would you permit me to complete my statement?

3588. I thought you had?—No, I was answering Colonel Crosthwaite-Eyre's point that I was misusing the word "asset". Subject to correction, I think that is something which Chappell's owned and had to sell. Now, the sale had to take place between a willing buyer and willing seller. We start with the assumption that Crown Lands were willing to buy and Chappell's were willing to sell. In any negotiation there is obviously a long period of discussion while the person who wants to sell sets out what he thinks the asset is worth to him in possession and what the person who would like to buy claims that it is worth to him if he can get possession. It is quite normal for those two points to start some way apart, and at some time they have to settle on a point which they are both prepared to consider reasonable. That the price was reasonable to Chappell's there can, I think, be little doubt. They had a reasonable expectation of a profit for some period of time; the exact period you can argue about, but it is broadly 17 years at a rate of profit which they could reasonably maintain would be higher than pre-war because things are more expensive and profits, among other things, are sometimes higher, but, on the other hand, we could argue that they might be lower. But at any rate they would bear comparison to the pre-war profits.

* * * * *

3589. Per annum?—Per annum.

3590. This is a very complicated problem?—It is extremely complicated Mr. Chairman.

3591. I would now ask Mr. Eastwood, do you, as Crown Lands Commissioners, propose to run a concert hall?—(Mr. Eastwood.) No, Sir; certainly not.

3592. Then the profits made by Chappell's were of no interest to you? You were not proposing to run the concert hall?—We certainly were not proposing to run a concert hall.

3593. You were not buying the possibility of making the profits that Chappell's were making, were you?—We were not going to proceed in the same way as they were going to proceed.

3594. Were you buying anything more than the rack-rent for 17 years?—We had to buy at a price they were willing to sell at, surely.

3595. I am not asking you what price you had to pay; I was asking you what you were buying. Has that yet been settled? So far as I can see you were buying the rack-rent for 17 years, less the rent that you were getting, and no more?—Apart from the right to get immediate possession of the site, which was of some value.

3596. The opportunity to get immediate possession would give you what advantage?—The possibility of getting an immediate lease for 99 years for £6,500.

3597. It would have given you the possibility of getting an immediate lease at a rack-rent instead of the low rent that you are receiving at the present time?—Yes, it did.

3598. Exactly. In 17 years you would have got that possibility under any circumstances, because your lease fell in, would you not?—Yes.

3599. Then why talk about a 99 years' lease? You were buying the right to set up a 99 years' lease in 1950 instead of 1967?—Certainly.

3600. Therefore you are buying an asset which existed for 17 years, only after the 17 years the asset came to you anyhow?—That is certainly true, Sir.

3601. So you were, in effect, buying a rack-rent, less your existing rent for 17 years?—Yes.

3602. That is correct?—Yes.

3603. You do not agree, Mr. Figgures?—(Mr. Figgures.) No, Mr. Chairman, I do not agree, quite.

3604. You introduced the question of profits that Chappell's were selling?—I said, Mr. Chairman, I thought, that before we established the price we had got to bring the seller and the buyer to a point of agreement. I had established the seller's price as being, not unfairly, £112,000. I had not said anything about the buyer's price.

Mr. Blenkinsop.] Would not it be advisable if we could get a connected statement from Mr. Figgures first of all? Other Members of this Committee might get a rather more general picture, at any rate, of one point of view.

Chairman.] Very well. This is a very complicated point, and I was hoping that we could go step by step.

Mr. Godber.] I am getting increasingly confused, Mr. Chairman.

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

Chairman.

3605. Mr. Figgures, perhaps you will let us have a statement on what Crown Lands bought?—Yes.

3606. I am not interested in anything else except the asset which Crown Lands bought, because we are considering Crown Lands' investment of £112,000?—Now, Mr. Chairman, in my view, what Crown Lands bought was this: they bought the site next to the old St. George's Hall at the top of Langham Place, and they bought it free of encumbrances and they had, at that point, a choice. Having bought it, they could either let it for unrestricted use immediately. It is questionable whether £6,500 or £5,000, which is the part attributable to the Queen's Hall part of the site, would in fact have been the rent for an unrestricted use—that is, complete office user. Leaving that on one side, alternatively they had the right to let it for restricted use as a concert hall. The rent which it was expected they would probably be able to obtain for the part attributable to the old Queen's Hall was £5,000. But they acquired more than that. They acquired a right to pass on a war damage payment, provided that the lessee reconstructed a concert hall. The war damage payment was not available if it went to unrestricted use, but if that site was used for the building of a concert hall, there was a war damage payment which was at that time calculated as being in the order of £350,000. They acquired a right to pass that on to whoever took the lease.

3607. There is a point there. I would just like to have this clear. Did that war damage payment enable an entirely new building to be built which covered more than the Queen's Hall, or did it apply only to the repair or rebuilding of an existing building on the same ground?—It clearly covered the rebuilding of the Queen's Hall, for a concert hall of that size, and it almost certainly—I think there is no doubt at all about that—covered the building of a Queen's Hall on the Queen's Hall site and overlapping and taking in the St. George's Hall site. That, with respect, is the asset which the Crown Lands acquired and were able to pass on to whoever took the lease over from them, and they will be able to get value for money for that. We at the Treasury cannot decide, but, we are assured by all who know, that this was a perfectly reasonable business proposition from the point of view of Crown Lands.

3608. That is what they bought?—That is what they bought. That is what they now own. They could lease today to Chappell's or to anybody else to reconstruct a Queen's Hall and pass over with it a claim to war damage payments of £350,000, for which obviously they will obtain money.

3609. You would agree, would you not, that they would have got a rebuilt Queen's Hall in 17 years?—It is perfectly true that if, as a matter of policy, it had not been decided to build a larger Queen's Hall and Chappell's had proceeded, Crown Lands in 1967 would have acquired that site with a Queen's Hall of the old size on it. There is no question of that. But the point at issue, as I have understood it, is whether, as a result of adopting a different policy, Crown Lands, by not just letting things take their course, have in fact suffered damage. With respect, I do not think it has yet been shown that they have.

3610. Now, Mr. Eastwood, was it your decision of policy that you wanted to build a concert hall? Were Crown Lands interested in anything but the rack-rent?—(Mr. Eastwood.) We were not going to build a new hall ourselves.

3611. The purpose of Crown Lands is to receive rents, I believe? It is not to run businesses?—Well, we are landowners. I suppose.

3612. You are not patrons of the arts?—No, certainly not.

3613. Your prime concern, therefore, when you invest money, being in a fiduciary position with your functions fairly clearly laid down, is that you invest your money in land if possible?—Yes.

3614. To bring the best return possible?—Yes, Sir, having regard to all the circumstances.

3615. Having regard to all the circumstances. What is the rack-rent of this site?—It rather depends what the use is for.

3616. In a restricted user it is obviously less than in an unrestricted user?—£6,500 for concert purposes.

3617. What is the rack-rent for unrestricted user?—I am afraid I could not answer that exactly; it is more, obviously.

3618. Mr. Figgures has referred to policy. Why were you interested in the building of a concert hall?—There had always been a concert hall there before.

3619. You are an investor?—Yes, quite.

3620. In a fiduciary position. You are an investor whose sole purpose is to invest in land and within reasonable limits get the best yield?—Yes.

3621. Why were you interested in the building of a concert hall? Why did you prefer to take the rack-rent for a restricted user instead of a free user?—I think you will always find that what you might call first-class landlords in a large way, as we are in London, would have to have some regard not only to the immediate return—admittedly we would have got a larger return by letting it as businesses—but also to the general cultural and amenity background of their property.

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

3622. The choice, therefore, was to allow Chappell's to denounce the lease if they wanted. They did denounce the St. George's Hall lease, did they not?—Yes, they did.

3623. They could denounce the Queen's Hall lease or could reinstate?—Yes.

3624. They had those two options, had they not?—Yes, I think that is true.

3625. So that either Chappells denounced, in which case you immediately got the reversion?—Yes.

3626. Or they reconstructed the Queen's Hall, in which case you had a concert hall there?—Yes.

3627. Now, why did you pay £112,000 in order to take possession when you could have had a concert hall there without it costing you anything?—Well, the concert hall would not have been of the size which, according to Government policy, was the economic size.

3628. I am not concerned with Government policy. I am concerned with your paying money when you were in fiduciary position, to the amount of £112,000, to get hold of something which would have automatically fallen into you in 17 years?—Because we regarded it as a good bargain. We got a right to £350,000 towards the building of the new hall.

3629. You got a right to £350,000, true. If the concert hall is rebuilt, do you retain the £350,000?—No, that is taken account of in the rent we receive.

3630. Oh, no. The rent that you receive is the rack-rent?—Quite, yes.

3631. So that you do not get a higher rent because you hand over the £350,000 to whoever is going to build this concert hall?—Well, of course, it could be argued that we should not have got the £6,500 without the £350,000 attached to it.

3632. I understood you to say a little while ago that £6,500 was the rack-rent for a limited user?—Yes.

3633. In that case, then, you would have got the rack-rent in the open market?—I do not think that that necessarily follows.

3634. You are entitled to sell that land for any reputable purpose?—Yes.

3635. You admitted that the £6,500 was the rack-rent for a limited user?—Yes.

3636. If you had not accepted voluntarily the limited user, you would have got a higher rack-rent in the open market?—Yes.

3637. Therefore you have paid £112,000 for not the maximum rack-rent but the rack-rent for a limited user, and you will enjoy £6,000 for 17 years. Thereafter

you would have got all that without paying a penny. You have paid £112,000, have you not, to enjoy that 17 years earlier than you would have done?—It is perfectly arguable, Sir, that we should not have been able to let the whole site in 17 years time. Meanwhile, what would we have done with the other small hall site worth £1,500 which was lying on our hands for 17 years?

3638. Let us see what you got: you got £6,500 for 17 years?—Yes.

3639. Now, it is agreed the value of that, less what you were already receiving, less income tax—because you are only concerned with getting your money back in a short investment—is £31,000?—Yes.

3640. You paid £112,000 in order to receive over 17 years what is, at present values, £31,000. Do you suggest that that was a good bargain?—I feel that the £350,000 comes into the calculation.

3641. But it does not, because the £350,000 was there to make good the concert hall. Either Chappell's denounced the lease and handed you over a derelict building, or they rebuilt the hall and you received at the 17 years the complete building. Anyhow, as you are not concerned with the rebuilding of the hall, you are merely concerned with the rack-rent, and, as the £350,000 apparently would go to the person who rebuilt the hall, the £350,000 is not anything that you bought, is it?—Well, yes, Sir, I think surely it is.

3642. Why should you buy something that would come to you automatically in 17 years?—But it would not have come to us automatically in 17 years.

3643. Everything that you did buy would have come automatically to you in 17 years?—In 17 years' time, Sir, if Chappell's had gone ahead and built the small hall, we should have had a hall which was apparently the wrong size and we should have had the St. George's Hall site left on our hands.

3644. And you would have £112,000, plus accumulated interest over 17 years?—Yes.

3645. Mr. Root, do you come into this?—(Mr. Root.) Yes, Sir.

3646. How?—We were asked, if the Government decided that a large Queen's Hall would be built under Government auspices, whether we, the Ministry of Works, would undertake the building of the hall.

3647. You were to be the lessors?—We would be the lessors, and we agreed to do that.

3648. And you would take a long lease?—Yes.

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

3649. In other words, you were merely doing now what might easily have been done in 17 years time, if the Queen's Hall was unsatisfactory?—Well, if a small Queen's Hall had been built by Chappell's and was unsatisfactory, of course, it would have had to have been pulled down and a big one built.

3650. At the present moment who is in possession of the site?—(Mr. Eastwood.) We are. (Mr. Root.) Crown Lands.

3651. You are drawing no rent?—(Mr. Eastwood.) A small rent, I think, for putting advertisements on hoardings, and that sort of thing.

3652. Have you any agreement with the Treasury as to what you are going to get for your £112,000? Have you got any written agreement with the Treasury or the Ministry of Works that you shall be fully compensated, or are you losing rent continuously without any agreement at all?—No, Sir, we have an understanding with the Treasury and the Ministry of Works.

3653. What is the understanding? Have you anything in writing?—It is based on correspondence, yes.

3654. What do you get?—That the eventual rent will not only be the £6,500, but it will also take account of the interest which we have not had during the period during which there has been nothing on the site. (Sir Frank Tribe.) Meanwhile, Crown Lands are actually spending money on the site. They have spent several thousand pounds on it, at any rate.

3655. I see?—(Mr. Eastwood.) That amount is recoverable, is it not? (Sir Frank Tribe.) One may ask from whom is it recoverable. I believe it is being charged to Suspense Account. (Mr. Eastwood.) Yes; it is the cost of demolishing the remains that are on the site.

3656. Who is paying for it?—We pay for it at the moment.

3657. Who is going to pay for it?—It is recoverable from the War Damage Commission when the new building is put up. (Mr. Root.) Perhaps I could make clear the position, as we see it. We were assured that a trust was to be set up under the Arts Council which would take a lease of this Queen's Hall when we had built it, and our participation in the affair was based on the understanding that we would recover the capital cost by means of interest and sinking fund from this trust when it was set up.

3658. Has the trust been set up?—No, the trust has not been set up yet.

3659. So you were working on faith?—We were working on faith, but we have not put any money into it at the moment.

Chairman.] The difference between you, then, is that you were working on faith and put no money on it, while Mr. Eastwood was working on faith and did put money in.

Colonel Crosthwaite-Eyre.] He was working on hope, I should think. (Now, I have got so many questions that I am afraid I may be some little time.

Chairman.] I am afraid this has to be probed. I must say, I am quite as unable to understand the Treasury's explanation as I was unable to understand the Treasury Minute or their memorandum, so I hope you will go ahead, Colonel Crosthwaite-Eyre.

Colonel Crosthwaite-Eyre.

3660. May I start with you, Mr. Figgures: at some time it must have been agreed that with regard to the Queen's Hall they should make a cost of works payment and not a valuation payment?—(Mr. Figgures.) Yes.

3661. That was agreed?—Yes.

3662. Would you tell me under what term it was agreed that an element of profit should be included in the cost of works payment?—I am not conscious that any element of profit is included.

3663. If I may remind you, you told the Chairman several times that the cost of works claim included an element of profit that could be claimed by Chappell's?—No; I am sorry, with respect, I must have been completely misunderstood.

Chairman.

3664. No, not included in the cost of works payment. That, I understood, was one of the assets which was to accrue to somebody, not to Crown Lands, but that Crown Lands paid the money in order that this asset might accrue to somebody else?—I am sorry; then I must have been completely misunderstood. Shall I try again, Mr. Chairman? If that is the impression I have conveyed, then I am not surprised you have misunderstood the Treasury explanation. The value to Chappell's of this site was 17 years with a notionally restored building. The cost of restoring the building would have been £350,000 as calculated at the time. With the building restored, the value of the rebuilt Queen's Hall to Chappell's would have been something. That is what Chappell's had to sell to Crown Lands. As far as I know, there was no element of profit in the cost of works payment for rebuilding the Queen's Hall.

Colonel Crosthwaite-Eyre.

3665. I think I have got it now. So, what in fact Chappell's sold to Crown Lands was, first of all, the right to rebuild and, secondly, an element of profit if they had rebuilt?—A notional building on the site.

3666. And had been able to use it. Can you tell me any other concern which has been able to sell a bombed derelict site to another party in which there has been the

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

assumption that that site has been rebuilt and is enjoying a profit?—I personally cannot, but I have no reason to believe that they do not exist.

3667. Can you tell me if you think it is practical business for one party to sell to another a derelict site on the basis that it has been rebuilt and is enjoying a profit?—(Mrs. *Johnstone*.) That is the statutory provision for compulsory purchase under the Town and Country Planning Act, 1947.

3668. But I understand the whole point of this is that it is not compulsory purchase; it is voluntary purchase?—You are asking if there is any other case. Compulsory purchase under the Town and Country Planning Act of this sort of site is done on that basis.

3669. Possibly, but I think I would be right there in saying, possibly not under the same conditions?—(Mr. *Figgures*.) I think the position was that Chappell's were perfectly willing to go on and build, and had they built they would have had this site with the building on it.

3670. I will come to that if I may. What I am getting at at the moment is merely these two things: here you have a bombed site. You pay for it on the assumption that it has been rebuilt and it is making a profit, which you correlate to the pre-war period?—Yes.

Chairman.

3671. Might I interrupt a moment? When you say "you"—?—It is Crown Lands.

Colonel Crosthwaite-Eyre.] It is Crown Lands. The Treasury agreed, that is why I was asking the Treasury.

Chairman.] But Crown Lands do not run this building for profit and they will receive no share of the profit. They are not concerned with the profit, they are only concerned with the rack rent.

Colonel Crosthwaite-Eyre.

3672. If I may go on, despite this, the site is still unoccupied, is still unlet and five years have passed since the year 1948. I cannot remember whether it was you, Mr. *Figgures* or Mr. *Eastwood* who gave us that?—I think it was I.

3673. Five years have gone by. Is there any likelihood of its being let in the near future?—This brings in the question of policy in relation to the Queen's Hall on which I am perfectly prepared to make a statement if the Chairman wishes me to at this stage.

3674. I think I would rather confine myself to the question, is it likely to be let in the near future?—On that I could not give an answer. I could not prognosticate on that.

3675. So the fact remains on the five years of the building received with profit

attributable to Chappell's not one single bean has been received so far by Crown Lands?—(Mr. *Eastwood*.) If I may say so it is not really five years because the agreement is dated some time in 1950. (Mr. *Figgures*.) November, 1950.

3676. In your evidence you said it was 17 years and the negotiations broke down in 1948?—(Mr. *Eastwood*.) That was the negotiations with Chappell's. There were two negotiations. (Mr. *Figgures*.) There were two quite distinct negotiations.

3677. Let us take it that there are four years now, anyway?—(Mr. *Eastwood*.) Four years, yes.

3678. At a nominal rent of £6,500 a year?—Yes.

3679. So you are at the moment some £26,000 out of pocket?—Yes.

3680. Have you paid £112,000 for the privilege of so being out of pocket?—That is right.

3681. Now may I pass to the next point? You say it was a matter of policy for there to be a new hall and it is not our duty to investigate that, but you are purely an investor of public moneys. Why do you accept a direction that this site is to be used only for a new hall?—I do not think we should have accepted a direction. We should not have gone into this project unless we had, at the time, regarded it as a reasonably economic proposition and as reasonably consistent with our duty as good landlords to provide a new hall.

3682. Do you still consider that?—That it was a reasonably economic proposition?

3683. No, that it is still the right use for this site?—I would not like to say that.

3684. Surely this is important. You are £26,000 out of pocket?—We are at the moment committed to this arrangement. I have not had occasion to consider whether it is the right policy or not.

3685. I must press you on this. You are the trustees of public money. You have made a bargain which has so far resulted in a public loss of £26,000?—For which we are going to be recouped.

3686. No, you have no guarantee of that?—We have an understanding with the Treasury.

3687. An understanding is no guarantee. May I press you on this. You have no guarantee whatsoever?—Except the good faith of a public department.

3688. I must ask you again, you have no guarantee?—I quite agree, no guarantee except the good faith of a public department.

3689. You are £26,000 out of pocket?—Yes.

3690. How long is this arrangement going to last?—Until the Government can see their way to build on the site.

3691. Is it your duty as an investor of public money to stop such an arrangement which is purely resulting in a continual loss?—I would not say it is purely resulting in a continual loss because we have the undertaking that we shall be refunded.

3692. I do not wish to repeat it, but you have no guarantee?—At the same time, as a trustee, I feel perfectly justified in relying on the good word of a Government Department.

3693. May I ask the Ministry of Works, are they prepared to see this loss going on accumulating and accepting the responsibility for it?—(Mr. Root.) We do not accept responsibility for the loss because we are waiting until the trust is set up. We would then lease the site from Crown Lands and let it—

3694. What happens if the House of Commons, who, after all, has some view in this, decides that the Arts Council shall not spend another great sum of public money on the hall? Is the Ministry of Works going to foot the bill?—No; we should have to put the proposal to build the hall in our Estimates and obtain Parliamentary approval for it.

3695. I think you said this depends on setting up a trust?—Yes.

3696. By the Arts Council. Supposing that is not approved by Parliament what happens then?—Then we do not take a lease of this at all.

3697. And you have a loss?—(Mr. Eastwood.) And we have a loss.

3698. So that this guarantee or understanding is completely dependent on Parliament approving plans that have not come before it yet?—Yes, I think that is true.

3699. I think this is the most incredible position. You are now saying that it is not your duty to bring this state of affairs to a close as soon as possible, that you are prepared to rely on an undertaking with a Government Department which is purely dependent for the implementation of whatever it has said on the future action of Parliament? I do think you ought to be able to answer that?—Certain discussions have been going on recently and I think I would like Mr. Figgures to answer. (Mr. Figgures.) I am perfectly prepared to make a statement, Mr. Chairman, whenever you wish.

Colonel Crosthwaite-Eyre.] As you see fit, Sir.

Chairman.

3700. If it throws any more light, yes?—I can perfectly well see it is difficult to follow Colonel Crosthwaite-Eyre's line of questioning without disclosing what is to be the next step of policy.

20216

3701. Perhaps you will give the statement, Mr. Figgures?—May I start, Mr. Chairman, by regretting that the statement has not been made already publicly; it is expected to be made very shortly, and I hope I may ask the Committee to treat it as confidential until it has been made in the House of Commons.

3702. Yes, certainly?—The delay imposed by the general economic situation has hitherto prevented the Government from implementing its policy for building a larger Queen's Hall on the old Queen's Hall site. It has not, therefore, been possible to make any proposals in the Ministry of Works Estimates and present them to Parliament. Three years have elapsed since the Government's decision was taken and during that time there have been some developments in the situation. In particular, the Royal Festival Hall has become established and Her Majesty's Government has felt obliged to propose to Parliament that an interest-free loan be made to the trustees of the Royal Albert Hall to enable certain essential work to be done to preserve the fabric of that hall. The Chancellor of the Exchequer has therefore decided to set up a small independent Committee to advise him on the need for, and economic prospects of, a new hall on the Queen's Hall site, having regard to the extent of the existing musical provision in London.

* * * * *

The full composition and detailed terms of reference of this Advisory Committee will be announced and I must ask the Committee to treat this information as confidential until that announcement is made.

3703. You were in the middle of your questions, Colonel Crosthwaite-Eyre?—(Mr. Eastwood.) I have, in fact, been somewhat concerned at the delay.

Colonel Crosthwaite-Eyre.

3704. If I may say so, this only reinforces what I am saying. We are now going to have a Committee?—(Mr. Figgures.) It is expected that it will be reporting in a matter of a few months, and thereafter the Government will be able to make proposals.

3705. I think we might leave that one for the moment in view of what you have said, Mr. Figgures. If I may put it this way, Mr. Chairman, four years have gone by in which this money has just been lost, and while it may be possible for the Treasury to produce a statement at this stage, there is a very great gap between what Parliament has set out to do and what has been achieved?—Would it be helpful if I explain the background, the actual history as this has gone on, Mr. Chairman? These first discussions took place in 1948, when indeed there was no Royal Festival Hall and the

N

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

proposal at that time was to build this large Queen's Hall. As you know, Chappell's themselves wanted to rebuild the old Queen's Hall but after long discussions in which many people took part, including Chappell's, the decision was reached by all concerned that it would be better to build a larger one. At this stage there was no doubt that as soon as we decided how to build it and how to finance it, it would be built. Chappell's went out to try and raise the additional money. They were, in due course, forced to confess that they could not. At that point, quite early in the proceedings—it was in 1949 that they broke down—the effective decision was made that the only thing to do was for Chappell's to surrender their lease and the hall to be built by the Government. At that stage there was every expectation that the hall would be built.

Chairman.

3706. When was the new Festival Hall started?—The new Festival Hall was started, I think it was, early in 1950. At that stage these two were not felt to be competitive. The future of the Royal Festival Hall was extremely doubtful; the sort of place it would take in the musical life of London was quite unknown; all sorts, as it now turns out, of quite pessimistic prognostications were made as to the likelihood of its being a successful concert centre. The intention was to have rebuilt the Queen's Hall, and had the negotiations with Chappell's been a little faster and had the Korean War not broken out there is little doubt that the Queen's Hall would now exist. It was the drop of the curtain of investment control which came down soon after the outbreak of the Korean War and which necessarily placed this hall way down in the list of priority for building, which has caused this delay. Nobody regrets this more than the Treasury. It is certainly one of the extremely unpleasant consequences of this decision, which had it been implemented would all have been regularised, that these losses, which are of concern to the Committee and of concern to everybody, that have been incurred by Crown Lands would not have been incurred, but that is primarily what has happened. If we had known in 1948, 1949 or 1950, that the prospect of rebuilding would have been adjourned continually in this way, I think there is little doubt that none of this would have been started. It was started with no expectation of investment control having to be as severe as it did have to be after the Korean War.

Colonel Crosthwaite-Eyre.

3707. Even if we assume all those things, what is going to happen if for one reason or another investment control is going to be put on again? You are now, as I understand it, Mr. Figgures, in a position of claiming that this is a good bargain,

primarily because you have got a £350,000 war damage claim. That is really the primary item in your calculation?—That £350,000 is available to whoever builds the concert hall.

3708. But only if you build a concert hall?—Yes.

3709. Supposing, for some reason or another, it is not possible to build a concert hall within the next five years, what have you got to show for this purpose? Nothing except a diminishing rack rent for which on my figures, in any case, you have paid £2,000 more than 17 years' purchase at £6,500 a year?—The question is hypothetical.

3710. Well, it is not hypothetical?—With respect, because it covers more than one hypothesis. Your hypothesis is, that investment control would prevent the building of a concert hall. The next question is, would it permit the building of something other than a concert hall.

3711. Then you do not get your war damage claim?—Then you do not get your cost of works payment, but you are then able to let, as I understand it, at a significantly higher rent than £6,500.

3712. May I ask what is the significantly higher rent?—(Mr. Eastwood.) I could not say exactly, because so much would depend, obviously, on the building restrictions imposed by the town planning authority, and so on.

3713. You must have parallels, because ground rents in London are well known according to areas?—I am not very expert on this, but I should have thought it would be £8,000, or £9,000 possibly.

3714. So you might get back something with the rent at £3,000 a year extra for the loss of £350,000 war damage claim?—(Mr. Figgures.) No, as a result of the payment of £112,000, surely? (Mr. Eastwood.) We have not paid £350,000.

3715. You have paid £112,000 for the benefit of £350,000?—Yes.

3716. If things go wrong you may get £3,000 extra a year for the loss of your £350,000 claim?—Yes.

3717. Which is something like 1 per cent. or under 1 per cent.?—But the extra £3,000 a year, I suggest, would have to be related to the £112,000 we paid and not to the £350,000.

3718. But the Treasury has just told us that one of the main assets you got out of this was a claim for £350,000?—Yes.

3719. I do hope that you are not now going to say that is not something you have counted?—That is not something we have paid, we have only paid £112,000. (Mr. Figgures.) There is, surely, a difference between £350,000 and £112,000. They have,

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

in fact, paid £112,000, which will give them a right to a cost of works payment for £350,000 if the concert hall is rebuilt.

3720. Only if the concert hall is rebuilt?—Yes, and if you do not rebuild the concert hall you will get a value payment which will probably be much less.

Chairman.

3721. All of which you would get in 17 years for nothing?—Oh, yes.

Colonel *Crosthwaite-Eyre.*] Of which four years have already gone?

Chairman.

3722. That is the first time you have admitted that you are buying something for 17 years?—No, Mr. Chairman, I am sorry. The Treasury's position in this has not been for one moment to maintain that had there been no policy to change the size of the Queen's Hall this is the sort of operation which the Crown Lands would have gone into. They would have let it run forward, probably, and in due course whatever was there would have fallen to them. Our problem has been a different one. There was a policy decision to build not a hall of the original size but a larger hall, for reasons which were then good and sufficient. Now, the problem is to see if that can be done without damnifying Crown Lands. It is no part of Crown Lands object in life to give subsidies concealed or indirect to other Government policies, and in so far as I understand that is the concern of this Committee, or one of the concerns of this Committee, I hope there is no conflict between you and the Treasury on that point. But what exactly will have to be done to ensure that Crown Lands is not damnified by the policy and at the end of it is put in as good a position as it would have been had it not taken these steps in order not to frustrate Government policy, it is quite impracticable to work out in detail and arithmetically until the Arts Council Trust is set up, the operations of building are completed and we see what are the right payments which will have to be made from the new body to the Ministry of Works and from the Ministry of Works to Crown Lands. The fact that they have not been tied up already is regrettable and the Treasury regrets it very much. That would not have happened had it not been for the control of investment and the impossibility of proceeding with building because of the Korean War, but assuming we go ahead and build, and that depends on the decision which will be made during the course of this summer, it is our intention to make such arrangements, and propose such arrangements to Parliament as will, in fact, ensure that all parties are covered. If, in fact, there is additional cost arising out of this operation due to a policy of the Government in giving this assistance to music, it will appear in the proper place in the Estimates and the proper place in the Appropriation Accounts.

20216

Colonel *Crosthwaite-Eyre.*

3723. So it is the Government's policy now not only to run Covent Garden and the Festival Hall, but to take on a third?—The Government is not responsible for the Festival Hall.

3724. No, I beg your pardon, but, at any rate, we shall have three centres paid for out of Government funds, whether national or local?—Whether that is to be so is the point. The Government is setting up this Committee under Sir Kenneth Clark to give certain advice.

3725. On the assumption that Parliament will agree?—Exactly.

Mr. *Blenkinsop.*] I take it this Committee has no interest in investigating whether it is right or wrong to follow this particular policy?

Colonel *Crosthwaite-Eyre.*] None whatever.

Chairman.] It is not our concern at all.

Colonel *Crosthwaite-Eyre.*] All I was wanting to show was that the whole thing was built on the assumption that Parliament would agree.

Sir *John Mellor.*

3726. You said you acted on the good faith of a Government Department and that you had an understanding with the Treasury?—(Mr. *Eastwood.*) Yes.

3727. Was that in the form of correspondence, or how was that expressed?—In the form of correspondence.

3728. Have you got the letters with you?—Yes. I think so.

3729. Would you read the relevant part?—This is from Mr. Root, to Mr. Proctor of the Treasury: "This is to confirm my telephone message of Saturday last about the rebuilding of the Queen's Hall. In the discussion with you and Hale at the Treasury you pointed out that there were three possible ways of getting the new hall built, namely, for the Ministry of Works to build it as principals, for the Ministry to build it as agents for the proposed trust, or for the trust themselves to get it built by a private architect. We have put this matter to our Minister and he agrees that we should let you know that we should be willing to build the hall as principals", and so on.

3730. That is from the Ministry of Works?—From the Ministry of Works. (Mr. *Figures.*) There is a Treasury letter dealing with the point which I think Sir John has in mind, on the 13th June, 1951, from Mrs. Johnstone: "The question of the rent to be paid by the Ministry of Works has, of course, been settled in more recent discussions. The arrangement is that the Ministry will pay you a peppercorn rent until they start to build, but thereafter you

N 2

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

will receive a rent which will be suitably increased to take account of the fact that you have been standing out of interest on your capital for the intervening period". (Mr. Eastwood.) That is right.

3731. Was it then contemplated that building would start at any particular time? Did you have any discussions on that point?—I was not in my office then.

3732. When I say "you", I mean your office?—Yes, I think it was assumed that it would start fairly soon.

3733. So, really, the assurances given in that letter are not really now relevant, are they?—Oh, yes, I think the assurance still holds good that we shall eventually receive a rent which shall be suitably increased to take account of the fact that we have been standing out of interest on our capital for this intervening period.

3734. Was it really, then, the intention between you and the Treasury that the loss of revenue which you suffered pending rebuilding should be funded, in a sense, and that you should receive that amount in some precise arithmetical form?—Yes, certainly we should receive an increased rent over the 99 years which took account of the fact that we had been out of whatever the figure was, £6,500 a year, for one year, two years or three years.

3735. Was that referred to again in the correspondence?—Not subsequently, as far as I know.

3736. Since then there has been this entirely unforeseen delay?—Yes.

3737. Has not the matter been again referred to in correspondence between you and the Treasury?—I am afraid I could not answer that absolutely offhand, but we, that is, the Treasury and ourselves, have certainly been proceeding on the assumption that it remained in force.

3738. The Treasury now definitely confirm that the rent payable will fully compensate Crown Lands for the loss of revenue meanwhile?—(Mr. Figgures.) I repeat, Sir John, what I have just said: it is no part of our intention that any loss should fall on Crown Lands as a result of this policy, or the delay in implementing it. In due course, when we know how it is to be done, proposals will be made in Estimates which will ensure that the payments for this policy appear in the right place and not attributed to Crown Lands if otherwise they would be damaged.

3739. Thank you. You said, Mr. Eastwood, that the appropriate rack-rent for this site with unrestricted use would be, in your view, between £8,000 and £9,000 a year?—(Mr. Eastwood.) I must repeat, I am not an expert valuer, but I should have thought it would have been of that order of magnitude.

3740. Then, as you say you are not an expert—it was your predecessor in this case—I assume you took independent advice before paying the £112,000?—Oh, yes. The figure was negotiated on our behalf by Messrs. Cluttons who are our Crown receivers acting in association with the district valuer.

3741. They are professional surveyors, I take it?—Yes, of a very high reputation.

3742. What advice did they give you as to the rack-rent appropriate, if it was for unrestricted use?—I do not think they gave us a precise figure, because it had always been the intention that where there was a concert hall before, there should be a concert hall again.

3743. Did not you consider at all offering the site for purposes other than a concert hall? Was it never considered?—As far as I know not, Sir. You will remember, of course, that Messrs. Chappell's had a lease for 17 years.

3744. I know. Was not it your duty at least to consider what was the highest rent you could possibly obtain?—Yes, indeed, but as I tried to explain just now I think large landlords in the West End of London must have some regard to the balance of amenities expected by the London population.

3745. While that may be so, at the same time was not it your duty, and when I say "your duty" I mean your Department's, if you were not there at the time?—Quite.

3746. At least to examine what was the most you could get by offering the site for other purposes?—I imagine that my Department must have had a very good idea at the time what the difference between the value with restricted use and the value with unrestricted use was.

3747. In the foreword to the Crown Lands abstract accounts, in paragraph 2, I observe the following: "The function of the Commissioners is to preserve and, if possible, augment the value of the estates entrusted to their charge, to secure as large an income as is consistent with good management and to pay that income into the Exchequer, after defraying costs of collection and management"?—Yes.

3748. Therefore, I want to know what action was taken to discover the maximum rent which could be obtained for this site, restricted or unrestricted?—I cannot say that any specific action was taken to discover the maximum rent, but I have no doubt that my Department would have been very well aware of the order of magnitude of what it was.

3749. Being well aware, why were they prepared to take a matter of £2,000 a year less in order to comply with Government policy?—I do not know that it was in order to comply with Government policy

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

so much as that I think we should have regarded it as being consistent with good management, if I may use the phrase in the foreword.

3750. Why good management, Mr. Eastwood?—Because it is the part of a good landlord to have some regard to the amenities of the town where he is the owner of a substantial part of the ground.

3751. If you were talking of a little village, where perhaps the only amenity was a village shop, I can well imagine to you, as landlords, and owners perhaps of the surrounding district, in the interest of people working on the property, it would be impossible to consider that it should not continue as a village shop?—Yes.

3752. But in London, which is the centre of the amusements and music and arts and everything in this country, surely you do not consider that you have got such an overriding duty to provide entertainment that you can ignore £2,000 a year?—I think we have done in the past.

3753. Will you tell me another occasion on which you have done anything of this kind?—No, I mean in this particular case. I was referring to this case.

3754. You have done in the past?—I was referring to this case.

3755. Can you quote me any other occasion upon which you have taken similar action?—There are various leases which are restricted to special purposes, like clubs, some of the clubs in Pall Mall.

3756. That is in order to preserve the amenities of Pall Mall, surely, because that is mainly occupied by clubs, and in order to retain the character, no doubt in the interests of Crown Lands as well as the tenants, you want to have clubs there and not commercial offices, I take it?—Yes.

3757. But what was there in particular about the site of the Queen's Hall which made it so desirable in the interests of your other properties that it should continue as a concert hall?—There was in the first place, of course, the existing lease, and in the second place a very strong public opinion in favour of the Queen's Hall remaining a concert hall. It had a great tradition behind it.

3758. May I turn to another matter? When you were before the Committee on the 19th May, 1953, you were asked a question by the Chairman which I should like to read. It is question 3224, on page 268 of the Minutes of your evidence. I will read the last part of it, but if you would prefer the whole read, please say so. This is the Chairman's question: "So what you have really bought is a net sum of £2,700 for 17 years, and you have paid £112,000 for it?—(Mr. Eastwood.) I cannot contradict your calculations, Sir". What has caused you to change your mind since

20216

you gave that answer?—Well, I do not know that I would contradict those calculations now. We also, as Mr. Figgures pointed out, bought the right to a war damage payment of £350,000.

3759. But you knew that when you gave that answer, did not you?—I suppose I did, but I cannot remember.

3760. Is it possible on a matter of £350,000 that you would have not had it in mind when giving that answer?—I cannot say.

3761. Is not it the gist of the whole matter? Is not it the gist of your case for justifying the £112,000?—Yes, I think it is. I was not, perhaps, prepared for the course the discussion took last year.

3762. Did not the Chairman's question contain the whole point of the criticism which was being levelled at the transaction?—Yes.

3763. In answer to that question you did not take exception to the way the Chairman put it that you had paid £112,000 to buy a net sum of £2,700 for 17 years. What has caused you to change your mind since then, or do you still adhere to that?—As I think I said, I am not quite sure that I did have the £350,000 in mind.

Chairman.

3764. You certainly bought the right to £350,000. You also bought a liability in the shape of repair amounting to £350,000 so that you can dismiss the £350,000 from your mind, cannot you? You did not buy £350,000 without a liability attached to it. You bought a derelict building?—Well, the £350,000 goes to whoever builds a new concert hall on that site.

3765. The building is no use to you without, is it, so you do not get the £350,000 under any circumstances?—We do not, no. We have a right to pass on the right to £350,000.

3766. In other words, either you rebuild yourself, in which case you spend £350,000?—And get it back.

3767. Or, get what you would have got in 17 years, because Chappell's would have had to hand you over the building in good order?—There has never been any question of our building on the site.

Sir John Mellor.

3768. So, to come back to what I think is our main point, you do not really dissent from that being a fair statement, that you paid £112,000 in order to buy a sum of £2,700 for 17 years?—(Mr. Figgures.) Could I help on this?

3769. I would rather have Mr. Eastwood's answer, if you will forgive me, Mr. Figgures?—(Mr. Eastwood.) No, I am afraid I do not agree that that is all we bought,

N 3

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

because we did buy this right, the right to pass on the £350,000 to whoever built on the site.

Colonel *Crosthwaite-Eyre*.] Only if it is spent.

Sir *John Mellor*.] Only if it is spent, yes.

Colonel *Crosthwaite-Eyre*.] So, it is not a right?

Sir *John Mellor*.

3770. What I cannot understand is, if this is such an important qualification, why you made no reference to it when you were replying to that question?—I am afraid I cannot answer that.

3771. Now, Mr. *Figgures*, I think you wished to intervene?—(Mr. *Figgures*.) I was saying that I am sure Mr. *Milner-Barry* was in precisely the same position last year as Mr. *Eastwood*. He was completely unprepared for the discussion, and I am sure that Mr. *Eastwood*, as Mr. *Milner-Barry*, was relying on the statement that the district valuer and Messrs. *Cluttons* agreed, on the basis of the expected return, that Crown Lands were justified in paying Messrs. *Chappell's* £112,000. I have many times explained to the Committee that we in the Treasury do not expect to be experts in the matter of land valuation and I am sure Mr. *Eastwood* does not either. We rely on experts to advise us in this matter. At that stage last year, when the Committee investigated, all Mr. *Eastwood* would have known, and all Mr. *Milner-Barry* knew, was that statement. As a result of discussions in this Committee we have, both of us, been led to go back and discover from *Cluttons* and the district valuer what were the sort of calculations they had in mind when they produced to us that professional advice. We were both relying on the professional advice and therefore knew nothing whatever of the details which went to make it up.

3772. Then, may I ask you with regard to the letter of Mr. *Milner-Barry*, dated 26th June, which contained the figure, which is quite an obvious error, of £52,000, being the £2,404 a year accumulating at 4 per cent. compound interest instead of being the figure asked for, which would be the present value. That letter was sent on the 26th June. When was the error first discovered?—I think I could find that out. (Mr. *Eastwood*.) Quite soon after. (Mr. *Figgures*.) I think the 6th July was the first time the error was discovered, and I think it was discovered by the Chairman of this Committee. As a result of that the query started in the Treasury and we then had these discussions and finally by the 27th established precisely what was the error that had been made.

3773. Where was that figure taken from?—The explanation of that error was, I think, quite simply that the calculation was made on our behalf by somebody who in

fact misunderstood the question, and instead of giving us the present value of so much for 17 years, he gave us the accumulated value at the end of the period of £2,404 invested annually and the interest compounded.

3774. I know it is an obvious slip, it is entirely pardonable, I am sure, but what I want to make sure is this: was this slip made merely in preparing this letter?—Entirely in preparing this letter, yes.

3775. It was not a figure which had come from some previous calculations?—No, because in fact you see, Sir *John*, though you can break down the calculation into many different parts, it is not out of this figure that the £112,000 was ever built up. The £112,000 was built up on the one side by calculation of what was the minimum which we could agree to pay to *Chappell's*, and on the other side on whether it was worth that to us, that is, whether what we should then do with the land would give us a satisfactory return on that amount of money put down. Those were the two points which we had to be satisfied on. We had to be satisfied we were not paying too much for *Chappell's* interest and we had to be satisfied having paid it, that it was a reasonable business proposition for us. On that I have quoted the valuer's and *Cluttons'* advice to us that on the expectation of what we could let it at, this was a perfectly reasonable payment to make. So that particular calculation never had been in any of the earlier calculations. The £112,000 was not built up that way.

3776. I just wanted to be assured that that was a new error and not an old one which in some way had contributed to this very large payment?—Frankly I do not think so, Sir *John*.

3777. Are you quite sure?—Obviously I cannot be sure but I have little doubt, because when they had these discussions in trying to build up the £112,000 at no stage have they used any calculations like this particular one. It was built up in different ways from the two sides.

3778. Perhaps you will look into that and make sure it does not go further back?—(Mr. *Eastwood*.) I am quite sure it does not go further back.

3779. You are quite sure?—Yes.

Mr. *Blenkinsop*.

3780. Mr. *Eastwood*, I take it that you would agree that it is your responsibility for the Commissioners of Crown Lands to secure good management of your properties on a rather wider interpretation than their financial profitability?—Surely, yes.

3781. It would not be unusual for you to lose some financial advantage if it had some wider amenity or other value attached to it?—No, within certain limits.

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

Mr. *Blenkinsop*.

3782. It has been suggested that in some cases in Pall Mall and elsewhere it might be possible to secure greater revenue if you lost certain purely amenity advantages to the City as a whole?—Yes.

3783. Therefore it is not at all unusual for you to enter into an agreement that has some wider social value than merely money profitability?—Not wholly unusual, no.

Chairman.

3784. Might I just intervene here, to clear up this point of the unrestricted and restricted value?—I think Mr. Figgures said you consulted professional valuers?—We did, yes.

3785. Cluttons?—Cluttons and the district valuer.

3786. What was the report on this particular point? Did not Cluttons report first of all that, if the Queen's Hall was restored to its normal state, it would have a restricted user value to the region of £5,000 per annum?—The discussions really go back a very long way.

3787. In a letter of the 17th November, 1948?—Yes, that is what I have here; that is right, yes.

3788. They put there that the restricted user value was £5,000?—Yes.

3789. If the building were put into its former state by the expenditure of the £350,000?—Yes. May I just point out that the £5,000 is for the smaller site and the £6,500 is for the whole site?

3790. Have you got the paragraph there? Yes.

3791. Will you read it?—"For the Commissioners' information we would mention that if the Queen's Hall was restored to its former state the rental value on a restricted user basis would be in the region of £5,000 per annum which equals the ground rent value of this site for unrestricted use. The ground rent of the whole of St. George's Hall site unrestricted would be £1,500 per annum."

3792. That gives you the £6,500 per annum?—That gives the £6,500 per annum.

3793. I take it, going back to my earlier questions, that even apart from the understanding you have with the Treasury with regard to recoupment of any loss, it would not be beyond possibility that you might consider it worth your while in view of your wider duties to accept some loss of this sort in the ordinary conduct of your affairs? I am not saying you would in this precise case, because it might well be it is the sort of problem you have to face from time to time?—Yes, I find that a little bit difficult to answer straight out. We might well expect a rather lower rent

20216

than the maximum for some use of community value, but we would not deliberately go in for a project expecting a loss,

3794. No, I quite accept that, but you might well certainly be willing to sacrifice some revenue for some wider purpose?—Yes.

3795. You would accept it that you have some responsibility to give a lead, if you like to put it that way?—Yes, certainly.

3796. To a better standard of property holding?—Yes.

3797. Than might be expected elsewhere?—Surely.

Colonel Crosthwaite-Eyre.

3798. As I understood it from what Mr. Blenkinsop has just asked you, the point was that as part of good management you might feel you were called upon to accept a lesser rent than you could get in other circumstances in order to ensure good management?—Yes.

3799. But is not it true, from what the Chairman has said, that in the case of Queen's Hall £6,500, which is the figure quoted throughout, is the maximum rent that could be expected from that site?

Chairman.] For either purpose.

Colonel Crosthwaite-Eyre.] For either purpose, and so no question on the lines on which Mr. Blenkinsop has been asking questions arises in the case of the Queen's Hall?—Well, I am afraid I have already, this afternoon, said that I thought unrestricted user would give a higher rent.

3800. If you adopt unrestricted user you would lose your war damage claim?—Yes.

Mr. Blenkinsop.

3801. If I could follow on that point, what I was wishing to establish was that in your position as Commissioners of Crown Lands you are naturally receptive—shall I put it that way—to a Government objective of trying to secure what is felt by them to be wise use of this property, and even at some possible loss to yourselves it is within the bounds of possibility, anyhow, that you would be willing to consider wider considerations than merely the immediate financial return?—Yes, indeed.

3802. What I want to put to you is that you do not interpret the Foreword to which reference has already been made: "The function of the Commissioners is to preserve and, if possible, augment the value of the estates entrusted to their charge, to secure as large an income as is consistent with good management", as tying your hands to a narrow financial interpretation of these duties?—No, indeed, because in the last resort the net income that we earn goes to the Treasury.

N 4

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

3803. Therefore you do feel that you have some public duties in addition to the very proper financial considerations that must be in your mind?—Yes.

Mr. Oliver.

3804. If that is so, you start on a very slippery slope, do you not, if you start talking about amenities in respect of income? If you are going to forfeit income because of some public policy, laudable though it be, there is no means whereby you can be checked in so far as the price you should obtain for a site and the price you do obtain for a site are concerned. Upon whomever the decision rests, they can say, well, we are prepared to sacrifice the difference on the score of public amenity. Would that be exercising your duties in the capacity of a trustee?—I agree, I think it could be regarded as a slippery slope unless one exercises the discretion with discretion.

3805. I thought Mr. Blenkinsop's question was very laudable, but I thought it was rather dangerous, if I may say so?—(Sir Frank Tribe.) I think the position is set out in the first sentence of paragraph 3: "The position of the Commissioners is practically the same as that of trustees under the Settled Land Acts".

3806. In that case it would be knocked out altogether. There was just one point that I would like to direct to Mr. Figgures, because he seemed to give me the only clue as to how this £112,000 has been compiled. Am I right in saying that the £112,000 has been arrived at having regard to the average profit made by Chappell's before the war?—(Mr. Figgures.) Yes, Sir.

3807. That was a factor that was regarded in arriving at this particular figure?—That was an absolutely critical factor.

3808. What do you say in respect of war damage payment for rebuilding in this case, to the extent of £350,000? Is there any obligation on the War Damage Commission for the payment of loss of income from the time the building is destroyed to the time it becomes earning again?—I think not.

Chairman.

3809. There is, surely, an interest payment at 2½ per cent. on the assessed damage and that is paid when the capital sum is paid?—That is right, yes, but that is not profit.

3810. That is not profit in the ordinary sense?—No.

Mr. Oliver.

3811. You, Mr. Eastwood, have no idea what this site would bring, for instance, as a hotel or for commercial offices?—(Mr.

Eastwood.) I have given my very amateur view that it would probably be of the order of £8,000 or £9,000.

Chairman.

3812. I should like to ask just one or two more questions. I think Mr. Figgures said that you are advised by experts?—Yes.

3813. And the paragraph in Cluttons letter that you read out was quite clear and definite?—Yes.

3814. That the value for restricted user was £5,000 for the Queen's Hall site and £1,500 for the St. George's Hall site?—Yes.

3815. And that that was also the value for unrestricted use?—Yes.

3816. So that the question of £9,000 does not enter into it. The information of the experts you consulted is that the value of the whole Queen's Hall site was £6,500?—That was 5½ years ago.

3817. Exactly, we are arguing on these figures of 5½ years ago. Further, you will notice that Cluttons also say that if the Queen's Hall is restored to its former state, the £6,500 would be the value of the total site? Read your paragraph?—Yes.

3818. You have already read it?—Yes.

3819. So that, in effect—again I revert to the question of 17 years—the rental which you are receiving, which is 2½ per cent. on your outlay, you would have received automatically if you had allowed Chappell's to reinstate and waited for 17 years. You would then have got your £6,500, would you not?—Yes, on the assumption that Chappell's would have been ready to reinstate on a lease of only 17 years.

3820. But wait a moment. Really you must not say things like that. Chappell's had a lease. It was a repairing lease?—Yes.

3821. They were compelled under the terms of their lease to reinstate?—Yes.

3822. Why do you say that that depends on Chappell's being willing to reinstate? You could have enforced the reinstatement?—Yes.

3823. There is no question, of course, that Chappell's would have to reinstate?—If they were going to get their £350,000.

3824. No, under the lease?—I agree, Sir, yes.

3825. And that apparently the full site value there, either for restricted or unrestricted user, was £6,500?—Was £6,500, yes.

Colonel Crosthwaite-Eyre.] At the time of negotiations?

Chairman.

3826. At the time of negotiations?—This is 1948, I think. It was at the time of the

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

first negotiations and before the negotiations with which you are concerned.

3827. It is presumably somewhere about that. Land values had not changed with extreme rapidity? They had not changed in the same way that building values changed?—I think my figure of £8,000 or £9,000 is not far wrong for now.

3828. You mean in two years it has doubled in value?—In five years it has gone up from £6,500 to something over £8,000, I expect.

3829. That means you have made an even worse bargain than you appear to have done?—Well, you can put it that way if you like, Sir.

Colonel *Crosthwaite-Eyre.*] May I put it this way, Mr. Chairman, that the actual loss is now £36,000 instead of the £26,000 which I mentioned previously?

Chairman.

3830. Now, Mr. Figgures, you suggested that it was no part of Crown Land's business to subsidise music?—(Mr. Figgures.) Yes, Mr. Chairman.

3831. You suggested it was no part of Crown Lands to be anything but a reasonable landlord?—Yes, Mr. Chairman.

3832. Let us assume, which is not the concern of this Committee, but it was a perfectly legitimate decision of the Government, that these two concert halls should have been rebuilt. In that case the whole question, apart from the site value of the land, was really a matter for the Treasury or some other Department and not Crown Lands?—I am not quite clear what you mean by "the whole question," Mr. Chairman.

3833. The question of the building policy?—Oh, yes, certainly, the question of building a Queen's Hall.

3834. Building policy was primarily for the Treasury or the Government. Crown Lands were primarily concerned with receiving a proper rental for user?—Certainly.

3835. You yourself referred to being advised by experts, and you notice that experts put the value of the Queen's Hall and St. George's Hall reinstated at £6,500, which is the rental which, presumably, Crown Lands are to receive?—In respect of this, plus the adjustments for being out of their money.

3836. Plus the adjustments; we will leave those out?—And the negotiations for this have not been completed and before the lease between Crown Lands and the Ministry of Works has been completed, we in the Treasury, and I am sure Crown Lands, will want to be satisfied that whatever that rent is it is one which adequately recompenses Crown Lands for their cost as well as for the value of the land in the future.

3837. The point I want to get at is this: you will agree that Crown Lands are entitled to a rack-rent and it is no part of their duty, except as a good landlord, to be concerned with the use to which their land is put. I am using the one limitation of "good landlord" in its widest sense. It is not their concern to decide whether it is desirable to have one hall instead of two?—No, Mr. Chairman, I am not quite sure where you are intending to lead me. I would say *per contra* that it is no part of Crown Lands' task to prevent the Government from carrying out a policy of building, provided that it receives an adequate return for the land which is used.

3838. Then I think we agree on that point. Crown Lands would have received, according to your own expert whom you are quoting, a rental of £6,500 as and when the lease fell in?—At some time in the future, yes.

3839. In 17 years?—Yes.

3840. They will receive that anyhow?—Yes.

3841. They have paid £112,000?—Yes.

3842. And according to the unwritten agreement now subsisting they will get £6,500?—I think, Mr. Chairman, part of the trouble arises from assuming that this necessarily is the whole of the story. You see, £6,500 was the effective lease value which was going to be paid by Chappell's had they built this hall, less the £2,800 which was an alternative value for the £112,000 put over 99 years as the price which would be paid to them for surrendering their lease.

3843. The question is not what Chappell's were paying, but what Crown Lands would receive. Crown Lands would have received £6,500 from a restored building?—Yes.

3844. In 17 years?—Yes.

3845. Without paying a penny?—Yes, certainly.

3846. Apparently they are to receive £6,500?—No, that is precisely the point I was making, Mr. Chairman, there is no firm agreement that the amount is £6,500. The amount which they will have to receive is the amount which they will show is the necessary amount to cover their expectations for the site over the period of time, plus the amount they have actually expended. What that will actually turn out to be cannot be decided until the day.

3847. In that case then, the sum is roughly this: Crown Lands will have paid £112,000. They will automatically receive £6,500 in 17 years?—Yes.

3848. So that any compensation that the Treasury pays to Crown Lands for this £112,000 will not involve £6,500 per annum, 17 years hence. That they will receive automatically and it will not be part of their compensation?—I wonder if you

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

will forgive me? Calculations of rents and leases are not my daily task, but the policy is that the lease which shall be signed between Crown Lands and the Ministry of Works, if this policy comes to fruition, will be an amount which will leave Crown Lands over the period of the 99 years of the lease as well off as they would have been had none of this taken place. Now, what precisely the adjustments which will have to be made will be, I cannot possibly say now. We cannot possibly work them out until we know the details and know precisely what is going to happen, and that is still unknown. I really find it difficult to agree in question and answer precisely what the terms in the lease will be which will compensate Crown Lands for their expenses, but that they will be compensated is part of the policy.

3849. Then, quite clearly it will have to be a very much larger sum than £6,500?—That may well be so, Mr. Chairman.

3850. That is not the tale we were told to begin with. That is not the tale we were told in the Treasury Minute. The Treasury Minute puts £6,500 as the compensation whereas they are going to get £6,500 in 17 years, irrespective of any

compensation. Let us accept your figure of £6,500 as the correct figure. In 17 years their rental will have to be at least £13,000. Is not that correct?—I think not, Mr. Chairman, but you are skilled in working this out and I have merely been learning it in the last week. I would have thought the sum was not as large as that.

3851. The Treasury calculation is that, to compensate Crown Lands for the £112,000, they have to receive a rental of £6,500. That is the Treasury Minute?—Yes. The Treasury Minute in this sense is not complete, because the Treasury Minute when it was written was no more able than we are today to spell out precisely what will be the terms of the lease between Crown Lands and the Ministry of Works. To do so, Mr. Chairman, we might as well have done so in 1951, and if we had done so in 1951 it would almost certainly be wrong by now, 1954. We shall draw up this lease and agree it on the terms I have just set out to you when we know when we can proceed to implement the policy.

Chairman.] I do not think we can pursue this any further. I think next we shall have to deliberate on it.

CROWN LANDS ABSTRACT ACCOUNTS, 1952-53.

Chairman.

3852. Will Members now turn to the Crown Land Abstract Accounts, 1952-53? You have made a statement, Mr. Figgures, that the whole position is in flux and flow. You do not even know now whether there is going to be a concert hall built on this site?—(Mr. Figgures.) I think the formal position is that the decision was taken to build the Queen's Hall and it has been repeatedly reaffirmed that that will be done as soon as the economic conditions permit. The Chancellor has now decided to take the opportunity to take further advice since the delay has been so great; in effect, to advise him whether he should change his policy.

3853. Supposing it was decided that there should be a concert hall built on these premises, would it be from public or private funds?—I think it is almost certain that the Government will propose to Parliament that it should be done with public funds. An attempt to build it with private funds had already been tried in 1951 when the Chappell negotiations broke down. There is no reason to think that, Chappell's having failed, any other private capital would be available to do it.

3854. I think now I would just like to raise an entirely different point, and that is the question of the right of the Ministry of Works to build, and, presumably, run a concert hall. Are you prepared to answer that?—(Mr. Root.) Yes, Sir. We understand that we would have the right to build the

concert hall, but we would certainly not propose that we should run it. It would be let to the Arts Council or their trust. We have consulted the Treasury Solicitor about our right to build a Queen's Hall. It would stem from the Commissioners of Works Act of 1852 which provides that the Commissioners of Works may hold land for the public service, and the Treasury Solicitor considers that if the trust is set up which does not set out to make a profit, but which sets out to provide the public with fine arts, I think that was his expression, then he would consider that that was a public service within the meaning of our Act and on that assumption we have said that we would build.

3855. So you have clearly got the opinion of the Treasury Solicitor that it is within your competence?—That it will be within our competence if a trust is set up on lines that he could approve.

3856. And before you do anything will that trust be set up?—Yes, that is what we are waiting for.

3857. Have you spent any money, so far? You have not?—No.

3858. And you will not spend money until you are quite satisfied through the Treasury Solicitor, or through the Law Officers of the Crown, that the trust is adequate for the purpose of protecting you?—Yes.

3859. When did you get this opinion?—We got the second opinion on the 9th May, 1951, but we were acting in the earlier

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

stages on the opinion which was given to us when we acted on Covent Garden which I have here, which said that if we were building—leasing in this case—for the Arts Council, the Treasury Solicitor would consider that within our powers. We then went back to the Treasury Solicitor and said that it was not really in fact the Arts Council who would be taking the lease from us, it was the Covent Garden Opera Trust which was set up by the Arts Council, and they said that the Trust was in their view merely the instrument of the Arts Council and so we were covered. We then assumed that if something similar were done in the case of the Queen's Hall it would be all right, but as I say, in May, 1951, we decided that as there had been a good deal of discussion about this, we had better be absolutely sure, and so we got a second opinion.

Mr. Oliver.

3860. It will be necessary for the Treasury Solicitor to look at the terms of the trust before he can express an opinion, will it not?—Certainly.

3861. So he does not know whether the element of public service would be a requisite constituent element until he has had a look at that?—No.

3862. I take it that the Arts Council is a non-profit-making body?—Yes.

3863. According to the figures we have had today the old Queen's Hall made about £11,600 a year in the last five years of its existence. What happens to the profit in that case?—Well, when we consider that the estimate of the rebuilding the Queen's Hall is £1 million to £1½ million, of which £350,000 is to be paid in war damage, the prospective rents which we shall have to pay will be anything between £50,000 and £60,000, apart from the ground rent, whatever that may be, and we would have thought that the risk of this body making a profit was one which could almost be disregarded.

3864. Will not the cost be spread over the lease of 99 years?—Yes. I was talking then in terms of interest and sinking fund on the cost to us of building a Queen's Hall. The Covent Garden Opera Trust has a similar provision. If it does make a profit, which I gather it does not, it can spend the money on various services to the arts outside the immediate sphere of the trust, and it can pay interest not exceeding 4 per cent. on any money which it borrows.

3865. Perhaps you will explain? Apparently I am not cognisant of how the Ministry of Works is going to be remunerated for the expenditure of this large sum?—That was the one thing which gave us a good deal of consideration. Mr. Eastwood has quoted the letter in which we agreed to act as principals. That would mean that the capital sum would have to be on our Votes and would be approved by

Parliament, but we would recoup the money by interest and sinking fund from the Arts Council and its trust, but we should, in fact, have paid the initial capital sum on our own Votes. In the light of the Treasury Solicitor's advice, if the trust were set up on the lines suggested I think that would be in order.

Sir John Mellor.

3866. I just wanted to be clear about this question of public service. I think you said, Mr. Root, that the Treasury Solicitor advised that if it was for the purpose of fine arts, and was not run for profit, that would constitute a public service?—Yes.

3867. I do not quite follow the question of the profit element, because is it a greater public service if it makes a loss?—I do not remember his precise wording, but I think what was intended was the same limitation as on the Covent Garden Opera Trust, that it could not be used to pay a dividend to a private or commercial concern. Any profit would be used for furthering the arts or within the terms of the trust deed.

3868. You mean there is no objection to it making a profit providing that the profit is not distributed to private individuals?—Yes.

Colonel Crosthwaite-Eyre.

3869. Are you aware that out of money provided by Parliament to the Arts Council half of the total amount is lost by Covent Garden?—I was aware that losses were made because we see their balance sheet.

3870. So that the real position is now that the Ministry of Works will put the cost of this building on their Vote, provided that Parliament under another Vote provides enough money for the losses which will be incurred by the people who owe the rent?—Yes.

Colonel Crosthwaite-Eyre.] I see. That is a good start.

Mr. Blenkinsop.] May I suggest that if a larger sum were granted to the Arts Council the percentage spent on Covent Garden would be smaller?

Chairman.] I am afraid the Ministry of Works is not the Arts Council and we cannot pursue too far the provision of music for the people of the country.

Colonel Crosthwaite-Eyre.

3871. I am only interested to notice that the position is becoming much clearer now between the surrender of Chappell's lease and the future use of this site. May I now proceed to the next question? What are the terms of the trust that you envisage will be approved? Is it to be one subject to Parliamentary control or without Parliamentary control?—That would be a matter for the Treasury, but our interest in this

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

trust is that it should conform to the requirements of the Treasury Solicitor to enable us to regard it as subsisting for the public service.

3872. So far as finance is concerned, that is secondary to the matter of making the trust deed acceptable to the Treasury Solicitor?—Yes, that is merely our part of it, our responsibility.

3873. Why is it that arrangements were apparently tentatively made and reported to Parliament in 1951 that, pending this long drawn out negotiation, the Ministry of Works would pay a peppercorn rent to the Commissioners pending the final settlement? Why has not that been implemented?—It cannot be implemented because the trust has not been set up which would take the financial load from us.

3874. This is not a question of financial load, this is a question of peppercorn rent to regularise it?—Yes, but we enter into a commitment, as I understand it. Even if we enter into a peppercorn rent we enter into a commitment for the future and we have no power to take that responsibility over.

3875. In other words, the statement made to the House of Commons should have been framed to say "Once an agreement has been reached as to the constitution of this trust"?—Yes, I think so.

3876. It was never mentioned?—No.

3877. And, therefore, Parliament was misinformed?—(Sir *Frank Tribe*.) I do not think the statement to the House of Commons said anything to the effect that the Ministry of Works was going to build it nor, indeed, did it say that the Government was going to pay for it.

3878. I am sorry, I was reading, Sir Frank, from your Report, and perhaps I misunderstood it. (Mr. *Figures*, you read out a statement which you said was going to be made in the House and which you asked us to treat as confidential?—(Mr. *Figures*.) Yes.

3879. Why has it taken so long for this statement, in view of all the evidence that has been produced this afternoon? Surely this statement should have been made a good many years ago?—I think my only answer to that can be that until very recently successive Chancellors of the Exchequer have not thought it wise to call for such an inquiry, they have remained convinced that the rebuilding of such a Queen's Hall was a desirable thing as soon as economic circumstances permitted.

3880. Is there any evidence to show that any Chancellor wishes to build a larger Queen's Hall than before?—Yes, indeed.

3881. There is?—Yes, indeed, you have the evidence of Mr. Gaitskell's statement in *Hansard* of the 26th June, 1951.

3882. That is three years ago?—And I feel quite sure that there have been a question and answer since that time. There has been a series of questions and answers of which I have one here of March, 1952. I would be very willing, Mr. Chairman, to let the Committee have a note of all the questions and answers.

3883. The point is a short one. I quite admit the rebuilding of the Queen's Hall has been mentioned many times?—It is only the larger Queen's Hall which has ever been in question from the beginning. Mr. Gaitskell's statement of the 26th June, 1951, started off specifically dealing with this particular point of the larger hall. Would it be convenient if I read a short extract from it?

3884. If you please?—"The old Queen's Hall had a seating capacity of only about 2,200. Messrs. Chappell's were not prepared to undertake the building of a larger hall and they are, therefore, surrendering the lease. It is proposed that the new Queen's Hall should seat 3,500, with room for another 1,000 under promenade conditions and including a small hall seating about 1,100 for recitals and chamber music. Unfortunately, we cannot in present conditions enter into any commitments as to when rebuilding can start". That was the purpose explained in that question and answer for the Government intervening at all—the need for a larger hall rather than a small one which Chappell's were prepared to rebuild.

3885. So, really, from the time of that statement until this present inquiry this afternoon, while the Treasury have known it was impossible to implement that statement, the Crown Lands Commissioners have been left with this loss which only may be recouped in the long run provided a trust is set up which meets with the Treasury Solicitor's approval?—No, not quite that last point. Assuming it is decided to proceed with the policy, if it is not found possible to set up the trust in such a way as complies with the wording "public service" in the Act of 1852, it is the intention, as my predecessor told this Committee last year, of the Government to propose to Parliament specific legislation to give the Ministry of Works power to do this. It would not be intended merely to rely on the agents to act and if they failed, to abandon the project.

Mr. *David Jones*.

3886. Did I understand you correctly to say that Messrs. Chappell first of all endeavoured to find the necessary money privately to build the bigger concert hall?—Yes.

3887. And it was only when they completely failed to secure that capital in the private money market that the second negotiation started which resulted in the Government taking it over?—That is right, yes.

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

3888. The Chancellor told the House in 1951 that the Henry Wood National Memorial Trust would contribute what they collected?—Yes.

3889. How much is it?—I think it is a little larger now, but it was announced at £60,000 in 1951.

3890. Is the trust growing?—Not significantly, and I feel quite sure it has stopped collecting now. (Mr. Root.) There is interest.

3891. Do you know how many people contributed? I see Major Beamish said in the House that tens of thousands had contributed?—(Mr. Figgures.) I do not think I have the note. I have no doubt we know, but I think Major Beamish would know better than we.

3892. Is the trust still quite willing to hand over all their money?—I think that is so. There has been no change in that position. It is the intention that the money shall go towards a particular part of the building, a rehearsal hall which will be named after the late Sir Henry Wood.

3893. It is intended that the money should go to the Ministry of Works for meeting the capital cost, it will not be used to subsidise losses in operation?—Oh, yes, I think that is so.

Chairman.

3894. Will Members turn to the Accounts? I have just one question to Mr. Eastwood. From time to time the question of your investments has come up before this Committee?—(Mr. Eastwood.) Yes.

3895. One of your main duties is to find adequate investment in land?—Yes.

3896. We have also heard that it is not particularly easy to find suitable land in the past?—Yes.

3897. What is the position today?—It is just as difficult. We have had various negotiations in the course of the last year involving large sums of money, but very few of them have come to fruition.

Colonel Crosthwaite-Eyre.

3898. Is it true to say that any war-requisitioned land is handed over to you automatically once the requisition by the Service Department is no longer required?—No.

3899. It is not?—It is nothing to do with us.

3900. Do you get most of the land you at present acquire from that source?—No, none.

3901. Could I ask you about your statement of securities which is on page 5?—Yes.

3902. Are you free to choose your own investments?—Investment is done for us by the Commissioners of National Debt.

3903. Is that by arrangement with him or by obligation to him?—By arrangement with the Treasury, I think.

Chairman.

3904. It is common practice?—It is common practice for all Government Departments.

Colonel Crosthwaite-Eyre.

3905. Do you have any say in it as to the differential between longs and shorts and that sort of thing?—Yes, it is our duty to tell him when we expect to want the money, so far as we can.

3906. That is your sole obligation?—Yes.

Sir John Mellor.

3907. On this question of investments, there was some complaint made in this Committee—I am not sure that it was last year, and if it was perhaps you recollect it, or it may have been the year before—that the money which you had awaiting investment in land had been put into long-dated securities rather than short-dated?—Yes, I think it was the year before last.

3908. I think it was admitted on behalf of your Department that they should have been put into shorter-dated investments so as to be more readily realisable?—Yes.

3909. When you had opportunities for reinvestment in land. I think action was taken to reduce the length of the term wherever possible?—Yes, I believe that some changes were made.

3910. Can you tell me whether that process is proceeding?—I have had it very much in mind. It is not primarily for me, it is primarily for the Commissioners of National Debt.

3911. I understand that the actual market operations are not in your hands, but surely the question of policy investment is a matter for your Department?—Yes, the question when we want to be able to realise the stocks.

3912. The instructions which you give to the National Debt Commissioners reflect the policy of your Department, do they not, in getting into the shorter-dated securities?—Yes.

3913. Are the National Debt Commissioners proceeding to do that when opportunity offers?—I think it would be right to say that they are, but opportunity, I think, has not offered.

3914. With the present improvement in prices in long-dated securities, is it not a very good opportunity now to get shorter?—I will bring that point to their attention.

Colonel Crosthwaite-Eyre.

3915. Could I just say that 80 per cent. of your investments are not before 1964, which does not seem to me quite to carry

4 May, 1954.] Mr. C. G. EASTWOOD, C.M.G., and Mr. F. J. ROOT, C.B. [Continued.]

out the policy which you told Sir John is your endeavour?—Well, of course, we inherited a situation some years ago which we have not been able entirely to alter.

Colonel *Crosthwaite-Eyre*.] May we say progress, we hope, will be fast?

Chairman.

3916. Could you tell us how much money, actually, has been reinvested over

the past twelve months?—What changes in investment there have been?

3917. Yes?—I think none other than the sale of £105,000 of securities.

3918. None except £105,000 of securities?—Yes. You will see that higher up, and this figure of £32,000 securities transferred.

The witnesses withdrew.

Adjourned till Thursday next at 4 p.m.

THURSDAY, 6TH MAY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Mr. Hoy.
Mr. David Jones.

Mr. Oliver.
Mr. Enoch Powell.
Mr. Steele.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

TREASURY MINUTE ON PARAGRAPHS 95-99 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G., Permanent Secretary, Ministry of Food, called in and further examined; Mr. E. E. BAILEY, C.B., C.B.E., D.Phil., Principal Finance Officer, Ministry of Food, called in and examined.

Chairman.

3919. Will Members turn to the Treasury Minute on paragraphs 95-99 of the Third Report of the Committee of Public Accounts, "Cereals: baking subsidy." Sir Henry, what was the annual rate of flour subsidy before it was withdrawn?—(Sir *Henry Hancock*.) I should say, first, that, of course, we switched over to the new subsidy in the last financial year. We went on to the baking subsidy as distinct from the flour and baking subsidy as from April last year.

3920. What would be the difference from the last financial year, when the baking and the flour subsidy were running, now that there is only the baking subsidy?—May I just give you the exact figures? In 1952-53 there were the two subsidies, baking and flour; and in 1952-53 the original estimate was £43.7 million. In the final result, in the working for the year, the total was £57.4.

3921. What was the estimate of the new single subsidy on a yearly basis?—In the

published estimate it is £47.4 million and our latest estimate—it has not yet been published outside the Ministry—is £40.3 million.

3922. Approximately then, the two subsidies are identical in size, is that correct?—Well, we have saved, of course, the flour subsidy on flour that does not go into ordinary bread, the national loaf. All flour used for cake making and biscuits and flour going into the white loaf does not carry subsidy any longer, so we have saved something there.

3923. How much is your present baking subsidy?—The present baking subsidy, on the £47.4 million estimate?

3924. Yes, how much per sack does it amount to?—43s. 9d. per sack on that estimate. It is 37s. 10d. on our internal revised estimate.

3925. Have you any idea how that works out? You take samples, I believe, of costings from the National Association of Master Bakers?—We take samples from

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

bakers in the three bodies, the National Association of Master Bakers who represent, of course, the smaller people, the Co-operatives and the Federation which represents the big plant bakers.

3926. I take it you have no difficulty in getting costings from the Co-operatives and the big plant bakers?—No, the big plant bakers give us the maximum of experiences and we have a sample there equivalent, by numbers, nearly to one-third of the firms at work.

3927. Now with regard to the small bakers, the National Association of Master Bakers, there are some 13,000 of these, I believe. How many sample costings do you get from the 13,000 odd master bakers?—Last year, when I was discussing this point with the Committee, I explained that we had a sample then of just over 150.

3928. Out of the 13,000?—Yes, which we did not think adequate, and we have been struggling for quite a long time, in co-operation, it must be said, with the Association, to get, as we think, a more representative sample. We have over the past year, or rather longer than a year, raised the sample to 350; that is, we have more than doubled it.

3929. It is still less than 3 per cent.?—Oh, yes, but by sackage used the 350 firms represent just under 10 per cent.

3930. You have got it from the bigger firms then?—We have got a fairly wide selection of firms. It includes some of the larger ones, but it also includes a large number of small ones.

3931. What do your costings show? What is the range of profit per sack?—I have not got that with me at the moment, Mr. Chairman.

3932. Do you happen to know, Sir Frank?—I gave the figure last year. (Sir Frank Tribe.) For the National Association alone I understand that it ranges from a profit of 3s. 5d. per sack to a loss of 34s. 5d. per sack, the weighted average loss being 15s. 7d. Those figures, of course, are before you take the subsidy into account.

3933. The subsidy amounts to how much, do you say?—(Sir Henry Hancock.) 37s. 10d. on our latest figures.

3934. Do you feel that the subsidy method works satisfactorily in view of those extraordinarily wide ranges?—This is an extremely difficult subsidy to work and one has to remember that the units of the industry are of very varying sizes, very varying efficiency and very varying make-up in the sense that they have special markets, they market special products, and so on. But on the whole I would say that the extension of the sample from 150 to

350 has given us considerably more confidence in the general accuracy of the results of the sample than we had when I came here last year. The old sample, of course, included from year to year a number of continuing experiences which we had in previous years. Now, the new sample covers those and others and by and large it shows very much the same trends throughout the sample as the earlier sample.

3935. My memory suggested that these figures seem rather familiar?—Yes. By and large we think that that, at any rate, is reassuring.

3936. On the other hand, if you have too fixed a subsidy, in order to make it worth while for a baker who is losing 34s. per sack it means that another baker is making a profit of over £2 per sack? Surely there is something wrong either with your subsidy or with the bakers who are losing 34s. a sack?—Well, we do not, of course, do it quite like that, Mr. Chairman. We take the average. The purpose of our investigations into costs is to obtain a weighted average of costs.

3937. One baker, and this is a small baker, making 3s. 5d. per sack profit plus 37s. 10d. subsidy gets a profit of 41s. per sack?—Yes.

3938. Another baker is making a profit of 3s. per sack?—Yes, but all that is taken into account in the way in which we calculate the subsidy because we weight the sample according to the proportions of business done by the membership of the different associations; so that this sample from the master bakers is, of course, only one of the elements, it is only one of the constituent parts of the whole sum. We cannot do more than obtain an average.

3939. Is there any reason why you should not look into the question of why you have to pay a subsidy sufficiently large to cover losses of 34s. a sack?—Of course, we do not cover losses of 34s. a sack, in fact, related to a particular individual baker. All we do is to take an average of losses and profits and then pay a subsidy on the basis of the average. I think one must probe more deeply. Assuming for the moment that we have got a reasonably good sample, and we think it is about as good as human ingenuity can make it, assuming that, in order to go more deeply, we should have to cost virtually every individual unit.

3940. All I am saying is this, that here you have a subsidy which does show a profit to a man who is losing 34s. a sack and which shows an enormous profit to a man who is making 3s. a sack profit. The variation in profit, as I make it, is between £2 and 3s. Surely that is an unsatisfactory

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

basis on which to grant subsidies?—Yes, those are extremes of range in the sample.

3941. Exactly?—You cannot, I think, in my costings experience, avoid extremes of range. We find it in all our costings.

3942. May I put the question in another way, perhaps, or it may be a different question. What do you regard as a suitable average profit to be made per sack?—About 5s. We have always regarded that as our target.

Mr. Oliver.

3943. I am rather intrigued about the elements making up the subsidy. Is it possible in this arrangement that even when you have paid a subsidy to some of these bakers they still make a loss, or do they all make a profit?—Oh, I think that it is certain that some still make a loss on this part of their operations. You see, if I may just amplify that, bakers are not only baking bread from national flour but they have other operations, cake making and baking specialities, and their bread baking may show a loss, and indeed many small bakers show a loss on their national bread.

3944. So they are really existing as an industry or a firm on the other part of their business?—Some of them are.

3945. And there is nothing that the Ministry can do where losses are shown to step up the process whereby, if it is a question of efficiency or something, at any rate, you may make it possible for them to improve?—If I may, with the Chairman's permission, just say a word on that, it is, of course, probable that the economic trend in the baking industry is in favour of the large unit, plant baking, and that the small baker is, to some extent, struggling against the tide of present day conditions. There is undoubtedly increasing competition by the big plant bakery with a wide area of delivery and efficient machine methods. There is undoubtedly a great struggle going on which was going on before the War and has gone on more intensively, I think, since the War, and the small bakers in many cases are having a struggle. I do not think it is one of those things you can assess on ordinary canons of efficiency.

3946. But as against the small baker and the losses he sustains it must make the profit of the efficient firms extraordinarily high by reason of the subsidy?—Of course, we seek to guard against that by the weighting factors and the averaging that we apply in using the costings.

3947. Have you ever been able to take any step towards limiting the subsidy to the more efficient firm to what it would represent in the f.s.d. of the matter?—We have not done that, Mr. Oliver, but I venture to suggest that if we did it and by Government action appeared to be putting out

of commission a very large number of small bakers, we should be in for serious trouble. After all, there has been in the past a defence element in maintaining a wide distribution of baking facilities, and during the War, certainly, and since the War, Governments have hesitated to move too fast and too far in this field because from a safety angle if you concentrate all your baking in a few large plants you are very vulnerable.

Mr. Steele.

3948. That is what is happening?—It is a very slow process.

Mr. Enoch Powell.

3949. Following that last point, would one of the objects of the subsidy be to reduce the price to the consumer?—That is the primary purpose.

3950. That is the primary purpose, but I understand from what you are now saying that there is a secondary purpose, which is to keep in business certain firms which otherwise would go out of business?—No, that is not a conscious purpose of the subsidy. The conscious purpose of the subsidy, of course, is to enable the consumer to buy bread, which would otherwise be dearer, at a lower price. One of the effects of Government intervention is to temper the wind in the case of the small baker.

3951. That, I take it, is an effect not of the subsidy as such, but of the level at which the subsidy is fixed. In fact, if the subsidy were smaller certain firms would necessarily go out of business?—I think that probably would be the case. I think that is fair, yes.

3952. So that there must be this secondary object which influences the figure at which the subsidy is fixed?—Well, I think I can say quite definitely that that has not, in fact, been regarded as a motive for maintaining the subsidy at any particular level.

3953. I see. Has the Ministry considered whether, by fixing the subsidy so as to show a rather less-than-the-average loss before subsidy, they would not encourage efficiency in the industry and stimulate the change from less to more efficient methods?—That, of course, is to a certain extent the effect of the subsidy already. It is a question of degree how far you carry it. The weighted average system does, in fact, produce broadly that result, but it does not produce it in an extreme way. You see, by taking a weighted average you are bound to hit the mean and the small unfortunately placed baker may be making a heavy loss notwithstanding the subsidy.

3954. As regards those firms which normally expect, as I think you said, apart from subsidy to make a loss on their bread

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

because the main part of their business is on other activities, are their costs and results taken into account in working out the average?—Yes, as long as they are bakers of national bread, users of national flour for bread baking, they are eligible to be brought into the subsidy.

3955. I am not speaking about receiving the subsidy, I am speaking about being used as part of the process for calculating the average for the purposes of the subsidy?—Yes, the fact that they have a highly developed activity in other directions would not exclude them but, of course, we try to take for the sample people who have a reasonable bread turnover in relation to the size of their business. If they baked a few odd loaves, but were mainly cake makers, we would exclude them from the sample.

3956. You would regard it as unreasonable to take into account to any appreciable extent in the sampling firms whose bread baking activities were consciously a minor part of their business?—Yes, it would be one of the factors which would influence it.

3957. You said, I think, in answer to the Chairman, that you regarded 5s. as the proper average profit per sack?—That is so.

3958. You earlier said that the average loss before subsidy was 15s. per sack. I may have misheard that?—I do not think I said that. (Sir Frank Tribe.) I think I said that. This was the sample taken in March, 1953, which showed, for the National Association of Bakers, that the weighted average loss was 15s. 7d. per sack.

3959. Am I to assume from putting those two statements together that the average loss per sack overall is, in fact, 32s.?—(Sir Henry Hancock.) No, you cannot put those figures together, I think. Those figures relate to the sample from the National Association, I think I am right? (Sir Frank Tribe.) Yes, and at that time the subsidy was only 19s. 3½d. (Sir Henry Hancock.) Yes, the sample we take for the purpose of determining the subsidy rate is from the whole of the industry, not just the National Association.

3960. So, I assume the average loss per sack over the industry as a whole is approximately 32s. 10d. if the average profit which you are aiming for is 5s. per sack and your subsidy is 37s. 10d. a sack?—Yes, that would be about right.

3961. That is an enormous change, then, over the last 12 months?—Yes, the figures are not strictly comparable, you see. What we did in the earlier days was to have a flour subsidy, and the weight of the Exchequer assistance fell on the flour side. We also had a baking subsidy to help even out some of these differences we have been discussing. When flour was decontrolled we

had to switch the whole weight over to the baking end and inject the subsidy at the baking stage, so that it is very difficult to compare these figures.

Mr. Blenkinsop.

3962. Do I understand that the Ministry have been, or have not been, reconsidering the rate of subsidy with regard to this point of the need for a spread of baking facilities?—May I just see whether I have got that clearly? I mentioned the fact that the economic trend was rather in favour of the bigger unit, but the maintenance of the baking subsidy as such has not been consciously motivated by what the industry could or could not stand. I mentioned that really to illustrate the difficulties of tampering with conditions as you found them. We have to take conditions as we find them. We get a sample on that basis.

3963. You agree, apart from this question of any need for baking facilities over the country, for wider purposes there might be a case for some reduction in subsidy even if it did result in the going out of business of some of the less efficient firms?—Oh, there might, but he would be a brave man, I think, who would use subsidy, which is a Government weapon, for that purpose.

3964. But this is in fact a payment of a sum of money in order, we are assured, to reduce the actual price of bread to the consumer, and surely there may be at least a case for review, if for nothing else, from time to time, to see what the effect would be of a reduction of the actual sum of money involved?—Yes. Of course, it is alleged, as you probably know, that we are in fact driving people out of business already.

Mr. Hoy.

3965. What type of people?—Small bakers. The sort of high principles behind this are rather difficult, of course, to dissect. It is difficult for Governments to use a subsidy which is for one purpose to create economic changes which may be of a very wide range in character, of course.

Mr. Blenkinsop.

3966. I am only asking whether this is not a proper matter for consideration by the Ministry?—As I say, it is one which we are brought up against all the time in the administration of this subsidy. We are constantly being accused of doing exactly what you suggest we should consider doing.

3967. Shall I put it this way, that there may be a sound case for the artificial retention in business of many firms who, apart from what the Government is doing, would be out of business? I am merely asking whether this is something which has been reasonably considered?—Yes. We have considered it, of course, and we have

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

had to meet, to some extent, the difficulties of the small bakers since de-control by giving them a special payment per sack on small sackages, on the first 25 sacks. That is definitely something that we must review. It was only given as a tide-over arrangement and we shall have to review that, and we are always up against this particular question that you are raising.

3968. Would you not agree that it might be that that subsidy could be reduced without any increase in the actual price to the consumer?—I think it is possible, but at the cost of an upheaval among a large number of small men who are necessarily and naturally very vocal.

3969. And, presumably, this other question would still be kept in mind, as it is no doubt an important matter, whether or not it is desirable on defence and wider grounds of security to maintain facilities?—That, of course, has always been at the back of our minds.

3970. But at the back of your minds, I take it?—Well, we try to keep a balance. It is a pretty difficult and thankless job, this one.

Mr. Steele.

3971. Are there any small bakers left in Scotland at all?—I think Scotland is a country where the economic forces have worked more ruthlessly.

3972. Is it the economic forces or the logical reaction of the Scottish people?—As more than two-thirds a Scot, it may be the more logical reaction of the Scots.

3973. It is true that they are sending bread from Glasgow right to the North of Scotland?—Yes.

3974. And it is true that the modern tendency is nowadays, and the Ministry of Food, of course, with their propaganda are pushing it forward, that the people want clean food and there is a desire to have a wrapped loaf, and the small baker just cannot compete in that way?—No.

3975. Can you tell me, regarding the introduction of white bread as compared with the present national bread, have you any conception as to what saving accrued to the Ministry in subsidy by the decontrol in that sense?—The actual use of white flour to bake the non-subsidised bread?

3976. Yes?—I can tell you that the proportion started in the neighbourhood of 7 per cent., between 5 per cent. and 7 per cent., it has fallen steadily and it is now about 3 per cent. of flour that is used for bread baking.

3977. About 3 per cent. is going into the white bread?—2 to 3 per cent. is going into white bread.

3978. Is that bread and cakes?—No, bread. The flour that goes into cakes is separate.

3979. So the public have rejected the white loaf?—They have not taken it up with any enthusiasm.

Mr. Hoy.

3980. May I just ask you one or two questions about the affect of this subsidy on the small bakers? I am interested to hear you say that one of the great considerations given to this by the Ministry of Food is that if it were cut in any way certain bakers might go out of business. You think that would be an inevitable consequence?—Well, that is what we are constantly being told and, in fact, it is happening to some extent, there is no doubt about it.

3981. As a result of that surely it would not be the intention of the Ministry of Food to consider it its primary purpose to keep people in business, would it?—No, and, of course, the subsidy does not really, I think, work that way. The subsidy is in effect an incentive to efficiency if a man is on the borderline, because he may have a chance of survival. It is not any part of our job in administering the subsidy to keep people in business, obviously, but I think any Government has to be very cautious of using a weapon which is provided by Parliament for one purpose, namely to keep bread at a lower level, for a different purpose, to reorganise the industry, shall we say.

3982. But surely you are not doing that? That is not what was intended for. The primary purpose of this subsidy was to restrict the price of the loaf?—Yes.

3983. Now, what I think you are suggesting, if I might say so, is that, should the Ministry decide to cut this subsidy, certain people will go out of business, but surely that was not the intention of the subsidy? You are allowing yourself to be accused of something which you ought not to be, because it is not the purpose of the subsidy to keep small bakers' shops open?—No. I do not think that taking our weighted averages and applying them to the overall profits of this industry there is any case for doing that. Perhaps this is a red herring, Mr. Chairman; I only mentioned it because it is a fact that we have to take the industry as we find it. Obviously, if you want to apply a subsidy you have to take the industry as it is today and it is very hard to depart from that basis unless you start, if I may put it vulgarly, monkeying about with things.

3984. I am not an expert, but I am told by people in Edinburgh that these bakeries are quite large enough to supply the needs of all the people in the particular area, and I think you agreed with Mr. Steele that this is a general development in Scotland. Now, while the population is much less, the distance can be equally as great. If that is

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

the case in Scotland may I ask what the case is in Wales? Is there a centralisation of baking facilities in the same way?—I am not familiar with the conditions in Central and North Wales. In South Wales undoubtedly there has been a trend in the same direction, but I must just say this, that if you did cease to take the facts as you found them and started consciously to apply a new criterion—

3985. But you are not?—May I just finish—you raise questions of State responsibility for what happens and your last state may be difficult.

3986. I do not want to argue this any further, but I would disagree with that, Sir Henry, because when this subsidy was introduced it was not for the purpose of subsidising businesses, it was for the purpose of subsidising the loaf at a price at which it was going to be retailed to the consumer?—And so it still is.

3987. Yes, but there seems to be another factor, a very important one, which accounts for a considerable sum of money, this large scheme is being used and you are afraid to do anything about it because you will put some small business people out of business. Is not that what you are saying?—I was not going as far as that. Mr. Blenkinsop asked me whether we should not consciously do something of that sort and I said I did not think it would be proper to do it and I have said all through that the real purpose of the subsidy is to maintain prices at a lower level than they would be had ordinary economic considerations prevailed, and I mentioned the other factor because it is very important in relation to this particular sample.

3988. Then, may I just ask one other question about the subsidy itself? I think you said there had been a considerable saving in subsidy, is that right?—Oh, yes. It was £50 million odd for the last complete year when we had a flour and baking subsidy. Now we have a baking subsidy only our estimate is £47·4 million for the current year; that is the published estimate, but our own private estimate, the latest one, is £40·3 million.

3989. A great deal of the content in that figure is not because of efficiency but because of policy in stopping the payment of subsidy, is that right?—The larger part of it, I think, is a reflection of the fact that the flour going into cakes and fancy breads is not subsidised.

3990. Is not subsidised, and that accounts for the greater part?—That accounts for the greater part.

Mr. David Jones.

3991. You have stressed this afternoon that you had to be very careful how you administered this subsidy lest you should

put people out of business, but is not it a fact that your Ministry during the War, for entirely other purposes, concentrated baking into a smaller number of firms?—I am not aware that they did, Mr. Jones.

3992. By licensing and other methods?—I am speaking from memory here because I was not in the Ministry during the War, but our tendency, as far as I know the record, was rather to maintain as many widely distributed baking units as possible, because of the risks of one incident putting out baking capacity over a very wide area.

3993. Was not there some step taken to concentrate the saving of man power, petrol and transport and so on?—Not as far as I know in bread baking. We did concentrate a number of industries.

3994. Would it be correct to say that, if the line suggested by Mr. Blenkinsop was followed out, you would, in fact, meet the purpose of the subsidy to a very much higher degree than you are doing now, by it not costing you any more and supplying a cheaper loaf to the consuming public?—It would not be any cheaper, but it may be that there are savings to be got from industrial reorganisation of the baking industry. I would not like to offer a firm opinion on it but I think that, taking the industry as it is, we tried to establish a fair mean and I do not think we can do any more with a subsidy as such.

3995. Would you agree, in fact, that the wide variation in the costs of producing bread between the small baker and the bigger firm is, in fact, because of the complete inability of the smaller firms to accommodate themselves to improved methods of production and distribution?—It is very hard to say, that may be one factor, but there are very numerous factors: the type of area served, the turnover in relation to other products, the ability or lack of ability of the man in charge who is buying, and so on. I think that you cannot isolate one factor.

3996. Would you agree, in fact, that what this method of distributing the subsidy is doing is keeping a large number of people in business who by the ordinary process of competition would have been eliminated a long time ago?—I think it may be having that effect as an incidental, but it is only an incidental in fact, and whether if you remove the subsidy there would be anything catastrophic quickly, I cannot say. Over a period, no doubt, but if you remove the subsidy over a period, there would be a trend in England and Wales in the same direction as the trend which has already occurred in Scotland.

Mr. Hoy.

3997. You have had no outcry, have you?—It had happened. I can remember

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

when I was a small boy in Scotland our bread was delivered from 10 miles away.

3998. You said that your target was that profits should not be more than 5s. per sack. That was your target?—Yes.

3999. But what is it actually?—It varies up and down, around 5s. We keep it at about that, or try to. That is the purpose of these costings.

4000. If it varies up and varies down, can you tell me what the average is?—We are all the time trying to keep it to 5s.

4001. What do you mean by "all the time"? Monthly?—Actually we apply it half-yearly and we work on provisional payments up to the half-yearly settlement. We work to provisional payments which are very much below the full rate of subsidy.

4002. Has it ever risen to, say, 10s. a sack?—Then we should alter the rate at once.

4003. Has it?—I do not think it has. I am pretty sure it has not.

4004. How high would it have gone?—I do not know, but we should adjust, you see. We should not let it go there.

4005. You could only adjust it six months after it had gone there?—Yes, but we are not paying the full amount.

4006. You pay at the end of six months?—We are only paying a smaller amount. We have not to claw back a lot.

Mr. Steele.

4007. It is a provisional settlement?—It is only a provisional settlement below the amount of the full settlement.

Mr. Oliver.

4008. In the case of the small baker, did I hear you say you made an extra payment in respect of the first 25 sacks?—Yes.

4009. If that applies to the small baker, should there not be some corresponding reduction to the very large baking firms?—Well, I suppose in strict logic you might, but, of course, we have not done that.

4010. Their profits must be simply enormous if you are keeping this lot going?—As I say, we try to stick to a mean and we are doubtful on the subject of that addition to a small man's sackage of 4s. It is a purely experimental and tentative addition to the subsidy and it is subject to review and we are reviewing it now.

4011. I take it the bakers will never want the subsidy to come off, they have never had such a good time in their lives, have they?—Well, I would not say that.

Chairman.

4012. Sir Henry, I think the Committee has been somewhat surprised at the extreme range of baking costs of these small bakers. We have been dealing with the small master bakers, have we not?—Yes.

4013. They take on an average, I think, approximately 15 sacks per week? That is near enough, I think?—I think it is more than that.

4014. There are 160,000 sacks taken by 13,000 bakers?—I have not got the figure, but I think it must be more than that, Mr. Chairman.

4015. Sir Frank, can you give us a figure?—(Sir Frank Tribe.) The weekly sackage of the small bakers is 168,000, and divided by 13,000 odd it is roughly, say, 12.

4016. Twelve, yes. I want to get approximate figures. The Co-operatives take, approximately again, about 400 sacks per week, I believe, on average, is that correct?—I can give you the Co-operatives.

4017. I only want to get the order of the size, I do not want the actual figure?—No, it is more like 180, I should say.

4018. The Co-operatives take 180?—Yes, 375 into 66,000, about 180.

4019. The great mechanical bakeries take what, about 1,000 sacks?—Nearly 1,000.

4020. So you get 12, 180 and 1,000 sacks per week as the average of these three groups. Can you give us, on the same basis, the profit range before subsidy of the Co-operatives and the mechanical bakeries?—(Sir Henry Hancock.) I have not got those figures. I really must apologise, because I had no idea you were going to examine me again on this. You examined me on it last year and I would have brought these papers with me.

4021. Perhaps Sir Frank can give us those?—(Sir Frank Tribe.) For the Federation, that is the wholesale and multiple bakers, in March, 1953, the weighted average loss was 12s. 4d. per sack.

4022. I want the extremes?—They varied from 2s. 9d. to 33s. 11d.

4023. That is profit?—These are losses, all losses.

4024. That is the bakers on 1,000 sacks a week?—Yes.

4025. What were the extremes of losses in the Co-operatives?—All losses, from 1s. to 35s. 9d. per sack.

4026. So that, in effect, whether you are baking 12 sacks a week, 180 sacks a week or 1,000 sacks a week, in those groups the range of cost is approximately the same?—(Sir Henry Hancock.) Yes, that is one of the extraordinary features of this industry.

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

Mr. Steele.] Where does the efficiency come in?

Chairman.

4027. Exactly. I do not know whether you can, with advantage, let us have a note on this rather extraordinary picture?—Yes, I certainly will, but might I just say this: one must not attach too much importance to the extremes at either end of these ranges of samples. That is one of the troubles. You get these extreme cases at both ends, but it is the middle we have got really to look at.

Mr. Enoch Powell.

4028. Could we have the averages for each of the three categories?—(Sir Frank

Tribe.) I can give that quite easily. The weighted average loss per sack in March, 1953, was 12s. 4d. for the Federation sample, 14s. 3d. for the Co-operatives and 15s. 7d. for the National Association.

Chairman.

4029. Practically nothing in it. You can see what the Committee is interested in?—(Sir Henry Hancock.) Yes.

4030. Perhaps you will let us have a memorandum, not applying to the questions, but applying yourself to this curious fact that the small bakers are almost as efficient as the great mechanical bakeries on price?—Certainly, I will be very interested to do so.*

TRADING ACCOUNTS AND BALANCE SHEETS, 1952-53 (VOL. I).

Chairman.

4031. Will Members now turn to the Trading Accounts and Balance Sheets, 1952-53 (Vol. I), pages iii to viii, paragraphs 1 to 4 of the Comptroller and Auditor General's Report, Food Subsidies? On paragraph 2, Sir Henry, what about these sardines? You are still landed with a large stock of sardines, I believe?—(Sir Henry Hancock.) We have liquidated all that we had, Mr. Chairman, in the current year. We have now got to the position of having liquidated all the Moroccan which were troublesome and the Portuguese which were not troublesome, and we have made profit over the whole of our transactions in sardines.

4032. There was a sudden lapse in demand for them, was there not?—Yes, especially for the Moroccan which had unattractive paper labels round them and people did not like them.

4033. Paragraph 4. Just to bring this up to date, there was a further Supplementary Estimate in 1953-54, was there not, Sir Henry?—Yes.

Chairman.] On paragraphs 5 to 7, oils and fats, I have no questions.

Mr. Hoy.

4034. Are these oils and fats sales in fact all sales for industrial use?—Yes, that is for non-rationed commodities.

4035. Do the losses count as food subsidies?—Well, they come against the overall deficit. The deficit in our trading accounts is the food subsidy total, in common parlance.

4036. So the losses on the sales of these oils and fats to industrial concerns are regarded as food subsidy, am I right in saying that?—They count in the general deficit, but I ought to say that in the six years

ended March, 1952, we made a total profit of £44 million on sales of industrial oils, so that the actual contribution of our sales of industrial oils was to reduce food subsidies.

4037. Were you actually selling below the market price?—Between 1946 and March, 1952 we were able to sell sometimes below the market price because the market price had risen, of course, very substantially in the period, and we had bought on long-term contracts fairly favourably and we were able to net a profit, as I say, of £44 million. So, in this case it happens that the net contribution of industrial transactions was to reduce food subsidies.

4038. You say that you were able to do this because you had made a contract of bulk purchase over a long time?—We had made long-term contracts and the price, of course, had risen before we came to disposal.

4039. Anyhow, over the whole trading period you have more than covered your costs?—Oh, far more.

Chairman.

4040. Paragraphs 8 and 9, the purchase of orange juice. Sir Henry, how came it that your tests did not disclose the fact that these large quantities of orange juice imported did not come up to the specification that you yourselves had laid down?—Well, Mr. Chairman, it is a long and rather sorry story. May I just make a short general statement?

4041. If you will?—I think there were errors of judgment on the purchasing side in placing large orders with suppliers whose capacity in the way of plant was not fully known to us, and without, perhaps, full appreciation of the risks taken on the protection that chemical analysis does afford; and I think on the technical side there was, perhaps, inadequate appreciation of the

* Information supplied; not printed.

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

reliance that was being placed on chemical analysis as a safeguard. Having said those two things I ought to say that there were two contracts and they were placed at a time when there was heavy pressure to get out of dollar juice into sterling juice, and to build up supplies to at least a year's stock, and it happened to coincide, unfortunately with a poor crop in Israel from which we were drawing a supply and failures in other parts of the world. So, there was great pressure and great urgency to get a new source of supply. Sicily was a non-dollar source where there appeared to be plenty of juice and the orders were placed after extensive samples had been taken and passed. They were placed through a quite reputable agent in this country who was known to the Department. The tests applied were the same tests as had been applied for about five or six years previously and which had been laid down by some of the most experienced people in the soft drinks and orange juice business. They were the same tests applied, actually by the same people in certain cases as had been applying the tests before, and those people included the laboratories of at least one reputable and very highly skilled firm. Now, the fact that it was not discovered that the juice contained sulphur dioxide, SO_2 , is not quite as strange as it might appear to be on the face of it. It is quite possible, now we look back, and it is easy to be wise after the event, that the original samples were perfectly good juice and it is quite possible that some of the original deliveries which, of course, were used, were also perfectly good juice. The fact to which the Comptroller and Auditor General draws attention that it was discovered by a public analyst is not in itself surprising because when we bottle the juice we add SO_2 , and the quantity of SO_2 which is added is on the label of the bottle; so that a public analyst coming to analyse this juice has to test the bottles, quite a routine matter, to discover whether the SO_2 content is in excess of that permitted by the Food and Drugs Act as specified on the labels of the bottles. But to add SO_2 to this juice and to put it into tins, which is in accordance with our specification that it should be in tins, is crazy, absolutely crazy, and I think the experience of all who had to deal with this in the past was that it was so crazy and so likely to lead to loss that no trader in his senses would do it; but he did it, and, of course, it has more or less ruined the trader concerned. It is true he got a fair amount of money from us, but we withheld just under £150,000 which is, of course, all the difference between being solvent and insolvent. I hope I have not detained the Committee too long in giving this history.

4042. I see. In other words you did not test for SO_2 because you never dreamed it would be there? Is that what you say?—We never dreamed it would be there and,

as I say, we did suspect from looking at the tins at the beginning of 1952 that there was something wrong; and this again is wisdom after the event, a great deal of time was spent on testing it for what was thought to be copper in the juice as an expert who had been called in had said: "Oh, the firm are using copper utensils instead of stainless steel utensils," so we proceeded to waste a good deal of time testing for copper. The test, of course, was negative, and we were no further forward. When it was discovered eventually, of course, and tins that had been in stock were examined then, it became obvious that it was SO_2 .

4043. That it was sulphur?—Of course, it depends on the strength of what you put in. It takes time to affect the tins and some of the tins were lacquered and it does not affect lacquered tins for a very long time.

4044. Were there any other contractors involved and were any other consignments rejected?—There were other contractors involved for small quantities, but there has been no suggestion that any of their juice was defective.

4045. How much of this orange juice can you dispose of?—Well, we have disposed of 40,000 gallons, or rather more.

4046. Out of what?—Out of 498,000. We are negotiating, and we are keeping our fingers crossed, with possible purchasers overseas who are playing with an offer to take the whole lot, but whether it will come off I would not like to say.

4047. You say that your withholding of the £150,000 has practically bankrupted the contractor, so in other words, he is not worth powder and shot?—Our advice from the Consul General in Palermo with whom we have been in touch about this, of course, is that he certainly is not worth powder and shot.

Mr. *Blenkinsop*.

4048. Could you tell us how you treat this loss for accounting purposes? Is it again inevitably included in the total subsidy figures?—We have made provision for it, yes, as a loss in our accounts.

4049. And, therefore, as it is included in the accounts automatically it is really part of the subsidy?—Yes. I may say that here again the division concerned is itself in substantial profit over all its transactions.

4050. The public analyst who was concerned, you say, did this test just as an ordinary routine test, it was not a matter of any complaint he had had, or anything of that sort?—No, there had been some complaints just about that time, that the juice looked brown and that it was rather viscous, but that was not why he did his analysis. In fact, probably hundreds of public analysts over the Country were at

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

the same time testing these bottles of well-fare orange juice. This particular consignment was bottled by a very well known firm, and when the analyst spotted this we went to them and said, "Oh, you have been putting too much SO₂ in this" and they admitted liability at first. They agreed that they had not checked the quantity sufficiently accurately. Then, of course, we began to probe more deeply into it and discovered the trouble.

4051. Do I understand that, apart from the SO₂ that you normally add yourselves, the amount that was in the orange juice delivered would not have been harmful, or the juice would not have been subject to complaint but for what you normally add yourselves, is that right?—Well, I have not got the actual analysis, but I think that is probably true. If they had not added any more it would not have been harmful, but I would not like to put my hand on my heart and say that. We normally add it because orange juice will not keep unless it has it added, but we bought it in the pure form because we want to have it absolutely under control when we bottle it.

4052. You import it in tins, I gather from what you say?—Yes. We import it in tins as distinct from the normal trade practice of importing juice already dosed with SO₂ in barrels. The stuff we drink in our orange squash is imported in barrels with preservative in it and then it is diluted afterwards, whereas we import it in concentrated form and add SO₂ afterwards.

4053. Did you have any direct complaints yourself from consumers at all?—Just about the same time as this analysis came up, we did.

4054. Was it thought to have any actual harmful effects on adults as well as others?—Well, you have got to have a lot of this to have any harmful effects, but it is not the sort of stuff that mothers would want to feed to children.

Mr. Enoch Powell.

4055. I gather that during the first half of 1952 this consignment was the main source of the orange juice which was being bottled?—I do not think that is quite correct. We had our consignments coming in from Israel, Spain and small consignments from Jamaica and I do not know what exact proportion the Sicilian orange juice would bear to the total imports.

4056. But it would be a substantial proportion?—Oh, yes.

4057. At least half, shall we say, for rough purposes?—I think rather less.

4058. You say that hundreds of public analysts at the same time were testing samples of the delivered bottled orange juice for the SO₂ content and yet only one

discovered the amount of SO₂ to be excessive, although on an average 50 per cent. of the bottles ought to have shown an excess. Does that not surprise you?—It may be that I was a bit loose when I said hundreds were. What I think I did say was hundreds may have been doing it, but I do not suppose they were, in fact, doing it.

4059. Then, perhaps, I am asking you an improper question and no doubt you will say so, but is it not surprising that only one public analyst discovered it if 50 per cent. or more of the deliveries to local health authorities were unsatisfactory in respect of the specification?—Well, it is perhaps surprising, but it may be that they have such faith in the specification on the label, and after all, it does pass through a great many checks and tests, that they do not apply very much energy to analysing this particular product. I think that is probably the fact.

4060. I take it, then, that a substantial amount—perhaps it is in the figures in front of us—of this consignment was in fact used?—About 80,000 gallons.

4061. With regard to the chemical analysis which you spoke of which did not detect SO₂ because it was not looking for SO₂, is it not possible, and indeed is it not normal, to have an analysis of an article of food which is assumed to be pure to detect impurities as such?—Yes. The analysis of the juice that was made was most exhaustive. It covered all sorts of things, the contract points which are important from the point of view of the efficiency of the juice as a container of vitamin C, anything to do with fermentation and the concentration of the juice, the soluble solids. All that was analysed with the greatest care and we have had suspicions at one stage or another of all sorts of possible preservatives, because SO₂ is not by any means the only one nor, indeed, is it the one that you would expect a cunning person to use. There are much more difficult preservatives to detect if you look for them. The fact that we did not test for SO₂, as I have explained before, was that it was such a crazy thing to do.

4062. I gather then that it is the fact that these tests can on the whole only find what they look for?—Broadly, yes. I think that is true of all chemical analysis once you get past a certain point, is it not?

4063. When the suspicion arose at the beginning of 1952, which was about six months or more, I think, before the discovery was made of the SO₂, why was not the bottling from that consignment suspended? Why was the use of that consignment continued during that six months when there was a suspicion unresolved?—It was not six months actually; it was about April, 1952, that we began to have some suspicions

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

which, as I say, we tried to track down to something which proved a mare's nest. The analysis for copper did not produce anything. The analyst in Oldbury who spotted this spotted it, I think, about the middle or end of May and it was then that we spent a certain number of days, two weeks actually, finding out from the bottling firm what they had done, and they again put us off the track by admitting liability. So, it was not actually until June that we really got to the bottom of the trouble.

Chairman.] Now paragraphs 10 to 12. On paragraph 10 I have no questions.

Mr. Steele.

4064. What do the Ministry feel about the selection of an auctioneer, a producer and a butcher as being the right people to be the graders?—Well, as a combination of skill, I suggest it is hard to see a substitute for it. The butcher and the producer, of course, are in a sense opposed in their interest and the auctioneer is, perhaps, more neutral.

4065. They are all local people, people associated with the market?—Yes, they are usually local people.

Chairman.

4066. Paragraph 11. It is quite clear that the bias of error was invariably against the Government. Why should that be?—The bias, of course, Mr. Chairman, even on the figures given in the Comptroller and Auditor General's Report, is pretty small, but I ought to explain there is an important factor which we perhaps ought on this occasion again to have drawn the attention of the Comptroller and Auditor General to in the alteration of our gradings between the war years and the post-war years. In 1942, and again in 1944, we introduced new gradings for the higher quality beasts and in the war years, that is, before 1944, we had, in fact, been under-grading those beasts because we had not got a higher category into which the producers persuaded us after experience they ought to have been put. Therefore, it is not quite a fair basis of comparison to take the war years and then take the post-war years and compare them, because you are not exactly comparing like with like. If in fact the results did work out always fifty-fifty and there was no balance either way, we should be, to put it bluntly, doing the producers down, because there must be a margin between the grading estimate of outturn and the actual outturn. I think you will understand at once when I tell you that we move this meat about the Country very long distances, partly because we have undertaken to give every part of the Country its chance of different qualities of home killed to balance the imported. We move live cattle, of course, and as between the point of grading and the point of slaughter, which

may involve cross-country journeys, sometimes long journeys, there is an inevitable loss of weight. Now experts tell me that in ordinary circumstances, for reasons entirely outside the control of the graders, you would expect a 1 per cent. loss. On that basis you see, even taking 1947-48 as your best year, by which time the effect of the wartime change had worked itself out, if you take 1947-48 and compare that with 1952-53 our percentage of outturn, that is to say, the relation between the grader's estimate and the actual killing out, was for cattle in 1947-48, 98.37 and for sheep 98.65. In 1952-53 it was for cattle 98.35 and for sheep 98.92. Now, if the view is right and it is not disputed by any expert in the business that you ought to allow 1 per cent. for loss due to—

4067. Loss subsequent to grading?—Loss subsequent to grading, for travel and the contingencies of travel, which is really the grading loss, the outturn as compared with the estimate is .65 in 1952-53 on cattle and .08 for 1952-53 on sheep. Those are not in themselves disturbing percentages. We do not want to be complacent, because these are average figures and there are some bad things concealed in those figures and the Comptroller and Auditor General has put his finger, as usual, on the really bad spot in the country.

4068. On that point of the concealment of the bad grading, it is quite obvious that you may have a very high standard of deviation in your grading, but if you merely give us the average error that standard of deviation may be completely hidden and you might get 100 per cent. accuracy on your average with every individual item that makes up your average very considerably out?—Yes.

4069. Can you submit to us a memorandum on that point, not on the good grading, but the bad gradings, the cases where grading is bad and consistently bad?—Yes, the bad case.

4070. That is obviously a case of what one might term a racket. On these others it is a question of how far is the grading incompetently done. Are there any errors that show a steady 5 per cent. inaccuracy?—I can certainly give you such information as we have on that and I have a good deal, but I was assured no later than this morning when I asked very much that same question, that, of course, there have been ups and downs, we have had many changes of personnel at other grading centres, but nothing at all comparable with the sort of things that happened in that other place.

4071. You might just look through, and if you find any outstanding cases—I am not suggesting of irregularity—of merely bad grading, let us have them?—Yes.*

* Appendix 11.

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

4072. Now paragraph 13. This I take it refers to Manchester, Mode Wheel?—Yes.

4073. Perhaps you could give us some indication of the nature of the irregularities to which the Comptroller and Auditor General refers?—This is a peculiar and it is a quite special type of market. It is a market with very fine facilities of which Manchester is very proud.

4074. It is not the abattoir which is practically against the town incinerator?—It is along the Ship Canal. They are very proud of it, it has fine lairage facilities and its standards of provision for animals are very high. It happens to be in an area where there is a tremendous demand for manufacturing meat and it has become for that and other reasons, because of the excellence of the facilities it provides, a recognised centre for dealers in cattle to bring their beasts to for disposal, beasts of all kinds and descriptions, beasts that they find it difficult to dispose of in other markets. The result is that you are not really dealing in the market to any large extent directly with producers, you are dealing with traders whose business it is to be sharp as they can be. Dealing in horses and cattle, I think, is from time immemorial one in which wits count for a great deal. The irregularities here have been of a mixed character and it has been difficult for us in all cases to detect precisely what was happening. We think there has been both under-weighing and over-weighing of beasts. This applies to cattle, of course; it is primarily a cattle market. If you are very quick in your calculations when the beast is on the weighbridge under-weighing can take the beast into a higher category than if you put it the next weight up. On the other hand there are certain cases, owing to the working of a table of prices in which over-weighing will also produce a bigger net return on the animal. So you can have both under-weighing and over-weighing. At one stage, I think it was in 1951, we were strongly suspicious of collusion between the weighers and the graders.

* * * * *

4075. What was the nature of your evidence?—The evidence was statements made by people working in the market, people who were dealing in the market.

4076. Does that mean confessions or charges?—No, they were taken by our enforcement staff and the evidence was inconclusive for the purpose of a prosecution.

* * * * *

4077. We will listen to it?—We have no doubt that there was fiddling going on, but it is extraordinarily difficult to pin it down.

A man will shout out a right weight and a wrong weight might be entered by the man putting the entry down on some signal or other like touching his right ear or touching his left ear. Those are the sorts of tricks you are up against which are very difficult to pin down, but there is not much doubt that there was a good deal of this going on. It was on quite a scale and, of course, we took very drastic steps to deal with it. It could not proceed.

4078. The steps you took were that you appointed one of your own inspectors?—That was the final step. Before that we had completely changed the grading panels, we had had our own livestock inspectors standing in watching, we had had the market superintendent up to London, we had sent senior officials down to Manchester and interviewed the market superintendent and the Chairman and members of the Markets Committee of the Corporation who, it is only fair to say, were not themselves responsible for what was happening.

* * * * *

4080. Has there been any improvement since you appointed your own inspectors?—Yes, we have done two things, Mr. Chairman. We have appointed our own inspector as the certifying officer and Manchester have agreed to the appointment of their chief veterinary officer as the district chairman of auctioneers, a man of great personality and experience.

4081. Can you give us any figures to show the variation since you appointed your inspector?—I have not got the precise figures, but I am told that the outturn from June, 1953, onwards, has been slightly better than the average for the country as a whole.

4082. How much worse was it before?—That is one of the problems that we are not very clear about, because you appreciate that we do not know the full extent of the swindle. If you put things into a different grade you rather want to know what grade they should have been put in. It is not a question merely of under-estimating or over-estimating the killing-out weight, it is a question of putting the beast into a different new grade.

4083. But does not that show when you come to get the meat?—No, it does not.

4084. You cannot test it as you tested it in paragraphs 11 and 12?—No, you cannot. That is the explanation of the latter part of the Comptroller and Auditor General's Report.

4085. Sir Frank, have you anything to add to this sorry tale?—(Sir Frank Tribe.) No, Sir, I do not think so.

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

4086. Did you pin down the main responsibility to one official?—(Sir Henry Hancock.) Oh, no, if I have said anything to suggest that it was one official that was responsible I must correct it, because we did not. It was a combination of people, quite a lot of people.

4087. I know, but you have traders and dealers, and this must have been going on with a number of them. You have put in an inspector as certifying officer. Was it the certifying officer who was responsible?—No, I think that the first link in the chain that went wrong was at the weighing point.

4088. Who did the weighing?—The weighing is done by employees of the market, that is to say, in this case, of Manchester Corporation.

4089. It was the Manchester Corporation employees, then, that were primarily responsible?—No, because if I may complete the story, the graders, of course, are our employees. It looks as if there was collusion between the weighers and the graders and the dealers at the point of weighing and entering of the weight and then the grading, which is done almost immediately; at that point there were three people who, in some way or another, were in collusion.

4090. Have you been able to get anything more than inevitable suspicion?—We have got stories of various kinds that point to things that should not have been happening.

Mr. Steele.

4091. It is the case, Sir Henry, that the Ministry sent out instructions about grading and these instructions go to every group of graders in every market? I understand that the cattle came from all over to Manchester and, therefore, the dealers who were mainly responsible, as I understand it, were actually securing cattle before they went through other markets and were bringing them to Manchester?—The sources of dealers' supplies, of course, are widespread. Dealers will pick up cattle which farmers are not themselves very happy about and they may, and very often do, hold them, and either fatten them up or get somebody else to hold them. They may not bring them straight into this market, they may put them to grass for a month and hope to make a profit by improving the condition of the animal, and so on.

4092. Have your investigations into this taken you to other markets in this sense, that obviously dealers had discovered that they could do something at Manchester which they could not do at other places? Have your investigations, for instance, discovered that a dealer might be at another market and might find that a farmer was not going to get as good a grade for a particular group of cattle as he might think

he should get, and the dealer would tell the farmer: "Well, do not put them in there at all, I will take them" and he would then bring them to Manchester. Did you discover that?—Yes, there is no doubt that there would be a temptation for that sort of thing to happen, as long as it was known that you might get away with it at Manchester. Of course, the periods when they have been able to get away with it undisturbed have been short because each time we have had our suspicions aroused, and there are several ways in which suspicions are aroused, we have tightened up and each time we have tightened up we have got an improvement, then it has slipped back. I may say that we have followed cattle around from market to market, our inspectors have followed them around in order to prevent this sort of thing happening, and the dealers sometimes have been badly caught, because they have thought that they might get a soft grader at Market A having failed at market B.

4093. Is not it the case that the dealers know where the soft graders are?—He tries to. It is of course, our job to stop that. It is a continual tussle. This, of course, is the dealers' market pre-eminently. There are not an awful lot of these dealers' markets.

4094. But you can give us an assurance that you are really watching this position at Manchester?—Oh, we certainly are, I can certainly assure the Committee of that.

4095. Can you tell us what the position of the local authority is in relation to the centre? Do they stand to gain or lose by the number of animals that are coming in?—Yes, of course I think that Manchester, like other markets, probably works on a headage charge. I have not got the precise details, but necessarily anything which reduces the through-put reduces the takings of the market, so that it is up to the market officials to get the maximum through-put. I must say that in Manchester the Chairman of the Markets Committee and the members that we talked to were most co-operative in trying to get this put right. I must make it clear that it is not the responsibility of Manchester Corporation to look after grading. They provide the market and they provide employees to do certain jobs, but it is up to the Ministry to provide the graders and to take the responsibility for the grading.

4096. How do the numbers compare with previous years, for instance, 1952, with some years earlier?—I do not think I have got that figure. I could let the Committee have it. (Sir Frank Tribe.) I can supply it. The number of animals presented at this centre went up from 2,375 in 1941 to 64,262 in 1951.

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

4097. That is an increase of 62,000?— (Sir Henry Hancock.) If I may comment on that, the market practically closed down as a dealers' market all through the war. It was not until 1947 that it was really reopened as a dealers' market. (Sir Frank Tribe.) In 1947 the figures were 25,000 odd and they rose to 64,000 odd in 1951 and 1952.

4098. So that the dealers got to know what was happening?—(Sir Henry Hancock.) It is a dealers' market, anyhow. There is a great advantage in some ways of having this concentrated at one place because there we can tackle it.

(Mr. Blenkinsop.

4099. You say, Sir Henry, that there is the advantage that you can tackle it in this one place, but are you really confident that you have?—I think so.

4100. In view of the fact that it is very difficult for you to tell what is the extent of the malpractice, as that there is presumably collusion amongst many employees?—Yes.

4101. Have you any basis for feeling that there is real betterment here?—We have got a very tight hold over it now with our own inspector as the certifying officer, which was a very drastic step to take, and a very senior official and a very forceful personality as district chairman of auctioneers, we really have got a control which we have not had before.

Chairman.

4102. Has the popularity of the market among dealers declined?—No, I do not think so. I think as a matter of fact as cattle population increases there must be markets of this kind.

(Mr. Blenkinsop.

4103. In view of the fact that you say that it is very difficult to establish the facts of what is going on, as it is a matter of actual class of grading, how can you be sure that this is not in fact occurring in other places?—You cannot, of course, be 100 per cent. sure of anything which is a matter of judgment, because grading is a matter of judgment to a large extent, you can only make the best efforts you can to obtain competent, honest people and see that they do their job and see that they have the tools to do their job.

4104. I take it, therefore, when you said that this was an outstanding case and that you are satisfied this was not happening elsewhere, that it is because there were many suggestions of something going wrong here and evidence submitted by, as you say, some other employees and others that led you to believe that this was occurring here very much more than anywhere else?—There was a great deal of whispering going on, and, of course, we were naturally suspicious of any market where dealers put in their cattle

in large numbers. It is a problem that is always with us.

Mr. Oliver.

4105. If a weigher today and a checker today gave the tic-tac sign and put something different down what means exist now to say that that could be checked?—Because the certifying officer—

4106. That is the point I want to find out, what is the certifying officer's job?—He watches the weighbridge results himself once his suspicions are aroused.

4107. Would he check the book, because this is rather a quick process in a big abattoir?—I know. He will check the book. That is one of the correctives that had to be applied and, of course, we do not only rely on the certifying officer, we have had at this place almost a team of inspectors doing nothing else but trying to catch people at this.

4108. Those are the two people, and if you have a check on those I think you have got your finger on the key of the situation?—Yes, if your grader is honest.

4109-12. Apart from the grader saying that this animal goes into one grade or this animal goes into another grade, I do not know whether your weighing and your checking corresponds to the grade, because there must be a considerable margin of error that happens there?—Then he has got to estimate the killing-out weight in the grade.

* * * * *

Chairman.] Now, paragraphs 15 to 19. I have no questions.

Mr. David Jones.

4113. Are you still controlling cold stores?—Yes.

4114. Is it still necessary to keep the small uneconomic units in operation?—I do not think we keep many of the small uneconomic ones. We only keep within the control scheme capacity sufficient for our requirements.

4115. I think I read somewhere that one of the reasons was that you had some small uneconomic units which were giving you some difficulty?—Yes, necessarily we have had to have small uneconomic units.

4116. You have still got them?—We have still got some of them.

4117. You have still got to carry them?—Yes, we have.

4118. On paragraph 18, the return on the actual capital is proved to be much higher than the Public Accounts Committee was led to expect, is it not?—Yes, I think that is so as a mere matter of comparison of figures.

4119. Why did it take you so long to ascertain the true position?—That is a very

6 May, 1954.] Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

long story, Mr. Chairman, if you want me to deal with this in detail, but the position is not, I think, quite as it appears on the surface. We had these samples in 1941 to 1943, and then in 1945-46. They were very inadequate samples and they showed profits of 16 per cent. and 13 per cent. respectively. Both you and we discounted them on the ground that they were inadequate, but we did take certain corrective measures in 1944 and 1948 to put things right. One of my predecessors, Sir Percivale Liesching, I think it was, undertook before this Committee to have a rather more comprehensive investigation which was carried out on the first complete year after we had made our adjustments. It was the year 1949-50. Of course, we then brought in a lot of composite undertakings whose accounting years are very complicated and we could not start the investigation for quite a long time after the year 1949-50. Then, in the course of doing it we found that 1949-50 was not typical because it was a year with very heavy usage, so we extended the sample to cover the whole of the year 1950 and then we carried it back to 1945-46, and those are the results you have now got before you. When we looked at these results we learned things that we had never really learned before. This is, of course, one of the few industries in which we are attempting to control on the basis of capitalisation—return on capital—and these results show a range in capitalisation per cubic foot from 7s. 5d. through 5s. 6d. to 3s. 8d. and the average is 4s. 1d. per cubic foot. Now, that caused us to rub our eyes a little and to look into the capitalisation of the industry; the figure to keep in mind is 4s. 1d. average capitalisation. At the beginning of the war when we started control we had assumed a figure, a notional figure, of 5s. a cubic foot. That was exclusive of site value, and we had split it up into 2s. 6d. for plant and machinery and 2s. 6d. for buildings. When we did those investigations in 1941-42 and 1945-46, the capitalisation came out to approximately 5s., but the calculation of 20 per cent. profit average, which is mentioned in the Comptroller and Auditor General's Report, is related to a capitalisation of 4s. 1d., which is below the notional 5s., because of writing down of depreciable assets in the meantime. Now, we looked at this 4s. 1d. figure and, broken down, it works out like this: current items, 12 per cent., 6d.; plant and machinery, 11 per cent., 5½d.; land and buildings, 77 per cent., 3s. 1½d. Now, if you start controlling on the basis of capital worked out in that way you have got to look at what you do in other industries. We have taken a sample of six typical big engineering firms with a capital of about £300 million, and we have made a comparison on this basis, and it shows you current assets, that is, stock, work in progress, and things of that kind,

61 per cent. instead of 12 per cent., plant and machinery 21 per cent. instead of 11 per cent., land and buildings, 18 per cent. instead of 77 per cent. You see, the striking feature is the overwhelming proportion of capital in land and buildings at historical cost dating, in many cases, from very early periods of history. A lot of them are pre-1914. Then we have had a look at our own cold stores, because we have got some cold stores and that 5½d. for plant and machinery in this case that I have described, compares with an actual cost in 1941-42 of 4s. 6d. to 5s., that is, 5½d. is the valuation against 4s. 6d. or 5s., and the total cost in 1941-43 for our own stores of 9s. 6d. per cubic foot. That 4s. 1d. compares with 9s. 6d. in 1941-43 for our own stores; it would be about £1 today. We are not arguing, of course, that replacement cost is the right figure on which to base your capital return, but if you take the percentage of capital at another moment as a proper return by which to measure, you must have a basis of capitalisation as between one industry and another which is roughly comparable. It is quite clear, whatever else one may feel about this, that the 4s. 1d. is not comparable with the position in industries in which you are applying regularly the 10 per cent. standard, because there is nothing comparable with up-to-date assets, current assets, on which you have not historic cost related to a dim and distant past, but an actual cost related to the cost a few years ago. Now, I am very glad to have an opportunity of discussing this with the Committee because what you have here is an attempt to relate the profit to a capitalisation which is obviously most artificial and, by comparison with other industries to which you have applied this measuring rod, not comparable. That leads you to the conclusion I have reached and the Comptroller and Auditor General has mentioned in the Report.

4120. Did I understand you to say you were taking a notional figure of 5s.?—That was the figure on imposing control at the beginning of the War. We had in our minds roughly 5s. per cubic foot, exclusive of site value. If we had taken that now that we know a little more, that would have made it 5s. 4d., had we done it at the time.

4121. I gather then, if I understand you aright, that you took this notional figure because you had no actual figures at all until this final calculation was reached?—No comprehensive figures.

4122. On what figure is your calculation now based?—Of course, the figures in the Report give you the actual costings on a 4s. 1d. basis, and I am suggesting that whatever basis is right the 4s. 1d. basis is artificial and wrong, and it is unfair to measure profits by that type of capitalisation.

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

4123. Mr. Figgures, have you any views on the profit capital figure on which to calculate returns in cases of this kind?—(Mr. Figgures.) Well, Sir, I am afraid this problem is an extremely difficult one, and if the control of cold stores were going to continue for very much longer, it is one to which, I think, we should all have to give a great deal of attention. I think that we would have little difficulty in accepting Sir Henry's basis that simple use of the percentage of capital employed in an industry, where 77 per cent. of capital turns out to be in land and buildings, obviously must give rise to difficulties. What the alternative should be I certainly would not like to say now, and I am sure it would cause a great deal of difficulty if we had to make up our minds. But, as I understand it, the present arrangements, which will in any case continue for the rest of the period of control of cold storage, are not really susceptible of being modified during the short time remaining. I think, there-

fore, this is a problem which we shall not settle because the absolute necessity to make up our minds on it will not arise. On the whole, we think it is not too unacceptable, because judging by the figures of what has actually happened now that we know the true capital structure, we do not feel that a substantial inequity has been done one way or the other, either to the State or to the cold stores. We have done something which appears to be not inequitable, though it is true to say that we have largely done it by accident. I do not know whether Sir Henry would agree with that last statement?—(Sir Henry Hancock.) Yes, I think that is the truth.

4124. If you think there is any more satisfactory solution of this problem it might be left to your successors?—(Mr. Figgures.) The next time we have to control cold stores, if we ever have to, we shall know much more about the capital structure.

OVERSEAS RESOURCES DEVELOPMENT ACTS, 1948 TO 1951,
ACCOUNTS, 1952-53.

Chairman.

4125. Will Members please turn now to the Overseas Resources Development Acts Accounts, the White Paper, to page 8? I have one question on this Queensland-British Food Corporation. To what do you attribute the failure of this attempt?—(Sir Henry Hancock.) Of the project generally?

4126. Yes?—Well, complex causes, Mr. Chairman. I think that large-scale farming in this very difficult area is of itself most chancey. The area in which the Corporation held its properties was one of very irregular rainfall. That was known beforehand. When they get good rainfall they do produce some wonderful results, but the rainfall is very chancey and you have to know your land, almost to know each fold of a hill and so on, to know what you can do with it and what risks you can take in cropping it. It is very difficult under very large-scale operations to supply the individual judgment on that sort of scale. You will see from the subsequent history that the Queensland Government are by no means despondent about the use of the land, but they feel now that what you want to do with it is to have single operators on relatively small acreages. I think fundamentally that is probably the biggest problem. They had a succession of bad seasons and bad luck. They had frosts, they had droughts, they had floods, they had rats and mice which ate the sorghum crop, they had a fire; everything that could happen did happen.

4127. I presume from what you said that is likely to go on happening?—Well, it will happen, but some of the things that did

happen were risks magnified by the fact, inevitably, that there was not that nice judgment in the use of land, and possibly some of it was over-stocked.

4128. It almost looked as though every error which had been made with regard to ground nuts was made with regard to this?—I do not think so, Mr. Chairman. There was no over-capitalisation.

4129. I was meaning, rather, the lack of preparation, the lack of consideration and the lack of knowledge?—No, we used local knowledge, we had local management, people who might be expected to have known the territory. In fact, I think I am right in saying that one of the managers was a man who had farmed some of it before. It was the scale of the operation—with hired labour, I think, as distinct from a more individual operation. I think that is what this demonstrated in this particular territory to be unprofitable in working.

Mr. Oliver.

4130. There is no question I can with profit put to Sir Henry. I have just one comment to make about this matter: it makes you think that the Queensland Government, with all its experience of previous seasons, did not really know the adaptability of this land?—I think people are often optimistic when large scale development is in prospect, and their expectations are frequently disappointed.

Mr. Oliver.] I think I will leave it at that.

6 May, 1954.]

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G.,
and Mr. E. E. BAILEY, C.B., C.B.E., D.Phil.

[Continued.]

Mr. Steele.] Mr. Chairman, Mr. Jones and I had the pleasure of visiting Peak Downs.

Mr. David Jones.] We spent 24 hours there.

Mr. Steele.

4131. We had a tour round the whole area. The fact is, as Mr. Jones will agree, that the soil conditions were really first class, and what we did find was that, as far as the rainfall was concerned, they had records there over the past 50 years?—Oh, yes.

4132. But they did strike two very bad years, and as far as the local management of the scheme was concerned, I came away with the firm conclusion that those people who were running it had in fact got the best people to do the job?—I did not want to suggest that there was any failure of local management. There was not. It was that, there being such a big unit to manage, the application of individual judgment to particular tracts of land and the risks taken, which an individual might take or might not take, were on a different scale entirely owing to the general scale of the undertaking.

4133. One thing I would like to know, of course, is this: one of the purposes of the scheme was to encourage other people to grow sorghum. I have never been able to discover whether the Queensland Government had any success in getting people to take up small farming and do this job?—One of the conclusions reached was this: it does not apply to all of it, by the way, because this is a vast area and climatic conditions vary considerably in the area, but one of the conclusions come to was that the attempt to grow sorghum on such a big scale was not likely to succeed, that you had to be much more selective in the ground and you could not plough up great acreages over the whole of this area. Of course, as you know, there are vast areas of uncultivated arid scrub stretches.

4134. We travelled over 80 miles and never got off one farm, I believe?—Yes.

Mr. David Jones.

4135. Would you agree, Sir Henry, that what really happened in this case was that the experiment was not continued long enough?—No, I do not think so.

4136. Would you agree that so far as the scheme itself was concerned, the whole area was broken up into six separate areas and it was, in fact, managed in each case by local people who knew the circumstances?—Yes, I agree that as far as we could get local management we had it.

4137. And that what has happened in this case had unfortunately happened to a large number of struggling individuals in Central Queensland over the years, but that if this experiment had continued slightly longer and had they had none of the misfortunes that they suffered, certainly in the last three years it operated, this scheme might have proved a success?—I think it would have been a very risky undertaking to go on. All the evidence suggested that the risks of this type of undertaking outweighed the probabilities.

4138. Would not you agree that in the whole of Central Queensland farming is, and always has been, a risky business?—Highly.

Chairman.

4139. Could you give us just shortly some idea of what actually the Queensland Government proposes to do with this area now?—I understand that they hope to parcel it out into smaller units and equip it in holdings which will be taken up by individuals as soon as they can equip the land.

Mr. David Jones.

4140. To do the same thing?—To do the same thing, but on a smaller scale. Mr. Jones's questions reminded me, I do not want to suggest that there was any failure on the part of the local management. They were a fine lot of people, they did their best but they were working in conditions which made failure, as Mr. Jones very properly puts it, very likely.

The witnesses withdrew.

Adjourned till Tuesday next, at 4 p.m.

TUESDAY, 11TH MAY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Godber.
Mr. Hoy.
Mr. David Jones.

Sir John Mellor.
Mr. Oliver.
Mr. Enoch Powell.
Mr. Speir.
Mr. Steele.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. G. P. HUMPHREYS-DAVIES, C.B., and Mr. F. E. FIGGURES called in and examined.

TREASURY MINUTE ON PARAGRAPHS 73-78 AND 79-83 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir JAMES HELMORE, K.C.B., K.C.M.G., Permanent Secretary, Ministry of Supply, called in and further examined; Mr. F. C. MUSGRAVE, C.B., Deputy Permanent Secretary, Ministry of Supply, called in and examined.

Chairman.] Will Members please turn to Treasury Minute, on paragraphs 73-78 of the Third Report of the Committee for 1952-53? I have no questions on those paragraphs.

Mr. Hoy.] I presume that we accept this Treasury Minute? We had a long discussion on this on the last occasion. I presume there is nothing further on valves to be added by the Ministry?

Chairman.] We are not discussing the valves. We are merely discussing the Treasury Minute.

Mr. Hoy.] That is true.

Chairman.] On the Minute on paragraphs 79-83 I have no questions.

Mr. Blenkinsop.

4141. I have just a short point. The Treasury Minute mentions that considera-

tion will be given to a suggestion that arrangements might be supplemented by special reviews at regular intervals by technical and financial officers of the Ministry of Supply. Have any further steps been taken about that?—(Sir James Helmore.) Yes. We always had machinery for a review of the aircraft engine programme by the technical and financial officers of the Ministry of Supply, and in the discussions we have had with the Treasury we have made arrangements to join the Treasury in the discussions on the programme at a useful stage.

4142. So that in future they will be kept in touch with any new developments rather more closely, perhaps, than in the past?—The Treasury will, yes.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASS IX).

VOTE I.

MINISTRY OF SUPPLY.

Chairman.

4143. Will Members turn to the Civil Appropriation Accounts, 1952-53, Class IX, to page v, the Comptroller and Auditor-General's Report, paragraphs 8-12? Sir James, who fixes the rates that you charge for these hostels?—Mr. Chairman, might I for this item ask Mr. Musgrave, who is the Deputy Permanent Secretary, to answer questions?

4144. Yes?—(Mr. Musgrave.) In the case of industrial hostels, the sums paid by the occupants are based on the scale of charges which the Ministry of Labour and

National Service charges for accommodation at its hostels.

4145. Are the hostels equivalent?—Well, they vary very much as between one hostel and another, but, by and large, yes.

4146. What about the wages of the occupants, are they also equivalent?—Yes, roughly.

4147. So that you consider the Ministry of Labour basis satisfactory?—Well, it results in our showing a deficit on our hostels, but we are bound to accept the same rate.

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

{Continued.

4148. That is rather what I mean. Your charges in some cases do not even cover your bare out-of-pocket expenses, leave alone overheads?—That was the case in one or two hostels, I think.

4149. Is there any particular reason for these hostels showing so heavy a deficit?—Yes. The hostels in question were those managed for us, and there were various reasons, I think the principal one of which was that they are the old war-time type of hostel in very unsuitable premises, and it also so happens that the level of occupancy in those hostels was much less, about 69 per cent. in fact, than the level of occupancy in the hostels the Ministry itself runs, where the figure was 85 per cent.

4150. How do you control the standard of food supplied? Is it left to the local managers to cater?—Largely, I think, yes.

4151. Are you satisfied they are not too generous?—In the case of those hostels of which you are speaking, Sir, we did find the cost of food during 1953 was mounting quite considerably, and we took steps to make representations to our agents on that point. As a result of that they did, in one case, actually dismiss the manager. Following that up, we are in the process of transferring to our direct management three out of those five hostels, because we have found by experience, strange though it may seem, that the deficit, on any standard you like to adopt, is less in the case of directly managed hostels than in the case of these particular agency managed hostels.

4152. Do you set a limit per head for the cost of food?—No; we have no arbitrary limit in that respect.

4153. There are five hostels which have done pretty badly. Have you tried to discover why? Is there any other reason, other than inadequate occupation?—That, plus the fact that these are very large hostels which are in buildings of the old war-time type, which are not really suitable for economic operation.

4154. These were the two hostels where the costs do not even cover wages and food?—Yes.

4155. On this question of taking in persons who are not your own employees, have you worked out as to whether they increase the cost, or whether, by helping to carry overheads, they have decreased that loss?—It is a little dangerous to generalise on that point but, by and large, we think that taking in outsiders does reduce the deficit. We have made calculations to that end and, provided that the management of the particular hostel is efficient, the taking in of outside people does reduce the deficit and assists in paying for the overheads. We actually did a calculation in one case where the Ministry of Labour asked us to consider taking in some

200 residents that they had in a neighbouring hostel to one of ours. We worked out that the increased net income for the year would be £20,000 and the increased direct expenditure would be £17,700, and we thought that the difference of £2,300 would more than compensate for the increase in overheads.

4156. Have you any responsibility for these particular persons you take in, other than your own employees?—They are sent to us by the Ministry of Labour.

4157. In other words, there is a certain Government responsibility for housing them?—As part of a general policy, I believe. The Ministry of Labour provide hostels as part of the labour service, and if they have not got accommodation in their hostels in a particular neighbourhood and we have spare places, it seems only sense that we should take in their clients, if I may call them so.

4158. These are all people employed on the war effort?—Not necessarily so.

4159. Why should the Ministry of Labour have the responsibility for housing them?—I think that is a question which, perhaps, ought to be directed to the Ministry of Labour.

4160. But all your people are definitely employed on work for you?—Yes. (Sir *Frank Tribe*.) But the Ministry of Supply Vote, of course, is carrying the charge for these outside people. (Mr. *Musgrave*.) That is true.

4161. I gather that the witness suggests that these outside people actually do reduce the deficit?—(Sir *Frank Tribe*.) They increase the Vote gross, anyhow.

4162. Yes?—(Mr. *Musgrave*.) But they will reduce the net deficit on operating.

4163. The Comptroller and Auditor General, I think, is suggesting that you cannot wriggle out of your responsibility merely because they are Ministry of Labour employees and not yours, because they are on your Vote?—I think our responsibility is seeing that the services are provided efficiently and economically.

4164. On the other hand, there is the question as to whether you are, from a purely technical point of accounting, justified in carrying somebody else's responsibilities on your Vote?—We did suggest to the Treasury that there might be some inter-Vote adjustment, but I think that they thought, and perhaps they would care to answer on this point, that there was little point in it.

4165. Has the Treasury anything to say on this?—(Mr. *Figgures*.) No, Mr. Chairman. That was the decision we reached.

4166. Have you ever attempted to extract something from the employers of these

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

people?—(Mr. *Musgrave*.) There again, we think this is a matter which ought to be dealt with by the Government as a whole, rather than by the Ministry of Supply, who in this instance only accommodate quite a small proportion of non-Government employees in their hostels. We did, as a matter of fact, raise it with one concern, but there were special reasons in that case and they declined to make any contribution. (Sir *Frank Tribe*.) It can hardly be general Government policy because I have discovered that the War Office do make an additional charge for outsiders at one of their hostels. (Mr. *Musgrave*.) We did in one case, Mr. Chairman, which was a very special case. We said to a firm whose employees were in our hostel, "Our occupation has now got down to so low a figure that we are going to close this place altogether," and they asked that we should continue to keep it running for a short time, and they paid us for the service, but it was quite special. It may possibly be—I do not know, of course—that the War Office case was on similar lines.

4167. Have you done anything particularly to cut your losses, apart from taking over from these agencies?—Yes; we are, in fact, in the process of closing certain hostels, those which hardly seem to be justified to continue.

4168. What is your criterion of justification?—If there is a need for the factory or establishment in the neighbourhood. If in order to run that factory or establishment it is necessary to have a hostel, we must keep it running.

4169. That is, if it is necessary for you that the factory should be run?—Yes, precisely, and if there is not sufficient local accommodation or other types of hostels or accommodation available.

Mr. *David Jones*.

4170. I see in paragraph 9, where the five hostels are referred to, the Report says, "the income was insufficient, by some £47,000, to meet the cost of provisions, wages, laundry, lighting and heating." On what basis are the agency remunerated in this case?—I am afraid I cannot answer that. I think they do it on a voluntary basis. Their expenses would be met.

4171. So that the deficit does not include an element of profit for the agency?—I think not. They are public bodies like the Y.M.C.A. and Y.W.C.A., I think. There is a small fee, I am told.

Mr. *Hoy*.

4172. Paragraph 10 says that 404 of 523 residents at one hostel were not employed by the Government. Would there be any good reason, Mr. *Musgrave*, for keeping that particular hostel open?—

20216

Yes. We anticipate in that particular case that the requirements of the factory concerned will increase quite considerably in the next few years.

4173. It is a factory engaged on what?—On armament production. It is one of our Royal Ordnance factories.

Mr. *Steele*.

4174. Did you say what the actual charge was? It says in paragraph 9: "Residents are charged at rates based on a standard weekly rate fixed by the Ministry of Labour and National Service." What is the charge to be met? Does it vary?—It varies as between industrial and non-industrial hostels. I can give you the figures. In the case of non-industrials during the year which we are discussing, the charges varied from 41s. 6d. to 72s. per week. They were increased on the 19th April, 1953, by amounts varying from 6d. to 7s. per week. In the case of industrial hostels, the charges from the 20th April, 1952, were, in the case of men, 40s. per week, when two main meals were provided per day on week-days and three main meals on Sundays. The figures were 5s. less in the case of women. Apprentices were charged 42s. 6d. where two main meals and a snack a day were served on week-days and three main meals and a snack on Saturdays and Sundays.

4175. That 40s. a week was all-in?—Yes. 40s. for men, and 35s. for women. That is in the case of industrials. Sir James Helmore reminds me that their lunch or mid-day meal is not included in that. (Sir *James Helmore*.) On working days.

Mr. *Speir*.

4176. The deficit does seem rather large considering the number of hostels. I was wondering whether adequate instruction is given to the managements of these hostels, whether guidance is given from the centre?—(Mr. *Musgrave*.) The deficit arises very largely at those managed hostels I was speaking of, and we are taking steps which we hope will result in quite a substantial reduction in that deficit. I should, perhaps, say that the deficit is not entirely real in the sense that there is a large charge for notional rent. It is not actually paid, of course, because they are owned by the Government, and that is a very substantial figure. Indeed, the rents that we are charged are some £49,000 more than is estimated would be the market values of rent of those properties. So to that extent the figures shown as our deficit are inflated.

4177. Is there a time limit at all for the life of these hostels?—One of the five hostels on which a large share of the loss arose was turned over to direct management on the 1st April, two others will be turned over on the 1st July, the fourth may

○

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

be closed down altogether as a hostel, and the fifth is in a town where we have three other hostels, and there is a general sorting out of the hostel accommodation in that town, and we shall not know until we have done that whether to continue that hostel, or whether to continue that hostel on agency management.

4178. Are you still continuing the correspondence referred to in paragraph 12? It seems to have gone on for a long time?—The main point in that correspondence, the point we have dealt with before, was whether the part of the loss should be charged out to another Department because we were accommodating in the hostels the clients of that other Department, and the answer which the Treasury gave us was that it was not worth while. (Sir *Frank Tribe*.) The point raised by the previous Committee of Public Accounts was whether the charge should be passed on to the employers, not to another Department. (Mr. *Musgrave*.) The question whether the charge should be passed on to the other Department was the main purpose of this correspondence about which you have questioned me.

Sir *John Mellor*.

4179. In the case of the managed hostels, who have managed them?—The agency cases, do you mean?

4180. Yes; who are the agents?—The agents are a joint committee of the Y.M.C.A. and Y.W.C.A., the Co-operative Holidays Association and the Holiday Fellowship. In the case of apprentice hostels, the Y.M.C.A. run almost all our hostels.

4181. What are the two latter institutions you mentioned, other than the Y.M.C.A. and the Y.W.C.A.?—As far as I know they are non-profit-making bodies.

4182. Apparently they are very good at making a heavy loss. What are their other characteristics?—They managed hostels for us during the war when there was, of course, a vast expansion in the number of hostels and we had neither the staff nor the experience to run them. I do not profess to know very much about these holiday associations, but I think they exist for giving holidays on a group basis mainly to industrial workers.

4183. What sort of experience have you had of them? When did you first begin to employ them? I take it that they charge a fee, do they?—They charge a small fee, yes.

4184. What is that fee based on?—I am afraid I would have to let you have a note on that. I do not know. It is a very small fee.*

* *Note by witness:* The agents are reimbursed their expenses only; they receive no remuneration.

4185. Can you tell me anything else about them, because it is a rather important thing to have the most efficient management you can obtain, and I would expect your Department to know rather a lot about the people who act as managing agents?—They were very satisfactory managing agents for us in the war, and we have great gratitude to them for the work they have done for us in the past, but when the 1952-53 accounts came out we found that the costs of running these particular hostels per bed occupied were mounting on a scale which was much greater than the way in which our own costs were mounting. We took it up with them, both orally and in writing, and, as I said, in one case they actually dismissed the manager. The position, however, did not improve, and we are now in the process of taking them over ourselves.

4186. Is there any special reason you can attribute for this deterioration in their managing capacity?—I know of no special reason.

4187. Have you found the Y.M.C.A. and the Y.W.C.A. more satisfactory?—We find the Y.M.C.A., who run our apprentice hostels for us, entirely satisfactory. I think they employ a better type of warden in that type of hostel, and there is no question of our getting rid of the Y.M.C.A. as the agents who manage our apprentice hostels. They are entirely satisfactory.

4188. Have you considered, then, transferring the management of the whole of these to the Y.M.C.A. and the Y.W.C.A., if they are prepared to do it?—We have decided, rightly or wrongly to run them ourselves, because in these industrial hostels we have found that we can, in fact, manage them more cheaply and we are profiting by that lesson and taking over direct management ourselves.

4189. Can you manage them more cheaply than any of these managing agents?—Yes.

4190. Why not take them all over?—Because in the case of the apprentice hostels I think the answer would be that the Y.M.C.A. are exceedingly experienced in looking after young people and they can do it as well as, if not better than, we could ourselves. But in the case of these industrial hostels, where adult workers are accommodated, we have found by experience—recent experience—that we can do it more economically ourselves.

4191. What are the non-industrial people? What sort of people are they?—They are the junior types of non-industrial employees, clerical grades and scientific assistant grades.

4192. You said that you considered you were over-assessed in your charge for rent,

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

I think you said, by a figure of £49,000?—As compared with an assessment of the market value of those properties.

4193. The present market value, yes?—Some of them are white elephants.

4194. How did that arise?—The charge is computed by the Ministry of Works and is not computed by reference to current market values, but by reference to original cost.

4195. That is not wrong, is it, because when you started this undertaking the rent would have been based upon market values then prevailing, and if you had retained the premises under tenancy you would still have been paying the same rent, would you not?—Possibly, but having acquired ownership in many cases, had we, for example, been a commercial concern, we should have written off our loss. There is the case of one hostel, for example, where at the end of the war, or shortly after the war, we had no further use for it. We could not find any purchaser or user for it, and had we been a commercial concern I think we should probably have written off the value of that hostel to a very small figure, and the rent that we would now be charged for that hostel would be correspondingly smaller. In actual fact, we are still paying on the original cost. We are not paying, but the charge to us for rent is based on that original cost.

4196. Who then is the owner of the hostel, which Department?—The Ministry of Supply.

Mr. Enoch Powell.

4197. Could you give further examples and further definition of what is meant by the non-industrial civil servants who are here in question?—They are people in the class earning from £7 to £9 per week, the junior grades of white collar staff in our establishments and in our factories. They cover the whole range of people within that income group. Normally, we try and keep our hostels for the lower paid grades of that kind.

4198. Are they accommodated in hostels because their place of employment is, so to speak, out in the blue?—Yes.

4199. Do you regard the maintenance of these hostels—I am speaking generally now—as a permanent feature of the work of the Department, or one you expect gradually to disappear?—No, I think it will be a permanent feature while we have establishments and factories out in the blue.

Mr. Godber.

4200. In reply to Sir John Mellor you were talking just now about writing off the loss. As I understand your argument, you are seeking to establish that the rent is too

high and that, in effect, this position appears worse than it really is. That is the argument you were putting forward?—That is true, yes.

4201. You therefore told Sir John that you feel that a lot of this would have been written off had you been a commercially operating company?—I was using merely one case as an example, yes.

4202. I have been looking desperately to find what you would have written it off against, because most commercial companies have to have profits before they can write off losses against them?—I think that most industrial concerns find that they run their hostels at a deficit. I do not think there are many, if any, organisations which run hostels for industrial workers and apprentices at a profit.

4203. Following up on that, knowing that fact, there is the case of these people you had as residents, in one case 404 out of 523, as mentioned in paragraph 10. Knowing the fact that they cannot be housed economically, would you not have thought that it was right that your Department should charge additional fees to the firm, particularly the firm with 227 employees whose employees you were housing?—We actually took it up with that particular firm, and their answer was this, that the hostel was 12 miles away from their work-places and that they were already paying over £3,000 a year to transport their employees from our hostel to their place of work, and rather than pay us they would set up a hostel nearer their place of work and run it themselves.

4204. And the effect in your case, then, would have been that there would have been so few people there that you would have closed your hostel down?—I do not think we would have closed it, because it was necessary to keep that hostel going at that point in time, and it still is, for our own factory in the neighbourhood. You see, the work of the Royal Ordnance factories fluctuates very much with the particular volume of production that is necessary in that particular line for the Armed Forces, and we have not only to keep factory accommodation and machine tools in readiness, but we have also got to keep accommodation in readiness for work-people whom we must import. In the case of this particular hostel at that point in time our proportion of occupancy was very low, but we could see that the programme of the factory was rising and we would need to have more and more places in the hostel. Therefore we had to keep it going.

4205. Can you tell me the position in that particular hostel at the present time?—The occupancy is increasing and is expected to increase.

20216

O 2

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

4206. The percentage of your employees is increasing?—Yes, and is likely to increase over the next two years.

4207. So that you view that as a justifiable one to continue to maintain?—It is essential. We could not run our factory without it.

4208. Now reverting to the five hostels which are managed by agents at which the substantial amount of the loss was incurred, had your Department any means of checking the position before the annual accounts came out? Had you any reason to believe that the position would be bad?—No, not really until the summer of 1953.

4209. You had no knowledge of the position at all?—The accounts prior to that were not prepared in a way which pinpointed the large losses.

4210. Are you doing anything at the present time to see that large losses are thrown up, so that you will see them and be able to take action on that?—I think that the form in which the accounts are now prepared will do that.

4211. Annually or more frequently?—We get quarterly accounts.

4212. And you are satisfied that you can keep a definite check on that?—Yes, on that sort of thing.

4213. I am emphasising that, because this is a serious amount and it does appear to me, as a Member of this Committee, that this should have been discovered before?—Well, there was a slight difference per head in 1951-52, but not significant.

4214. A slight difference?—A slightly greater cost per occupant in the case of the agency-managed hostels in 1951-52, and as the quarterly accounts came forward in 1952-53, and in 1953 (particularly in 1953) the gap was shown to be widening and it was then that we really took notice of it.

4215. You are satisfied now that you have a sufficiently good accounting system to enable you to see?—Yes.

4216. Reverting to the other 16 hostels, if I may, for a moment. The total loss on those, I gather, is a matter of £81,000, subtracting these figures. Can you give me any indication of what that represents per head of the inmates of these hostels so that one can get some idea of how it works out?—Yes, I think I can give you figures there. The trouble is that I have them classified under industrials, apprentices and non-industrials. I have them subdivided as between agency-managed and directly-managed. The deficit in the industrial hostels, those that are agency-managed, is 16s. 11d. per week per bed provided. In the case of directly-managed, it is 13s. 7d. I can give you the similar figures in the case of apprentices and non-industrial, if you wish.

4217. They all run rather on those lines, do they?—Yes.

4218. That gives us a better picture of the position. Your charges are based, I see from paragraph 9, on the standard weekly rate fixed by the Ministry of Labour. In a previous answer to the Chairman you said, I think, that these industrial civil servants compare with the type of people housed at the Ministry of Labour hostels?—Yes.

4219. That is your justification for using the Ministry of Labour figures?—We think it would be impossible to justify a higher charge to our own employees than other similar industrial employees.

4220. There is no intention of increasing your charges to try to offset some part of this loss at the present time?—The charges in the hostels are reviewed frequently and we make our adjustments in step with the Ministry of Labour and the other Departments that run hostels.

4221. But it does appear to me here that the Ministry of Labour charges are mostly for hostels maintained in ordinary centres of occupation whereas you have claimed that some of your losses are due to the fact that they are in outlying places?—No, I have not claimed, I think, that my losses are due to the fact that our hostels are outlying or out in the blue. That is the justification for having the hostels at all. Our losses are high in certain instances because the percentage of occupancy is relatively low.

4222. I will leave that point. Just one small point, the question of passing cost on to the employer. I do not think you have really dealt adequately in the case of those who are not civil servants. You do not feel that you can pass that cost on to the employer generally?—We feel that this is not a matter primarily for the Ministry of Supply. We feel it is a matter for the Government as a whole, on which I think the Treasury would be prepared to answer.

4223. You have to be in line with the Ministry of Labour on this?—And the rest of the Government Departments who have hostels.

Mr. Oliver.

4224. You have given up all hope, then, of getting a contribution from the private employer in respect of this loss?—I will not say we have given up hope. We have, so to speak, passed it back to our friends in the Treasury, and have said we will follow the general Government line on this.

4225. So you go wholly on what the Treasury decide?—And the Ministry of Labour and the other hostel-running Departments.

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

Chairman.

4226. There is one point. You referred to the hostels which you are running directly from your Department. You said, I think, that they are more economically run by yourselves. Do you think now that there will be any loss shown as a result of this change-over in the next year?—There will still be a loss or deficit but we hope it will be very much smaller. I am afraid we cannot hope to turn the loss into a profit, but we hope to reduce the size of the loss.

4227. So that so long as these hostels are in existence, then a loss must result, so far as your own experience and view are concerned?—And that, I think, of industry and all other concerns that run hostels. It is part of the cost of running an industrial service.

4228. The Ministry of Supply apparently have passed this little problem back to you, Mr. Figgures?—(Mr. Figgures.) Yes, Mr. Chairman.

Chairman.] What are you doing, passing it back to them?

Mr. Hov.

4229. No; giving it to the Ministry of Labour, I should think, who appear to be the culprits?—This matter arose in the Public Accounts Committee, Sir, in 1948. The Treasury Minute in reply to the Public Accounts Committee's Report in February, 1949, set out the position then, and I regret to say that it is not significantly different now. The view then was taken, after the Ministry of Labour had consulted with the National Joint Advisory Council, that it was not practical politics to call for contributions from industry towards the cost of maintaining industrial employees. The question which Mr. Musgrave has already mentioned, whether an employer should make a contribution when a large number of his employees are in a hostel which, in default of a contribution from him, would be closed, is quite distinct. Cases of that kind are dealt with on their merits, but as a matter of general policy it is not thought practicable to call upon every employer to make a contribution if any one of his employees is in a Ministry of Labour hostel and, on the same token, a Ministry of Supply hostel.

Chairman.

4230. So far as I remember, every time the Public Accounts Committee has had the problem of hostels before it, it has always been on the subject of rather heavy loss?—Yes. (Sir Frank Tribe.) The view taken by the Treasury in 1949 was based upon the economic stringency then prevailing; that is partly why I raised the question again with this Committee, because I am doubtful whether it could be said that the

20216

economic stringency now is still as great as it was in 1949, and the Treasury then said that they were not committed to continue this arrangement indefinitely. (Mr. Figgures.) That, with respect, Mr. Chairman, is a different point. There are two separate questions, (1) should the Government run hostels, and (2) whether it should collect contributions from the employer. There has been no change on the second point. On the first point, subject to correction, I think there are fewer hostels, but if the Committee wish to be advised on that I think it would be best if you call for a paper from the Ministry of Labour.

Chairman.] I do not think the Committee particularly want to know the number.

Chairman.

4231. Now, paragraphs 13 to 17, with the relevant part of the Account, page 11, Vote 1, Subhead H.2. Sir James, to what extent do contractors really consult you when they place these orders for plant without any effective competition?—(Sir James Helmore.) They were asked—

4232. I know, but I want to know to what extent they do?—to consult us and in the main they did. In the particular case which I think the Comptroller and Auditor General has in mind, they did notify us that the suppliers were unwilling to accept a costings clause. We asked them for some further information about it, but they did not reply owing to an oversight and meanwhile they had placed the order.

4233. In paragraph 15 the Comptroller and Auditor General says that in five cases out of seven there were no costing clauses?—These were seven orders by the one contractor.

4234. I see?—In three cases out of the seven they did ask us, in two it did not arise, therefore in two they did it without asking us.

4235. How often did the Ministry check the bills referred to in paragraph 16?—How often, Mr. Chairman?

4236. In how many cases? I do not want to suggest that you check a particular bill more than once. What percentage of bills do you check, put it that way?—The bill comes with a certificate from the contractor which is checked—I speak subject to correction here—100 per cent. against the plant list. Any further check would be in the order of a 50 per cent. check.

4237. I am not sure how, by checking the fact that a particular piece of plant is included in the plant list, that helps you to check the cost?—Obviously the first check, Mr. Chairman, is to see that the aero engine manufacturer is not buying chocolate machines or something of that sort. That is a ridiculous example, but the first check obviously is that we see that he is

O 3

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

buying the plant that we have agreed with him he should have. On the second point, the price, we have not been able to check so rigorously, though the cases we have checked have not shown anything wrong.

4238. This is mainly engineering plant, I take it?—Yes.

4239. With the immense interlocking of engineering firms you can never be quite sure whether one of your agents is not buying from his *alter ego* or from some firm with whom he has very close connections, can you?—It may be they are connected, it may be they are not.

4240. Exactly?—There is nothing wrong in buying from a subsidiary firm.

4241. Not a bit, but when they were buying from a connected firm naturally you would, I hope, look rather more keenly at the bills than when they were buying from a firm with whom they had no connection whatever?—I have never considered the point in that way, Mr. Chairman. I just do not know.

4242. The final sentence in paragraph 16: "An important safeguard was that the assisted contractors were required to certify that they had checked prices and found them fair and reasonable, and there was evidence that the contractors took this responsibility very seriously". Would you say that that was also your main safeguard, that you were really relying on the contractors?—In many ways, yes, Mr. Chairman. The object is, after all, to get somebody as your agent to do something you have neither the know-how nor the management resources to do for yourself. So, when you select an agent you do not just go out here and there, you take a firm where you are satisfied in your heart that its standing and *bona fides* are good, and a certificate from that firm that they have checked the price and found it fair and reasonable is not something that one sets lightly aside. If one were going to set it aside lightly, or if one were going to say: "We will never accept such a thing without a 100 per cent. check", then we ought never to have taken the firm on as an agent.

4243. On the other hand you do take on perfectly reasonable and reputable firms as agents and you do look fairly closely at their costs and prices, I hope, and we shall come later on to questions as to whether their prices show more than a 15 per cent. return on capital. You do check that at one point?—I think the relationship between principal and agent is perfectly compatible with another relationship such as buyer and seller.

4244. Exactly?—One applies different tests in each case.

4245. Well, there is such a thing as being careful of your own money and careless of the money of others?—Buyers and sellers are fair game to each other. Both sides

apply the appropriate techniques but we do believe, and nothing that has come to light gives any reason to show that we are wrong, that these agent firms were responsible and reputable.

4246. Certainly, but on the other hand you drew up a whole lot of regulations as to how they should do these things, did you not?—Yes, but one of the principal hobbies of Government Departments is drawing up regulations.

4247. That is true?—And one must do that when one is setting out on a whole programme of capital assistance to contractors. The relations with them are spread amongst several people in the Department. They will have several people in their firm who will be managing those relations at the other end. Obviously, the sensible thing to do is to draw up some reasonably tight rules, but if one then proceeds to administer the thing on the basis that an occasional mistake in applying the rules, even if a subsequent check shows that nothing wrong was done, is a sin, then, I think, you destroy the confidence between principal and agent which we must maintain.

4248. Just let us get this straight: you draw up a whole lot of tight and careful rules, but when it comes down to actual facts you ignore your rules and rely on your agents and their integrity, is not that it?—And on our own common sense, Mr. Chairman.

4249. That comes second?—It is rather like administering the speed limit. There is a very careful rule drawn up that nobody should go at 30.1 miles an hour in the street when driving a car, inside certain limits, but on the whole and by and large you have to go about 35 miles an hour before you get into trouble.

4250. Is that advice to the Committee?—I would never venture on such a thing.

Mr. Steele.

4251. Even at 30 miles an hour you have got to know the driver?—That, Sir, is just the point I am making. We reckon we do know our drivers in the case of agency firms.

Chairman.

4252. On paragraph 17, what have you to say with regard to these inconsistencies?—We gave the Comptroller and Auditor General an explanation, Mr. Chairman. I do not know whether it is in order for me to ask him whether he found it satisfactory or unsatisfactory?

4253. I will do it for you, and that will save any problems of order?—(Sir Frank Tribe.) What interested me about this was that the Ministry apparently had to go to the firms to get the answer to the question that I had asked. However, when the answer came I had no point of criticism on it.

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

4254. So you do rely very considerably on the firms, quite apparently?—(Sir James Helmore.) Oh, yes, it was policy to do so, Mr. Chairman. If one was going on this agency basis one must choose one's agents and then rely on them, pull them up in a mild way or enquire where your check shows that they have not observed the rules, and if they have done anything wrong you then drop on them like a ton of bricks. My main point is that to try and administer the thing in a wooden way would not have secured our object which was speed and spread of management in a crisis.

Mr. Oliver.

4255. Sir James, I see that this relates wholly to plant and equipment of which the Ministry was assisting the purchase. When the plant and equipment have been ordered, do the companies send you the accounts which they themselves receive?—Yes.

4256. And you pay on them?—That was the arrangement.

4257. Does it work out like that, in fact?—Yes, the companies ordered the plant on the basis of a plant list for the whole project, as I said. The machine tools, or whatever it was, were received, a bill came in and was sent on to us with a certificate by the agent firm that it was suitable for payment and that the prices were fair and reasonable.

4258. The next point, of course, is as to whether there is any competition in the prices which you have to pay for these things. I see from paragraph 15 of the Report, at the bottom of the page: "I pointed out to the Ministry that five out of seven orders, placed by an assisted contractor without competitive tenders, had no provision for costing, and that some of them were for a type of equipment which the Ministry themselves were ordering by competitive tender". In respect of those types, how was it that these people could get away and order these things when you yourself had been obtaining them by competitive tender?—They judged that for the job they were doing they wanted particular kinds of plant. One particular firm had decided that for good and sufficient reasons as it appeared to them, and they related it to productivity, they wanted their own design of some workstands. They had had this designed for them and what they ordered was 1,000 of these to their own drawings, things they had been buying before. They were not expensive things; each one cost £12 3s. 1d.

4259. Were they things which you had been obtaining by competitive tender, that is the whole point?—Some workstands, but workstands differ. Every manufacturer has his own ideas about what kind of workstand he wants.

20216

4260. This statement is either right or it is wrong. It says that you could have obtained some of these things which you had obtained by competitive tender and you obtained them otherwise?—With great respect, Sir, I do not think the statement is either right or wrong, I think it is irrelevant. Some of them were for a type of equipment which the Ministry themselves were ordering by competitive tender; perfectly true, but I think that that begs the whole question as to whether the firm in question were right in exercising their judgment that for their manufacture, which they understood, they were going to have the workstand that their people and their foremen and their managers were used to. I personally think they were right. (Sir Frank Tribe.) The interesting thing is that this particular firm from which these articles were bought had been one of the unsuccessful tenderers to the Ministry of Supply. (Sir James Helmore.) Too busy on the assisted firms' work, I think, is the answer.

Mr. Oliver.] They evidently tendered and were unsuccessful in obtaining a contract.

Mr. Hoy.] So they got themselves one as compensation.

Mr. Oliver.] So they got one without tendering.

Mr. Hoy.

4261. Mr. Chairman, I know these are Mr. Oliver's questions, but I think it might help the Committee if Sir James could give us the price paid for the type received by competitive tender, because I understood him to say that in the second case the price was £12 3s. 1d. I do not think it is a small sum, because after all, there were 1,000 of these items and it would be pretty substantial. What was the price for the type that was ordered by competitive tender?—(Sir James Helmore.) I do not know, Sir. I doubt whether one could say what the price is for a workstand. It depends whether it is going to hold a couple of things that weigh one hundredweight or three hundredweight or two ounces.

4262. Then this would be misleading to the Committee because the Report says that some of them were of the type of equipment which the Ministry themselves were ordering by competitive tender. Now, surely it would be possible for the Ministry to tell us what they pay for that type as compared with the price they paid for those that were purchased without tender?—I can certainly supply the Committee with a note of the prices we were paying for workstands at that time.*

* Note by witness: The Ministry were not at the time buying workstands. They, and the assisted contractor, were buying storage equipment, but while the equipment was of the same general type, it differed in detailed specification, and the prices are therefore not comparable.

O 4

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

Mr. Oliver.

4263. Now, Sir James, the assisted contractors in three of the cases were unwilling to accept costing, is that right?—Yes.

4264. Paragraph 15 goes on: "They"—that is, the Ministry—"were satisfied that their instructions were generally enforced". How could that really happen if you could not have the matters costed properly? How could there be satisfaction that your instructions were properly enforced?—The remark about "Their instructions for securing fair and reasonable prices were generally enforced", I think, relates to the rule that assisted contractors were first of all to buy by competitive tender. If they could not buy by competitive tender then they were to ask for a costings clause. If they could not get a costings clause then they were to come and ask us what to do. That is what we were satisfied about.

4265. This paragraph says that the assisted contractors were unwilling to accept, not unable to accept?—No, Sir, the assisted contractor notified the Ministry of Supply that in three of the cases the suppliers, that is to say, the people the assisted contractor was buying from—

Mr. Oliver.] I see, yes; I was looking at it the wrong way round.

Mr. Blenkinsop.

4266. I notice both in paragraph 16 and in paragraph 17 that there is a reference to the effect that the amount of control or check is to some extent influenced by the staff position?—Yes.

4267. Would you feel it desirable, or would it be worth while from your point of view to have further staff to enable you to maintain this extra control, or not?—This is always a very nice question of judgment. I do not myself think that the *ex post facto* enquiries that are being made into this class of business show that the admittedly non-complete checking that we were doing was insufficient. I would not make the same answer about some other aspects of the Ministry's work.

4268. But so far as this particular section of your work is concerned, you would feel that if you had the chance, for example, of extra staff it is very unlikely that they would throw up anything in the way of economy?—One must always be responsible about making a call on a scarce resource such as staff. I certainly would not put this enquiry near the top of the list of things I could, so to speak, profitably use extra staff on, if I had them.

4269. So, while technically, and in accordance with the general regulations you have issued, it would be very desirable to have them, from the point of view of actual value in fighting against actual waste and extravagance, you do not think it would

be useful in this particular field?—No, I myself feel that the investigations made do not show that there was anything wrong with this at all.

Sir John Mellor.

4270. I suppose, Sir James, that the ownership of the plant and equipment remains with your Ministry?—Yes, indeed.

4271. But it is more or less mixed up together with the plant and equipment belonging to the agent?—Yes, in certain cases it is, but it has name plates on it and it is on an inventory, and I think there is a reference to stocktaking in a later paragraph of the Comptroller and Auditor General's Report.

Mr. Hov.

4272. Following up what Mr. Blenkinsop said, did you ever apply to the Treasury and say: "Look here, we have drawn up these regulations but we cannot carry them out because we do not have the staff. Will you permit us to increase our staff"?—I was not there at the time but I hope that we did not. I think it would have been wasteful.

4273. In that case it would mean you did not care whether the rules were drawn up or not?—No.

4274. Then if you are not going to carry them out what is the use of drawing them up?—The object of administration, surely, is to get a job done effectively and on time without loss of public money. The loss of public money can arise in two ways, because people cheat you, to put it crudely, or because you use far too many staff on checking something that does not need 100 per cent. check. The check, as far as I know, has not shown that anything was wrong, so I think it would have been wasteful to have used more staff on this.

4275. That is as far as you know?—I cannot go further than that.

4276. So, in any case, you now rely on these assisted contractors to guide you rather than on any check you have within your own Department?—No, not "no check." I did not say there was no check. Our checks did not show anything substantially wrong, though there were some technical breaches of the rules, but when investigated I think they show that we would have given people latitude anyway.

4277. But even on your own admission you do not check very much?—50 per cent.

4278. Do you as much as that?—I think in this particular case it was as much as 50 per cent.

Mr. David Jones.

4279. Could you tell us a bit more about the type of equipment that is concerned in the first sentence of paragraph 15: "Five

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

out of seven orders, placed by an assisted contractor"?—I can tell you exactly what the orders were for: all-welded workstands, machine shop stands and lockers, vertical bar racks, horizontal bar racks, binnage, binnage and binnage.

4280. It is lucky Dr. Joad is not a member of this Committee; he would probably ask what binnage was?—It is a collection of bins.

4281. What are the bins used for?—For keeping the small parts in, nuts, bolts, all sorts of things, in tidy order.

4282. And there would be no difficulty about getting competitive tenders for that kind of thing? I should have thought it is pretty standardised, is it not?—As I say, some people have their own particular pet designs of bins. In fact in two of the orders for bins the suppliers did accept the costings clause but it was not possible to get competitive tenders because this after all, was in 1951 when there was a great shortage of things, and if people were full up they simply did not bid.

4283. Did your Ministry find competitive tendering very difficult at that time? I see you yourselves were ordering by competitive tender. Were you experiencing any difficulty about getting competitive tenders?—I could not say. Perhaps I could deal with that point in the note I am going to send in? (Sir Frank Tribe.) I can give some information on that. I understand that the Ministry sent 22 invitations to people to tender for these things and received as many as 16 different tenders; so there were quite a number of people willing to tender to the Ministry.

4284. I thought I heard you tell Mr. Oliver, Sir James, the reason given to you by the assisted contractor for not resorting to competition?—(Sir James Helmore.) My impression of the correspondence is that the contractor said to us: "On this ancillary stuff, we have located some capacity and we would like to buy." In some cases the capacity was already at work on the same thing for their parent company, so they knew that they were satisfactory. I think it is fair to say that the industrial firms are less keen on applying competitive tender buying to ancillary equipment. They regard it as more important to fix a price and delivery for ancillary equipment and be sure of getting it on time.

4285. In the concluding sentences in paragraph 15 the Comptroller and Auditor General makes reference to your not wanting to circumscribe the contractor. I gather this was an explanation which your Department gave him?—That is so.

4286. Does your reference to not circumscribing the assisted contractor mean that when you are considering his purchasing proposals you never consider your own

contracting experience in relation to it?—Oh, no. On the contrary, we certainly would. In fact we were about to do this, as I said right at the beginning, when they wrote and asked us about this, because in three cases the supplier was unwilling to accept the costings clause. We wrote back to them. That was an endeavour to bring our experience into it by cross-questioning them about this, but as I said, by an oversight they did go ahead.

Chairman.

4287. Now, paragraphs 18 to 21 with the relevant section of the accounts on page 11, Subhead H.3, machine tools. Sir James, in paragraph 19 the Comptroller and Auditor General says that you bought these machine tools through normal trade channels from British importers who have undertaken to obtain the most favourable prices possible from their principals abroad without any competitive check. Are you satisfied that this was a suitable method?—In the circumstances at the time, yes.

4288. The circumstances being shortage of machine tools?—The onset of a re-armament programme, a Government decision to make heavy purchases of foreign machine tools, partly in order to keep up our own exports, as I understand it; and the question at that time was how best to secure as quickly as possible this supply of European and United States machine tools in the face of what appeared to be, at any rate, a famine of machine tools in the world.

4289. At the same time, apparently, you did not take any steps to keep any check on the margins that the importers themselves got, because in the next paragraph you will see that they varied from 8 per cent. to something like 35 per cent.?—Yes.

4290. That is a very large variation, is not it?—Yes.

4291. How do you explain it?—It depends on the services which the agent is required to render. It depends on whether he pays freight the whole way, it depends on the amount of servicing he has found out by experience that he will have to give to this tool. I should explain that these agents fulfil a function with these machine tools very much like that which the ordinary man experiences from a distributor of a private motor car, that is to say, he is expected to get the thing, arrange for its delivery and its subsequent servicing in accordance with whatever a particular manufacturer concerned may have agreed with him in his agency agreement. In addition, he may in a few cases have to finance the thing.

4292. What actual servicing do you get? You are rather fond of motoring similes at the moment?—I am sorry, I will try not to give another one.

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

4293. As far as I know the servicing of a motor-car is for a very limited period and there is always some get-out?—It depends on what motor-car you have, Sir. I had two services free on my last one. They install these things. The agent is an expert in the particular machine and when it arrives at the factory he is expected to come down and show people the way round with it.

4294. So, when an agent charges 35 per cent. over the manufacturer's price he has rendered equivalent service in some way or another, either in freight charges or in skilled advice or in actual service, is that so?—Yes, on an average we would expect that the user would get his money's worth out of this. I do notice the two highest percentages mentioned in a list of examples I have here are for tools delivered to the U.K. users' works, and the lowest are cases where the delivery is only paid to the U.K. port. Then there are some other cases where sometimes they supply free on board at the European port, sometimes free alongside the ship, sometimes delivered to the U.K. port.

4295. So that this, in addition to the price ex works, includes a good deal additional?—It may include a good bit additional.

4296. That is an adequate explanation for these large variations?—That is part of the explanation for these large variations. The other explanation would be the degree to which the maker and the agent between them had agreed that a particular tool was likely to need a lot of servicing or an expensive engineer's time on installation, or any of those things that normally apply in such cases.

4297. I am not quite sure what they are that the Comptroller and Auditor General refers to here as manufacturers' prices. Is that the price list price or is that the price less commission to the agent? It is in paragraph 20, the second line: "The foreign manufacturers' prices"?—(Sir Frank Tribe.) The price list price.

4298. Presumably the agent would get commission for which he was, I take it, as in the case of motor-cars, rendering service to the customer in addition to the service of the sale to the manufacturer himself? There are two charges then, there is the commission on the machine tool plus these charges which are additional to the works price?—(Sir James Helmore.) Certainly, that is right.

4299. How does it work out to the profit of the agent? Have you looked into what profits the agents make?—No, we had no basis on which we could look into the profit of the agent in any accounting sense. What we did have was a negotiation with them in which we put it to them roughly that this was a contribution to the re-

armament effort and, very crudely, that they ought to "play the game, chaps", and in pursuance of that they gave us a special discount of 2½ per cent., as the Comptroller and Auditor General says.

4300. That means that some of them were 6 per cent. and others were 32 per cent., plus whatever is the rate of commission on this?—Yes.

4301. You have no idea how much the agents or importers were making out of it?—We have no proof. We have a very shrewd idea that he was not making an unreasonable profit.

4302. What is your shrewd idea based on? On facts or on this touching faith that the Ministry of Supply show?—Not touching faith, no, Sir. The selling of machine tools is a competitive business and if a foreign manufacturer is selecting an agent here he is obviously going to select him on a combination of technical skill, financial stability and a willingness to do the services that are needed at roughly the lowest margin, and all these margins, as I understand them, are agreed between the manufacturer and the agent. The manufacturer obviously has no incentive whatever to let the agent get away with too much profit. Why should he? So we would expect the profit element in this margin that we have been talking about to vary between, say, 3 per cent. and 6 per cent. on a bracket. So that the 2½ per cent. off struck us as a pretty reasonable settlement.

Mr. Hoy.] I must say, as one reads through this, Mr. Chairman, one has the feeling that there ought to be some real explanation from the Ministry, some plausible explanation, of this tremendous variation in the margins. Is there no solid explanation of this, Sir James, why there should be this very wide difference between 8 per cent. and 35 per cent.?

Chairman.] I thought Sir James did offer an explanation, in that it is freight and service.

Mr. Hoy.

4303. I heard that one?—Freight and degree of service, I say.

Mr. Hoy.] That I can understand if the two things are the same. Is he comparing the same things or is it just the fact that one is less these things and that is the reason there is this difference between the 35 per cent. and the 8 per cent. Is that right?

Chairman.

4304. Could you give us an instance, Sir James, of how say one margin was built up and how another margin was built up?—No, we had no powers under which we could get the build-up of the margin.

4305. Sir Frank, these are your figures, of course. How did you arrive at them?

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

Perhaps you can answer Mr. Hoy's query?—(Sir Frank Tribe.) The contractors were required to give the manufacturers' price. We deducted that from the total price actually paid and so arrived at what the importer was getting. The figures, I think, were agreed with the Ministry. (Sir James Helmore.) Oh, yes.

4306. Were these variations looked into by the Ministry of Supply?—No; I do not say the Importers' Association said "None of your business", but that was the attitude they would have taken up if we had pressed the matter.

Mr. Hoy.

4307. Do you mean that the seller says that to the customer?—In the circumstances of 1951-52, if we had gone to the agents and said: "We will not buy from you unless you disclose to us all your costings", they would have said "Good afternoon, thank you very much, we can get plenty of business elsewhere".

Mr. Speir.

4308. But the Ministry did know in each case how much servicing a particular agent did, therefore they have some idea?—You only know afterwards.

Mr. Speir.] But afterwards you knew.

Mr. Steele.

4309. Sir James, in paragraph 18 the Report says the expenditure amounted to £41 million in the present account and there is £28 million in the Estimates for 1953-54. Now, would you say that it was still the circumstances of the time which involved this amount as well being spent?—By and large, the expenditure of the amount in 1953-54 is in pursuance of the purchases that were made previously. This programme was placed, not exactly as one, but it was a programme decided on in 1950 and early 1951, and the orders were all placed then. The last ones are just in now and the whole thing is over.

4310. The orders were all placed when?—1950-51.

4311. All?—I cannot be sure that some were not left over until early 1952.

4312. Was there any Committee or any working party set up to decide whether the purchase of these machine tools from America was necessary—that they could not be acquired somewhere else?—Oh, yes, indeed, it was gone into very deeply with the Treasury and the Board of Trade at the time.

4313. Where have most of the machine tools gone, to our own defence establishments or to the contractors?—More have gone to contractors, I think, than to Royal Ordnance Factories.

4314. And Admiralty establishments?—I am not sure whether the Admiralty have had any.

4315. Can somebody advise you on that?—They have had some, yes.

4316. Was it necessary, then, to purchase these machines from abroad because they were not available in this country or could machines of a similar character have been purchased in this country?—Some could of a similar character. It was partly that we wanted some special machines that were not available here at all, and partly that we did not want to take up the whole of the capacity of this country and thus destroy an export trade which at that time and since has been pretty successful.

4317. Now, you were the purchasing Ministry. What arrangements were made for spares for these machines, for instance?—I could not say offhand what the precise arrangements for spares were.

4318. Would the Ministry of Supply have any knowledge as to what has happened now that the machines have been installed?—Yes.

4319. Do they know whether these machines are standing idle because of lack of spares?—I have never heard or seen of a case where a contractor thought it worth while to mention to me that he has machines standing for lack of spares. My impression is definitely not.

4320. Would it be worth examining? I understand that some of these machines have been installed and it might be the case that they might lie idle for two years before a spare part was received. Is that worth examining?—I have been myself to. I should think, five of the biggest assisted contractors. I have been to six of our Royal Ordnance Factory engineering factories and I have never had a problem of spares for these machines imported under this programme mentioned to me, nor has any of my staff mentioned it to me. There is often delay in installation, or more often than that there is the late arrival of one very special tool which you want to put right in the middle of the line. You may have all the rest of the line ready and be stuck for that one. I know of cases of that sort.

4321. But in any case, so far as these machines are concerned, is it the case that most of them were not outwith our own engineering machine tool factories' capabilities of producing?—Some were, some were not. I could not attempt to put a quantity on it.

4322. Has the Ministry of Supply followed up the purchase of these tools, in so far as they are now installed, that they are being used to capacity?—It depends on what orders one has. The test of whether an aero engine manufacturer has made good use of these tools cannot be decided by whether he is working to capacity or not unless one can see whether he has actual orders placed on him.

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

4323. Have you any knowledge as to whether the tools are standing idle?—There are obviously some standing idle. There are some, in fact, that we have put direct into reserve, but not many. In the cases I have seen myself, they are neither idle nor working to capacity. They are working under their full rated capacity because that was the decision at the time, to set up capacity for 1,000, or whatever it was, as from such and such a period. The orders now may be 200 or 300.

4324. Have all the machines arrived, and is this a question of payment now?—Yes.

4325. They have all arrived and been installed?—Subject to an exception about one or two, they have all arrived.

Sir John Mellor.

4326. Are the foreign manufacturers' prices mentioned in paragraph 20 wholesale or retail prices?—I think this is right: they are the prices at which they book them to their agents in this country. It is a manufacturers' ex-works price.

4327. Then, with regard to the margin between those prices and the prices actually charged by the importers, could not you, at any rate, have got a fairly good idea of the amount of the freight element in that margin?—Yes, I think we could.

4328. And that, I think you said, was the largest element?—No, I said it was a significant difference that in the list of examples I had those that were delivered U.K. users' works had the highest margins and those that were delivered U.K. port had lower margins. That was in the case of American tools. In the case of European tools those with the lowest margins were free alongside at Hamburg or free on board Antwerp, or somewhere else. The highest margin I have in the case of the European deliveries was delivered U.K. port.

4329. In these figures would not it have been fairly easy to extract and allow for the element of freight in rough round terms in order to get a better idea of what was actually going to the importer for his services and profit?—It would have been possible.

4330. Would it have been difficult? You knew where the tools were coming from?—I think it would have been a colossal waste of time.

4331. That is just what I want to examine. When one gets such a wide variation that it goes up to 34.8 per cent. on top of the foreign manufacturer's price it is, I should have thought, worth enquiry, in some cases, at least, taking certain test cases to see exactly how that figure is reached?—With respect, the point I am try-

ing to make is that we had no negotiating ground whatever on which we could check these people at the time we were agreeing the price with them by trying to dissect their margin. What they said to us was: "This is a competitive trade. These are our prices, take it or leave it". If we had left it we would have been several years behind in the defence programme and would have wrecked our export trade, too. We came off that and said to them: "This is a piece of national service to get this thing done, make some contribution" and they said: "If you put it like that we will give you 2½ per cent. and believe us we are not making an excessive profit", and the impression of all people who know the machine tool trade is that when they said that they were by and large speaking the truth.

4332. It seems to me that this can be approached in two ways: it may be that you were only able to do it in one. I think your point is that this was competitive trade and you had to take it or leave it. All right. But you did not stop there. You have at least presented some figures?—The Comptroller and Auditor-General has.

4333. I agree, but he obtained them from you? I take it these figures were obtained from your Department?—(Sir Frank Tribe.) From the Ministry's papers, yes.

4334. You supplied these figures. Therefore, if these figures are worth having at all, they are worth some examination, and what I was asking you is if you can confirm my view as to the amount of the freight element in these figures and check that we should then know approximately the amount which is being retained by the importers to cover their services and profit?—(Sir James Helmore.) We could go into that as an *ex post facto* exercise now.

4335. You are still dealing with these people, are not you?—No, this programme is over.

4336. Entirely?—Yes. The only action we have left now is to finish paying the bills for the last ones that have come in and then to rely on these people for such servicing as we want and can get under the terms of the contract.

4337. Of course, the Public Accounts Committee are really in the nature of an inquest?—Oh, yes.

4338. And I think it is important that we should, if possible, know, whatever may have been paid by other people at this competitive price, whether reasonable prices were being paid by the Government?—Yes. On that I think I must stick to our main answer, that we got them 2½ per cent. cheaper than anybody else.

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

4339. Are you sure of that? They said they would give you a discount of $2\frac{1}{2}$ per cent. Are you sure they were not making 5 per cent. or $7\frac{1}{2}$ per cent. compared with other people?—I could not prove it in a court of law but I am sure of it.

4340. They told you they were giving you $2\frac{1}{2}$ per cent. cheaper than to anybody else? That is what they told you?—After a long negotiation on the basis of contribution to the public interest they said: "We are not making unreasonable profits, but we will give you $2\frac{1}{2}$ per cent."

4341. They did not say less than anyone else, they said they would give you $2\frac{1}{2}$ per cent.?—No, these are list prices.

Sir John Mellor.] I know, but did you inquire whether other people were getting any reduction on list prices? I do not think you ought to assume that you were getting them $2\frac{1}{2}$ per cent. cheaper than anyone else. That is all I want.

Mr. Enoch Powell.

4342. You referred earlier in your evidence to an importers' Association. Can you tell us more about that?—It is a part of the Machine Tool Trade Association. It is the group that represents the importers of foreign machine tools.

4343. So, when your suppliers told you that this was a competitive business they did not mean that the suppliers were competing amongst themselves but that the buyers were intended to compete for the supplies?—No.

4344. May I put the question another way? What is the purpose of this Association if it is not to eliminate or reduce competition between suppliers?—I am not going to answer for the Machine Tool Trades Association.

4345. But you deal with them?—Obviously, one deals with a body of importers, one must have representative people to deal with. I do not think I ought here to take on the job of defending them, I simply say the fact is that I have never heard anybody suggest that there are price fixing arrangements between machine tool makers or importers.

Mr. Steele.

4346. But you said they had list prices?—Yes, catalogue prices, if you like.

Mr. Enoch Powell.

4347. Are these catalogue prices different for different suppliers? Do I understand you go to three different importers and may be offered different prices by them?—For different people's tools—

4348. For the same thing?—No, these are mostly sole suppliers, sole agents.

4349. I see. Then if they are sole agents is there any significance in their being an association?—Yes, because they have—well, it is not for me to say what significance they attach to it, they always have had an association.

4350. So far as these particular purchases are concerned you could in this country only deal with one firm for any particular requirement?—Yes.

Chairman.

4351. Just to clear the matter up, although they were sole suppliers of a particular tool, there were tools which were in themselves competitive, I take it? There is more than one tool to do a particular job?—Could I go back to my motor-cars for a minute, Mr. Chairman, and say that, if you want to go to the main distributor in London, if I could just mention the names without it going down, to buy a Jaguar you have to go to one firm, if you want a Bentley you have to go to another firm.

Chairman.

4352. Will you come down to the Ford level?—I would not know the answer to that.

Mr. Enoch Powell.

4353. So there is an important distinction here. Do I understand that at any particular moment the Ministry of Supply could decide not to buy machine X from supplier Y, but instead to buy alternative machine A from supplier B?—Yes, subject always to a technical judgment as to whether machine A was really a substitute for machine X.

4354. But in most cases there were reasonable alternatives, so that if you had not been satisfied with the price at which machine A was offered you could have taken machine Y instead?—That is the position now. It was not so then. We were much more likely to say: "We can only scrape up 25 X's, we had better have 25 A's as well", the total requirement being for 50.

4355. So, in effect, there was no competition between suppliers for your custom?—No, at that time the competition in the machine tool world was between purchasers to get delivery.

4356. So that there was, in fact, no competitive control upon the price which you were charged and paid?—That is perfectly true, but I still go back to the competitive point that I made, that when a foreign manufacturer is choosing an agent here there is an element of competition in that there is no interest in a foreign supplier giving his distributor here a greater margin

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

than is necessary to enable him, as one would say, to do the job and earn an honest living.

4357. Not *prima facie*?—No.

4358. Could I ask what is meant by some of the expressions in paragraph 20? You see in the middle of the paragraph: "The Ministry stated in reply that selling prices . . . were normally fixed by the manufacturers"?—Yes.

4359. I understood you later to say that by "selling prices" you meant the price at which the machine was booked to the British agent, to the importer?—I think I was talking then of the price which the Comptroller and Auditor General had mentioned; that is to say, two prices are known to us, one is the catalogue price in this country, and we were also able to find out the ex-works price in the country of origin. A simple deduction of those two gave the Comptroller and Auditor General his margins which he is talking about.

4360. So the catalogue price is the one which you stated in reply to the Comptroller and Auditor General was normally fixed by the manufacturer?—Yes.

4361. The manufacturer says to the importer: "You will sell this machine in the U.K. delivered to the factory at such and such a price". You then, at the Comptroller and Auditor General's request, ascertain at what price that machine was sold to the agent at the point of delivery to the agent, and what is called the margin is the difference between the two?—That is so.

Mr. Oliver.

4362. Who suggests to you the nature of the machine which should be bought? Have you a technical adviser who must get a clearance from yourself or from someone in your Department before the purchases can be made?—Yes. It is a process of accumulating knowledge. I have a number of engineers and production people who know in general terms and by consultation with the contractors they look after, or in the Royal Ordnance factories they look after, what machines are likely to be wanted; and those were boiled up by experienced people into lists of machines that it would be wise to buy in advance of the detailed statement of a defence programme, because everybody knew, in general, that a defence programme would mean tanks or jet engines or aeroplanes.

4363. The difficulty, if I may say so, of criticising this statement, is due to the fact that I do not know—and no Member of this Committee knows—whether you have been buying, and they all come under the generic term "machine tools", drilling machines, milling machines, gear cutting machines, boring machines, lathes, vertical

borers or horizontal borers and a host of other things?—All of the ones you have mentioned, I think.

4364. And the prices differ enormously, from a few hundred pounds to a few thousand pounds, and that is what makes it so difficult in looking at this statement to know precisely how the 8·5 per cent. to 34·8 per cent. has been arrived at?—Yes.

4365. So you do not really know the nature of the machine tools which have been acquired?—I could not attempt to carry a catalogue in my head.

4366. I do not believe you could. I am not suggesting that you can, but I see that, according to the statement, the United States fix the price of their machine tools. That is right, is it not?—Yes, they control the prices.

4367. I must confess that the American machine tool plays a very big part in engineering in this country and we cannot get anything comparable to them here, but you ought to have no difficulty in knowing the price in that case?—We did not. The price which the American manufacturer charged, the first of Sir Frank's prices, to the distributor here, was in fact the price at the level to which it was controlled by the American Government. So, we got, in effect, American Government controlled prices plus distributors' margins minus 2½ per cent.

4368. Would not it also apply to the Swiss exports of machine tools? Did not they, too, control their price? Are you sure about that?—It never occurred to me to doubt it.

4369. Let us take the whole of the machine tools. The machine tools which were being imported were not exclusive to the Ministry of Supply. Any decent engineering firm would have given you the prices if the Ministry had been interested as to what they were paying for similar machines?—Yes.

4370. I could mention a host of engineering firms which could have given you precisely the price that they had paid, and it would have been a pretty good basis on which you would have known whether you were being rooked or otherwise?—(Sir Frank Tribe.) I may say, in this paragraph I was not really directing attention to the price paid for the machine tools so much as to the price paid to the importers and the margin.

4371. Certainly?—As has been admitted, I had no real information apart from what has been supplied by the Association as to the rates of profit in relation to the capital employed by the firms. I had to report this to the Committee as one of the things on which I was not able to obtain the usual assurance. That is the point of my including these figures in the Report.

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

4372. I appreciate that. It was the importers, but you know the price at which the manufacturer is disposing. I can understand that there are many firms which will not permit a middleman to interfere with the price. The manufacturer decides the price at which it must be sold to the customer in a very wide range of things, but you will have a better idea whether it was 8·5 per cent. or 34·8 per cent.—(Sir James Helmore.) We have that idea. We do know that point. That is precisely what we do know, the difference between the price taken by the manufacturer at his works and the price fixed by the manufacturer for the final sale to the customer.

4373. You know the price, but surely if you know where the profit margin is abnormally high you had some means of dealing with the matter?—This is really the Comptroller and Auditor's point, I think. (Sir Frank Tribe.) I do not think the price is in dispute, it is the question of the profit margin and the profit these importers are making, and I think the witness would agree that neither of us really knows whether that is normal, below normal, or above normal; and that being so, I felt I had to report on it to Parliament. (Sir James Helmore.) If I may say so, we know how much gross margin went into the importer's pocket. What we do not know, but what I am personally saying we have a jolly good idea of, is how much of that represented his profit. We know that a lot of it, in crude terms, was for services. The Comptroller and Auditor General is surprised that the services vary so much.

4374. What are these services? What services does an importer of machine tools give to the firm to whom they are being supplied, having regard to the fact that most of the engineering firms keep their own staff of millwrights to do these repairs in the event of their breaking down, or adjustments, if adjustments are necessary. It seems to introduce a point about servicing. These are not motor-cars which you are buying, these are machine tools which do not break down if they go over a rough stone or encounter a bit of stubborn metal?

New Works Statement :

Secret Supplement to Ministry of Supply Appropriation Account, 1952-53, forwarded in compliance with paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.

Further information relative to New Works Statement :

Secret Memorandum supplied by the Ministry of Supply on three items selected by the Chairman for oral examination.

Chairman.] Will Members now turn to the New Works Statement? There are three items in this statement that I have chosen to put on the Agenda, as the Committee gave me power to do. The first is A.173 on page 3. The smaller document contains

—I think I mentioned the services which the importer provides in an earlier answer, he arranges for the transport and in some cases pays for it, arranges for onward delivery to the factory and helps with the installation and gives guidance to new operators, and in a few cases he finances the order until he presents the bill. After all, these were not ordinary lathes that we were buying. These were the newest and latest where any firm, I think, would expect to get advice and adjustment from the manufacturers' representatives.

4375. But they do not service the machine once it has been installed? There is no further service provided by the manufacturer at all? I thought, when you said "servicing", that there must be somebody there to come into the factory and if they break down or require adjustment that only the manufacturer or his man could do the job, and that is not the case?—No, but there is a good deal of advisory service that a good agent can give.

4376. That is true?—He has to have trained engineers on his staff to come down. Somebody complains and says: "This machine is not doing quite what it ought to do". He has to send a man down to have a look and say: "If you had only run it at such and such a spindle speed instead of that".

4377. Yes, I know. That brings me to my next point, I think you said they were all reputed firms that imported, did you not?—Yes.

4378. You know, quite a number of firms that were importing machines before the War were not in this line of business at all. Do you know that?—No, you always have a fringe of firms.

4379. You would not get much expert advice or expert guidance from accountants, for instance, who had entered the import market on machinery, would you?—No.

Chairman.] I suggest that we postpone questioning on paragraphs 22-32 of the Report, on which I think quite a lot arises, until a later occasion. (*Agreed.*)

notes prepared by the Department on the three particular items. Are there any questions on A.173?

Mr. Hoy.

4380. It is the usual trouble. It became clear that the original estimate was not

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

going to be right and that some extensions were needed and somebody was asked to do something. In this case the Ministry of Works were asked to provide an estimate of the costs on the basis of the detailed specification and it was nearly £200,000, including agency fee, for a combined scheme. What do you mean by "agency fee"? Is that the fee paid to the Ministry of Works?—(Mr. Musgrave.) Yes.

4381. Representing 12½ per cent., is it?—Nowadays, yes.

Chairman.

4382. Our next item is A.70 on page 10. On paragraph 3, the Treasury approved a project in principle at an estimated cost of, so and so. You were satisfied that that was going to be the cost, is that right?—(Mr. Figgures.) No, the approval in principle, Mr. Chairman, means that the Department is then authorised to proceed with detailed estimating if necessary incurring expenditure. It means that we do not any longer argue about the principle of building the particular thing; the argument thereafter centres on how much it is to cost and what the details shall be.

4383. So you were quite prepared for a substantial increase at the Treasury?—I think it is probably fair to say that it is very often that a thing finally costs more than the figure to which we give an agreement in principle.

4384. You mean, much more?—Very often much more, Mr. Chairman, yes.

Mr. Steele.] This is the principle that always applies.

Mr. Hoy.

4385. It is the one constant factor between estimates and prices, is it not?—I would hate to say that we have never had a case of the reverse. (Sir James Helmore.) If I might make an interjection there, Mr. Chairman, by way of explanation, the point we were trying to bring out in our note was that though we did not know the cost of this project when the Treasury gave their approval in principle it was not until we did know the cost that any commitment to spend money on building was taken, and the figure on which the commitment to build was taken is not unreasonably far off, in fact it is remarkably close to, the final figure.

Chairman.

4386. Now, M.S.120. Sir James, I see that the original estimate was £1,993,000, call it £2 million. Did you examine the contractor's original estimate with any care?—No, I do not think we examined it on a cost basis. We examined it to see that it was, so to speak, a plan for what we wanted and then went out to tender really to see how much it would cost. It was the agent firm which said to us: "Here is our plan

of how to set up a tank factory, our provisional estimate is that it will cost £2 million". As you will see in the next paragraph when we went to tender the cost was £3 million and it was on that figure that a decision to proceed was taken.

4387. And it was after that that there was a complete revision of the scheme?—No, not a complete revision of the scheme, Mr. Chairman, a decision that the agent firm should also be equipped to do research and development, which meant a little extra building and a lot of extra test track.

4388. Does the increased scheme provide for a larger number of tanks than the original scheme?—No.

4389. Have you increased the capacity of your works?—No, it did not increase the capacity.

4390. I presume that Leylands were really responsible for the details of this scheme?—Yes.

4391. And they consulted you throughout?—Yes.

4392. You were kept fully aware as to the fact that the scheme which was estimated to cost £2 million originally would grow to £4 million? Were you aware that this expansion was continually going on?—Yes, it was well known in the Ministry of Supply that this was proving an expensive scheme.

4393. Why was it proving an expensive scheme? Was it because the scheme changed or was it because of the nature of the terrain, or what?—I do not know whether your note is the same as mine, Mr. Chairman, but you will see a little table there which shows you the items that increased. The buildings, the first item, is not an unreasonable increase at all. Then when you come to the site works percentage rise, that is a very heavy increase.

4394. Yes, it is more than double?—You may say, why put the thing on a difficult site? We were in fact limited by the need to be next door to Leyland's main works and alongside the main railway. One must have adequate transport to get tanks away and to bring materials in.

4395. Quite, but none of that explains the enormous increase?—I think it was just that this, as the note makes clear, was done in a hurry and people had not appreciated that this site was going to be as difficult to work on as it subsequently turned out to be. (Sir Frank Tribe.) Although the increase was well known to the Ministry of Supply, Mr. Chairman, I understand it was quite some time before the information permeated to the Treasury.

4396. Let us go through these various items. The test track: that increased by four times?—(Sir James Helmore.) Yes, that was a fresh decision that the factory should also be able to do research and development and

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

that they should also have a much more expensive and elaborate test track.

4397. Labour and materials increase; that is spread over everything, I take it?—Yes.

4398. And contractors' claims. What do those involve?—Their travel and wet working time and subsistence, and things of that sort.

4399. Due to the increased size of the job?—Due to the speed we were asking for.

4400. I see. You increased your demand for speed?—No, Leyland's were told that they were not to let this drop back. If you tell somebody he is not to let a thing drop back, he will obviously have to pay overtime and do all sorts of things in the way of catching up.

4401. And fees which were estimated at £220,000 on a £3 million job came down to £156,000 on a £4 million job?—Yes, we were not dealing with the Ministry of Works on this occasion.

Mr. Hoy.] Mr. Chairman, before you move from that one, I do not understand that last explanation about the £73,000 being due to overtime or speeding up, keeping them up to date. Surely that would be reflected in the previous sum of £300,000?

Chairman.

4402. I presume, I do not know whether I am right, that the labour increases represented actual wage rate increases, not overtime?—(Mr. Musgrave.) That is right.

Mr. Hoy.] You call them wages. Surely you include your overtime rate along with the rest of the wages? You do not have two figures; whatever is paid, whether it is paid in ordinary time or overtime rates, is paid as wages, is it not? I have never known it to be divided.

Chairman.

4403. I understand, I do not know whether I am right, that the £73,000 was due to an increased tempo?—(Sir James Helmore.) I believe that to be so. Could I check this and let the Committee know?*

Chairman.] Yes, let us have a note on it.

Mr. Hoy.

4404. I think it should be checked because I think it should come in with wages?—If I may, I will. I am not too sure of the answer, I must confess.

4405. You were kept advised fully the whole time as to this?—The Ministry of Supply was kept advised.

4406. You had no complaint against Leyland's?—No complaint against Leyland's, no.

4407. Now, what about the Treasury? Have you any complaints against anybody? You were given a figure of under £2 million

and presented with a bill of over £4 million?—(Mr. Figgures.) If I could, first of all, make the point, Mr. Chairman, we were not presented with a bill of £4 million having expected it to be £2 million. We knew about the £1.9 million and it then went out to tender and we knew about the £3.1 million. We were ready for £3.1 million and we had to meet a bill of £4.2 million, that is what it came to from our point of view. That increase was very substantial and it led to many discussions between the Ministry of Supply and the Treasury during the course of the building work. I have not access to the Ministry of Supply files, but I cannot say we knew of this late. My impression from looking at our file on it this morning is that we were not conscious of being informed later than the Ministry of Supply knew. I see no record in the papers of any feeling that we were informed late.

4408. The Ministry of Supply kept you advised as the contractor kept the Ministry?—(Sir James Helmore.) No, I think I must admit, Mr. Chairman, that we were not as quick off the mark as we would like to be in informing the Treasury of the increases when we knew of them.

4409. There must have been an awful delay, Mr. Figgures. Indeed you say that you yourself expected to meet a bill of £3.1 million and you had to meet a bill of £4½ million. Obviously you must have been very far behind when it was £1½ million?—(Mr. Figgures.) We knew before it was £4½ million. At what point in time we knew, how long after the Ministry of Supply knew, I cannot say, but we certainly knew before this work was finished because there were many discussions to see whether any change could be made in the whole programme. The whole of this is part of the major defence programme announced by the Prime Minister in January or February, 1952, and there were serious discussions as to whether something should be done to cut down the cost of it throughout this period. So, without saying we knew as early as we might have done, which Sir James confesses we perhaps did not, we certainly knew before the final bill came in.

4410. What I am getting at is that when this thing was first suggested it was something round about £2 million, do you agree, then there was a change and the figure which you knew became £3.1 million? Despite that tremendous rise you had to face a bill of £4½ million. What I am asking is, did the Treasury know progressively that this money was mounting and that anybody had any control over it?—We knew it was mounting. Whether we knew it as early as we should have done I cannot say. I do not think that we have any evidence that it would be true that no-one had control of it. It was a positive decision in which we were involved to give research

* Information supplied; not printed.

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.

[Continued.]

and development work to Leyland's, and that led to the expansion of the test track. That was a positive decision which we were aware of.

4411. Sir James, I notice that the fees for surveying and looking after this work were much less than was expected. But are you assured that it was in fact properly supervised in view of the tremendous rises in nearly every item that you mention here? For instance, let us take the test track. What good reason could there be for it going up from £59,000 to £252,000?—(Sir James Helmore.) If I may say so, this illustrates one of the unfairnesses of this traditional form of works statement. What we had for, say £60,000, in the estimate, on which the decision to go ahead was taken, was a production test track, that is to say, a comparatively short and simple test track, round which the tanks are driven when they are finished to make sure that they are all right and to prepare them for final adjustment when the tracks have stretched. Then there is a separate decision taken, as Mr. Figgures says, properly and in due order that the factory should also be equipped to do research and development. Now, to do research and development you need more elaborate test tracks, equipment and a different type of test track, and you also need somewhere where you can keep the development testing away from the production testing. So, if we had chosen and we had invented a new number in the works services statement, M.S. 120A, and called it development test track for Leyland, that would probably have accounted for practically the whole of the increase. This was a genuine change in the scheme.

4412. That I can understand. Now, let us take the site works of £158,000 which went up to £385,000. Was there something similar which took place here?—No.

4413. This was just bad estimating?—On which, after all, the people who tendered for the job were as out as anybody else.

4414. It is the final stage I am thinking of, and it is the Treasury that are out. Mr. Figgures, when this was put to you what did the Treasury think about this, having to meet a bill of £385,500 for something they were told was going to cost £158,000? Do you think it was just bad estimating?—(Mr. Figgures.) We asked questions and we received answers.

4415. That is what we are hoping to get here?—The answer we have had is that the work had to be done in a hurry. We were conscious it was done in a hurry; the decision to implement this programme was taken in a hurry and we were told it was not possible to take the survey in time to discover the snags; they emerged in the course of the works.

4416. What you are saying to the Committee is that this was not an estimate at all as far as site work was concerned?—It turns out to be so.

4417. It was a guess and a bad one for which the Treasury has to pay, is that right?—I think that is perfectly fair, yes.

Mr. Steele.

4418. Taking the site works, the test track, the roadbridge and the road together and getting the difference in the total between each, it runs in at about $\frac{1}{2}$ million. Now it is obvious from this that the ground was found difficult and a great deal of expense was necessary. In connection with that, could you tell me at what time it was decided to make the test track not only a production test track but for research purposes?—(Sir James Helmore.) I have not the exact date with me. It was some time late in 1951 or early in 1952. 1952, I am told.

4419. The job started in 1951 when Leyland's prepared their brochure. Now, it would appear from what you have already said, Sir James, that your Ministry were not getting sufficient information to know exactly what this was costing from month to month?—No, I do not think we can lay that charge at all. What I said was that we were conscious all the time of these increases. I could not say that I thought the early warning of the increases was passed on to the Treasury as quickly as it should have been.

4420. I see, but you yourself had the information?—It was in the Ministry.

4421. If the Ministry had the information, surely when the decision was made to turn the production track into a proper test track, the knowledge would be in the Ministry as to the nature of the ground and the amount of money which was necessary at that time to make it fit for the kind of work that was involved? So, even having experience of what was necessary you are so far out in the estimate for the test track?—No, this estimate of £59,000 for the test track is the estimate derived from the lowest tender opened on the 28th August, 1951, and accepted, the starting date being September, 1951. I am quite sure that when the decision to add some research and development facilities to the factory was taken in December, 1952, people were by then aware that it was proving a very difficult site.

4422. But even with that knowledge that it was proving such a difficult site the Ministry must have thought it was still worth it to spend so very much on this site for the development of this track?—I could not disentangle out of the figure

11 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.,
and Mr. F. C. MUSGRAVE, C.B.513
[Continued.]

of £60,000 and the figure of £252,000, which are the first and the last figures for the track, how much was due to the additional test track, but I would say quite a lot, more than half the increase.

Statement of Loans Outstanding as at 31st March, 1953.

Chairman.] Will Members now turn to the Statement of Loans Outstanding? I have no questions.

Sir John Mellor.

4424. These loans to the South African gold mining Companies, I suppose, are in connection with uranium production?—Yes.

4425. Here is a loan to the Government of the State of South Australia, No. 6 on the list. How did that arise?—That is the same.

4426. Uranium?—Yes.

4427. Then the others are made up of loans to a variety of companies mostly, apparently, in this Country. What was the main purpose of these loans, if you could answer in general terms?—They are all hangovers of wartime financing that were done for various reasons, to keep people going or to set them up.

4428. Why then are fresh advances being made now, if it is a hangover from wartime? It is not a question of repayments, it is a question of fresh advances if you will look down?—No, Sir, all the advances come against the uranium class.

Mr. Hoy.] I am intrigued by one. Why should a firm have to borrow £369? We are getting into figures we can understand now.

4423. In any case you were satisfied that your Ministry had full knowledge of what was happening, but it had not been passed along to the Treasury?—As quickly as it should have been.

Chairman.

4429. That will be a residue, surely?—Yes, it is the balance outstanding.

4430. Why has not it been repaid, that is the more interesting factor?—I am sorry to say, Mr. Chairman, this is such a small one that it is just below the limit I studied before coming here and I do not know. (*Sir Frank Tribe.*) £250 of that was in fact repaid in the next year.

Mr. Steele.

4431. I see that another firm wrote off £912?—(*Sir James Helmore.*) Yes. Could I just answer Mr. Hoy, Mr. Chairman? Whatever may have been the reason, we have got it all back now by today. It has been cleared off.

Sir John Mellor.

4432. Might I just ask, about No. 2, is that also uranium?—Yes.

Mr. Oliver.

4433. What is this Alloys Co.? Is that a special metal?—No. 11 on the sheet?

4434. No. 11, yes?—No, these are light alloy people, aluminium and similar alloys. It is a piece of wartime financing still hanging around.

Mr. Hoy.

4435. They pay substantial dividends, do they not?—Yes.

The witnesses withdrew.

Adjourned till Thursday next at 4 p.m.

THURSDAY, 13TH MAY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Hoy.
Mr. David Jones.
Mr. Oliver.

Mr. J. Enoch Powell.
Mr. Steele.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS VI.

VOTE 6.

MINISTRY OF FUEL AND POWER.

Sir JOHN MAUD, K.C.B., C.B.E., Permanent Secretary, and Mr. R. J. AYRES, C.B.E., Accountant General, Ministry of Fuel and Power, called in and examined.

Chairman.

4436. Will Members turn to the Civil Appropriation Accounts, 1952-53, Classes I-VIII, to the Comptroller and Auditor General's Report, paragraphs 79-83, on pages xxi and xxii? Sir John, both your Ministry and the Department of Scientific and Industrial Research are spending money on fuel research. Have you any agreed understanding as to the line of demarcation?—(Sir John Maud.) Yes, Sir. I think we can say that at all points we have an understanding with the Fuel Research Station and Fuel Research Board which works under the D.S.I.R. That is first, I would say, through the single committee or council which advises my Minister on research and science generally, his Scientific Advisory Council, which has an independent chairman and on which are represented the D.S.I.R. and the nationalised industries, as well as our own Chief Scientist; and that Council has before it all the research programmes in advance of each year's work from all those bodies and from the research associations which receive aid from the D.S.I.R., so that at the outset there is a comprehensive plan within which my colleague, the Chief Scientist, and his Division work and the Fuel Research Station works.

4437. Is the division of function clear-cut, or is it just that you choose this and D.S.I.R. choose that?—The broad distinction is that the Fuel Research Station are more concerned with basic research in both the scientific and technological sense than we are, and we are more concerned with the development work and the application of new knowledge to current and future practice.

4438. Are you sure the 1945 Act gives you adequate powers to engage in research?—Yes.

4439. Have you ever taken legal advice on the subject, or have you not regarded it as necessary?—Not since I have myself been at the Department.

4440. Mr. Figgures, are you satisfied that there is not an overlapping in this division of functions?—(Mr. Figgures.) There clearly is potential overlapping, Mr. Chairman, but we have looked at it on at least two separate occasions in detail. We have received advice from various scientific bodies on the question, and we have been satisfied that there is a role for both and that overlapping in practice can be avoided. We are, of course, concerned in individual projects to ensure that overlapping is avoided.

4441. Was there any point in having two organisations instead of one?—I think historically the explanation is that it was felt desirable, given the fundamental importance of fuel research and the responsibility placed on the Minister by the Act for that, for the Ministry to have a Chief Scientific Officer. Once that decision was taken, it became inevitable that there would be the two organisations unless the Fuel Research Station had been moved into the Chief Scientific Officer's branch in the Ministry of Fuel and Power. That specific question has been examined on at least two occasions and we are content to continue as we are for the moment.

Mr. Hoy.

4442. Sir John, are your Scientific Department and the Fuel Research Board the

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

only departments which are conducting research into turbine engines?—(Sir John Maud.) No, Sir. The National Gas Turbine Establishment under the Ministry of Supply is also concerned in this work and, in fact, we get some use out of them over centrifugal compressors at the moment.

4443. You are certain there is not any overlapping in that respect?—Again this is one of the points where there could be overlapping if we did not take steps to prevent it, but I am satisfied that there is no overlapping at the moment, and perhaps I should also mention that the Admiralty do research on marine gas turbines, too, of which we are aware.

4444. Are there any aspects of this research which are common with the research into jet engines, or are they distinct and separate?—I am not an expert, but my impression certainly is that there is a very close connection between the various parts of all research on gas turbines. At any rate, I always assume we should be sure that anyone else in the Government or outside it who is doing research work on any kind of gas turbine work shall not be overlapping ourselves or we them.

4445. So are you satisfied, then, that in connection with these two fields of research, there is full co-ordination at the Ministry of Supply? Is there a central agency, for lack of a better word, which co-ordinates these things?—I do know of the day to day working collaboration between the two. It so happens that our Chief Scientist, Sir Harold Roxbee-Cox, was at the Ministry of Supply in charge of the National Gas Turbine Establishment before he came to us, and his deputy, Mr. Constant, is now head of it, and there is therefore, I know, a very close correlation.

Mr. Steele.

4446. In paragraph 81 of the Report the Comptroller and Auditor General says that the cost of this research is estimated at £1½ million. Can you tell me how much of this estimated cost the nationalised bodies are contributing?—Yes, I think I can. The British Electricity Authority are contributing some 25 per cent. from the 1st April, 1953, to the coal consuming gas turbine work, because that is directed to the generation of electricity. The British Transport Commission is contributing 33½ per cent. towards the turbine locomotive, for obvious reasons. The British Electricity Authority is also contributing, I think it is, 40 per cent. to another, the peat burning gas turbine research, and the Development Fund is also making or has been making, as shown in the Account, a contribution to the peat burning research. The total contribution, when I last computed it, was £322,500 that we thought we could expect from those

bodies towards the figure which is given as an estimate of £1½ million in the Report. If I might add, that Report, as shown, of course, was made a little time ago when the estimate was £1½ million, and the current figure is rather larger than that.

4447. That is, of course, usual, as Mr. Figgures will probably agree?—With respect, this is for additional work.

Chairman.] It generally is.

Mr. Steele.

4448. That is the usual explanation?—It covers a further period ahead than the previous estimate.

4449. You did say that this is what you thought you could get? Have you ever tried to get any more from them?—We have not at this moment any outstanding requests to them, but we have constantly under consideration, has the point arrived at which we should ask either the nationalised industries or any other body to start contributing or, indeed, to take over the work that we have initiated or are concerned in.

4450. With regard to paragraph 82, could you tell me what the expected total cost of the underground gasification scheme is and what proportion the National Coal Board will bear?—The contribution that the Coal Board, if I might take them first, has already made is £150,000. That is in cash and kind, and our latest estimate of what the ultimate cost to us will be is about £502,000, of which, I think, £262,000 has been spent by the end of March, 1954.

4451. Now, the British Transport Commission have been making some contribution in connection with the last question that I put?—Yes.

4452. Is it not appropriate that the Gas Council might make some contribution in this matter, or have you asked them?—I think it is more the British Electricity Authority that we shall be likely to try and interest in this underground gasification, because the present evidence is that it will be for the generation of electricity that the gas will be used.

4453. Now, with regard to another matter, we have had all this explanation of money being spent on research. Are you satisfied once this research has been carried through, that proper use is made of it? For instance, to give you one example, in the earlier part it is the question of the economical utilisation of fuel. Now, the local authorities are responsible mostly for building houses nowadays, and I think it would be to advantage to have the local authorities installing fuel-saving fires. What has happened in getting something like that

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

done?—I think I can say a good deal has, Sir, because we have a list of appliances which we consider efficient of all sorts and kinds. That list results from work in which the Fuel Research Station has been collaborating with us, you may say, as our agent, for testing particular appliances. I mention that as an example of our relations with the Fuel Research Station. That list is commended by the Ministry of Housing and Local Government to all local authorities concerned with housing, and I think I can say that no appliances are installed in any houses which receive public aid which are not in accordance with one or other of the pieces of advice that we give in that way. The body through which this advice is given to everybody is the Coal Utilisation Council, which in a sense is our chosen instrument for making as sure as possible in that particular field that the fruit of research is put immediately into practice both by householders in existing houses and by those building houses.

Mr. Enoch Powell.

4454. Could you enlarge, Sir John, upon your earlier statement in reply to the Chairman that you are satisfied of the statutory authority for engaging in research? Could you indicate the provisions which, in your view, cover it?—I would suggest that the first section of our basic Act is the chief authority, where my Minister—and I quote from memory—is charged with the responsibility for securing the “development of coal . . . and other sources of fuel and power . . . and of promoting economy and efficiency in the supply, distribution, use and consumption of fuel and power”. I think that is the basic part of our charter. Could I also mention that each of the Nationalisation Acts in which my Minister is concerned specifically charges him with responsibility of a scientific kind, namely, that, for instance, the National Coal Board’s research programme shall be agreed with the Minister, and similarly with the others.

4455. In the latter case, the case of the Nationalisation Acts, you would, I take it, not argue that research by yourselves was authorised?—I agree.

4456. In paragraph 80 the Comptroller and Auditor General mentions an advisory service which is to be taken over by an independent non-profit making company. Has that been set up?—Yes, it started work on the 1st May.

4457. Of this year?—Of this year.

4458. Will you subsidise that company, or shall we in future Accounts see a saving of a large order due to the establishment of this body?—We shall not subsidise it at all, but we are handing over free of

charge various equipment which we had which we were using for the service which we are now hoping that the new company will perform: the mobile testing units, for example. In that sense we are helping them at the outset. We have also made arrangements to second our staff where the company ask us to do so, and in those ways we shall continue to help them, but financially we shall definitely not incur a block of expenditure which we have hitherto been incurring.

4459. How will this company cover its outgoings?—It will cover them in two ways, Sir. The three nationalised industries, Coal, Electricity and Gas, have each of them promised for a period of at least five years certain annual subscriptions, and that is the basis on which the company really starts work, but its intention is both to charge certain fees for its services and also, from other parts of the industrial world, to collect contributions as it may.

Chairman.

4460. Now, paragraphs 84 and 85, and Subheads A, B and E of the Accounts, on pages 344 and 347. First, paragraph 84, Sir John; perhaps you might explain in adequately simple language how this heat pump works?—Mr. Chairman, I think the simplest way to describe it is that it works on the same principle as a domestic refrigerator.

4461. I would not call that simple?—It is the same process of evaporation, compression and condensation. In this way, it takes suitable material, raises its heat, and transfers the heat from one place to the other, for example, from the water in the River Thames to the Festival Hall heating system.

Mr. Oliver.

4462. It is not a primary heating apparatus; it is a supplementary heating apparatus, is it not?—The heat pump as a whole includes a prime mover, in this case worked by gas.

4463. The only point, in supplementation of what you said to the Chairman, was that you would not use this heat pump, say, as a primary heating apparatus for a room like this, or the Festival Hall; it would only supplement an already existing heating system. Is that it?—In the Festival Hall the heat pump itself simply heats the water, which is then distributed throughout the system just as at other times that water is distributed by the conventional boilers.

Chairman.

4464. What I would like to know is how the pump extracts heat from the cold water of the Thames and pumps it into

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

the pipes in the Festival Hall?—The cold water in the Thames is not as cold as all that, Mr. Chairman, partly because of the power stations further upstream. I am afraid I could not offer to explain how the process of evaporation, compression and condensation works this change, but in fact it does raise the heat of the water.

4465. I can see I shall have to ask the Treasury to explain it! You seem to have spent a fairly large sum on it and got very little out of the L.C.C. for it when you had finished. Was it experimental in the true sense of the word?—Yes, it was in every sense an experiment; it was in fact the first major undertaking of the Chief Scientist's Division after the decisions that the Treasury representative mentioned were taken, and he was appointed and charged with work which included this sort of development. The effort was not, as it were, to produce a net return on the expenditure of this particular heat pump, but to show by means of a pilot project on a full scale both the possibilities and the difficulties of using existing knowledge, and in the process a very large amount of additional knowledge has been acquired which has already been of use, as I think is shown by the fact of the many commercial inquiries that have been made, I do not say solely because of our heat pump, but I am sure partly due to the work that our people were able to do there and which I have myself every hope will lead to the manufacture of heat pumps in this country on a commercial scale.

4466. A heat exchange engine is, I believe, the technical term, is it not?—That is only a part of it; it includes a heat exchanger.

4467. These have been known for some time and used for some time in the United States, have they not, for domestic heating?—I believe it was originally announced 150 years B.C., and 100 years ago Lord Kelvin came very near to stating the principles on which this is based. In the United States at present there is commercial production of heat pumps, but I think I am right in saying that completely new ground was broken in the course of this experiment, the results of which have now been published, if Members of the Committee were interested in it, in a paper read to the Institute of Fuel at the end of last year on the heat pump, with diagrams and a good deal of interesting information.

4468. You are satisfied that, as a pure research project, you got value for money?—Well, it is never possible, I think, Mr. Chairman, to be dogmatic and say that at any rate soon after the project has been completed you have got value for money, but I do seriously think there is no reason to regard this as anything but a success.

4469. That is really what I want. I was not suggesting that you got your cash back, but rather that you got abstract value for the money spent?—Yes.

4470. It was a satisfactory piece of research?—Yes, that is my opinion after our close examination of the project, but I ought to say that I am not in the least competent myself to judge a scientific matter of this sort.

4471. Mr. Figgures, now I think I can ask you a question which is relevant: were the Treasury consulted fully with regard to this project?—(Mr. Figgures.) Oh, yes, indeed, Mr. Chairman. We were consulted and had the whole thing explained to us in some detail,—with lots of interesting drawings which explained how it was worked; before it was ever started.

4472. What had you to say when you found that the project which was supposed to cost £30,000 actually cost £88,000?—The story in fact was a little more complicated than that, Mr. Chairman. It started off with a proposal for £10,000 on development work and £20,000 on site works, and it steadily became more expensive throughout. At almost all stages we were consulted and asked for authority for the additional expenditure. In one case I think it is fair to say we were not consulted, though afterwards we were satisfied that we would have given the authority. We became extremely disturbed at one stage, when we were told that the development expenditure would be increased from £10,000 to £19,000 and the site works from £20,000 to £50,000, and at that point we wondered whether the whole thing should not be stopped. At that point something like £22,000 had been spent and we were faced with a total bill of £69,000, and it was, I think, within everybody's power to bring it to an end at that point of time. The calculations were done again and it was again demonstrated to us that, provided all went well from that stage onwards, even at the higher prices, it would be an economical proposition. With some misgivings we allowed it to go ahead.

Mr. Oliver.

4473. On the figures we are shown here for the rent the County Council are paying for using this pump, would you regard that as an economical proposition?—I could not answer this precisely. That particular rent is the rent which the Ministry of Fuel and Power advised us was a fair rent from their point of view. It appears to be a perfectly adequate return on the value of what we have got left on the site which, you must remember, we cannot now say is worth what was put into it. The costs of that were what they were, and were incurred as a result of a large number of causes. The value of it to us now is

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

what we could get for it if we sold it, and, judging on that basis, it appears to be a reasonable rent.

4474. (Sir John, I see that the London County Council has the use of this pump, but you are trying to dispose of it. Who are probable customers for a thing of this sort?—(Sir John Maud.) I do not think that any one customer is at all likely to be found, but the sale of it would be in its component parts, many of which are in fact very valuable and could be used for other purposes, either as part of another heat pump or for other purposes.

4475. So the prospect of selling it as a complete unit is extremely remote, but it may be used in the sense that the components may be disposed of?—That is the position, Sir.

4476. Now, nothing to do with this, do you think we might have a copy of the paper which would give us this illuminating information which we all seem to lack at the moment? Not now, but perhaps you can let us have it afterwards?—Yes, Sir; perhaps I could hand this to Mr. Oliver? (A document was handed to the Committee.)

Chairman.] Mr. Oliver, do you want it sent to Members?

Mr. Oliver.] If Members wish to have it. That is the only question I have.

Mr. Enoch Powell.

4477. Would you agree, using the Treasury's expression, that this has proved to be an economic proposition?—Yes, Sir, but in saying that I mean really only to repeat what I said in answer to the Chairman, that, although it is extremely difficult at this point in time to be sure that a research and development work of this sort has been a success, I do think it has been a success and therefore the money spent on it was economically spent.

4478. May I ask the Treasury if that is the sense in which they understood the expression when they decided to authorise the expenditure with that prospect in view?—(Mr. Figgures.) The meaning which we had, and which I expressed earlier, was rather different from Sir John's in that at that time a series of calculations was put to us suggesting that if all went well and the problems could be worked out heating could be provided in the Royal Festival Hall more cheaply by this method than by conventional methods. That calculation seemed clear on the first cost and it still seemed clear on the intermediate cost in 1949. In the end, you cannot compare this unless you know the cost of conventional heating, so whether actually it has been economical we do not know in the

Treasury because we have not seen the cost of conventional heating.

4479. But surely the Ministry must have the conventional heating costs for comparison? Could we know whether that comparison is available? That would interest the Treasury?—(Sir John Maud.) In the paper which I handed to Mr. Oliver there is a rather elaborate attempt made to decide how the two costs do compare, conventional and otherwise, but the comparison is a very difficult one, if only for this reason, that the original estimate of the amount of heat that would be required was very much too high, a mistake which perhaps is a natural mistake to make and which perhaps should be shared between many people, but that means that the size of plant which was decided on and built was the wrong size of plant, if the only intention had been to heat the Festival Hall. But, Mr. Chairman, if I might just say this, because I think it is of great importance, the original intention was not to heat the Festival Hall; the original intention and the continuing intention was to do a piece of original research and development work. It was decided that, as the Festival Hall was being built, it was a splendid opportunity, as the Festival authorities and the L.C.C. were agreeable, to make the research and development project in that particular place, as in any case one would have needed some such system as the heating system in the Festival Hall to dispose of the heat that would be produced in the experiment. I think it is only fair to say that the intention was not to produce the best and most economical system of heating that particular building by a heat pump.

4480. You may not wish to have the answer to this question recorded, Mr. Chairman, but I would like to ask Sir John what order of total figure he expects to get as the break-up value of the pump when it is sold?—Perhaps, Mr. Chairman, if we might not record it, though I cannot believe it would make any very great difference, the figure we are advised we ought to get is £10,000.

Chairman.

4481. You say that this engine has very valuable parts and the break-up price is £10,000. Does that mean its utility value or its scrap value?—The utility value, Sir. It is thought that, by scientific and fortunate disposal of the various parts of the heat pump, a total of about £10,000 should be realised.

4482. I think you have missed the point. Would it cost more than £10,000, with all your added knowledge, to build an equivalent heat pump?—Oh, yes, Sir; very much more.

4483. So that is scrap value, or at any rate it is spare part value, shall we put it?—Well, I would not quite agree because in

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

fact there was used in this particular project a Merlin aircraft engine which had been built for an entirely different purpose, and I would hope myself that on the same principle valuable use could be found for each of the components of the heat pump as it stands.

Mr. Oliver.

4484. You would have no previous costing experience on a job of this sort, would you, but as the scheme developed you would gain fresh knowledge?—It was exceedingly difficult for my colleagues who were concerned in it and for the Treasury, I think, to form a judgment, but I would like to say that I believe, if we were doing it now, we could do it better. I think we have learned a lot since then, both in the technique of estimating and in the procedures for watching expenditure and not putting the

Treasury in the position in which they quite fairly said we did place them on one occasion, of having to give a decision later than they ought to have been asked to give it.

Chairman.

4485. Just one more question: I am not sure whether it is a Public Accounts Committee point, but why did you use a Merlin engine, which is presumably rather an expensive prime mover, instead of an ordinary electric motor?—Because they were much cheaper than an ordinary motor for the purpose. We wanted an ordinary combustion engine run off gas in this conception, and it was a bold interpretation of the Merlin engine to think it could be run off gas, but it was done in fact. It was, I think, one of the shrewd pieces of designing from the financial point of view.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASS IX).

VOTE 9.

MINISTRY OF FUEL AND POWER (SPECIAL PURPOSES).

Chairman.

4486. Will Members turn to the Civil Appropriation Accounts (Class IX) to page xiv, paragraphs 57 and 58 of the Comptroller and Auditor General's Report, and Sub-head A1 of the Accounts? Sir John, could you give us some indication of what this project is? It is a bit vague in the Comptroller and Auditor General's Report?—(Sir John Maud.) I am not quite sure what you are referring to?

4487. The project dealt with in paragraph 57, this £20 million that you spent on these installations. What types of installations are they?—The installations are part of the planned defence of the Country, and they consist of various kinds of installations protected in a particular way and therefore placed in particular positions where it is thought most likely that they will be of use in the event of war and least subject to damage from any kind of air or other attack. I will be more specific if you like, Mr. Chairman, but it is for the purpose of storing oil and distributing oil from special centres in time of war.

4488. What type of installation is it, and what type of storage?—I do not think there is any harm in my saying this, Mr. Chairman. It is underground storage or mounded storage, and, as the Committee will guess, they are in positions which are not the positions which would be normally chosen for peacetime use.

4489. Can you tell us something about this item of £1,673,000 mentioned by the Comptroller and Auditor General in the

last line of paragraph 57? What was that spent on?—That was one particular very large-scale installation.

4490. This was done by various companies. How were the companies which did this work for you remunerated? Were they remunerated on a fixed fee basis or by percentage, and how many companies were involved?—[The witness named the companies.]

4491. That is, practically all the big oil companies?—All but one of the big oil companies and they are, in fact, all the big oil companies that could undertake the work.

4492. What fees did they get? How did you remunerate them?—On fixed percentage, an agreed percentage on agreed estimates.

4493. Did they provide the estimates or did they do the work on your specifications?—We gave them the broad specification of what we wanted and then they gave us estimates of that, and we checked those to see whether they were what we wanted and whether we thought they were reasonable.

4494. They had adequate engineering facilities?—Yes, they acted as consulting engineers for us, the actual contracts for the work being let by them to other contractors.

4495. They were your engineers?—They were our engineers, consultants and agents.

4496. What incentive had they to economy if they were paid on a percentage

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

basis?—Mr. Chairman, only the incentive that they knew that, unless we were satisfied, we should not employ them further. I cannot say that there was any other principle on which we could assure economy, but, of course, these are the firms with which we did business throughout the war and about which, therefore, we have pretty good information; and we were satisfied, and our colleagues in the Ministry of Works were satisfied, that in fact we were getting service and value for money, very much more in fact than if we had employed consultant engineers. In other words, the fees were, in the Ministry of Works' view, reasonable compared with what we would otherwise have had to pay.

4497. I was not thinking so much of the fees as the cost of the job. Are you sure that they got the thing down to its rock bottom, that they insisted on efficiency?—We did our best to ensure that, Mr. Chairman, and I am perfectly satisfied that we have got good bargains in all these cases.

4498. In other words, it boils down to the fact that you employed them because you trusted them?—I think that is a fair summary of it, but, of course, the trust was based on a good deal of cross-examination and continuing check.

Mr. Steele.

4499. The fact is that this is an estimated cost of £20 million, but from this Report which we are discussing today, I see that only a quarter of it, roughly, has been spent, so the biggest portion of the work is still to be done?—Yes, that is so.

4500. Now, with regard to the securing of sites for this work, had you any difficulties with local authorities?—Almost invariably, Sir, and of a very reasonable kind, because, at any rate in some cases, the only place that was technically possible for the purpose had disadvantages from one point of view or another which were very reasonably pointed out by the planning authorities and the local residents.

Chairman.

4501. Disadvantages to the local people, I take it you mean?—What were, at any rate, feared to be disadvantages.

Mr. Steele.

4502. I mean, the selection of a lovely spot in Scotland which was decided to be the very place for the job?—I had that particular site in mind.

4503. And on the question of secrecy, which is associated with what you are saying here today, the fact is that all the people there knew what it was, and one cannot fail to appreciate that when one has motored past the district and seen all this excavation; it is quite easy to see what

it is, so is there any purpose at all in all this secrecy?—Well, I think there is. I entirely agree that no-one could pretend that all aspects of it are secret or remain secret. Certainly, locally, as you say, it is bound to be known, if not very strongly suspected, what the purpose is.

4504. All I mean is that it is a proposal to put up about 200 of these fuel tanks of such a size in a spot which is an acknowledged beauty spot and a place where all the tourists who come that way pass either by motor or bus, and it is quite obvious that a lot of people are bound to see it?—And that would be, of course, accepted as one of the disadvantages at the outset.

4505. So there is really no point in all this secrecy. Now, were the Ministry of Works asked to do this work?—Yes, they were, and declined.

4506. Was it that they did not feel competent?—I think they felt that they could not do it anything like as economically as by the method that, in fact, we have employed.

4507. But, of course, you did say that it is not the oil companies themselves who are actually doing the work, it is the big contracting firms who are doing this job?—Yes; I ought to have said that the oil companies are doing some of the work themselves, but I think the relevant point is that the Ministry of Works would have, in fact, used the oil companies if they had undertaken the work, and they thought it was better that they should not themselves be interposed but should let us make these arrangements, as we have done.

Mr. Hoy

4508. You think it would be better to pay 6 per cent. to the oil companies rather than 12½ per cent. to the Ministry of Works?—Well, it was the Ministry of Works who said they would prefer that to be paid.

Mr. Steele.

4509. Which is the company which is not an oil company?—[The witness named the company.]

[Mr. Oliver.] Sir John, the oil companies, of course, have a lot of experience of this class of work, have they not?—Yes.

4510. I see you have the principal oil companies. How do you assign the job to them? They cannot all be consulting engineers to one project, so you must assign to one company one project. Up to now which have you assigned to a project which has been done?—We have assigned, as one would expect, to the company which had experience or installations in the vicinity where the work was to be done, if, as happens in several of these cases, some of the companies concerned have got

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

their own installations and therefore their own labour force and their own offices in the appropriate part of the country. That was the main principle.

4511. Do they give you an estimate, did you say, for the job to your specifications?—Yes, and furthermore they do not accept any contracts without competition. When they have issued tenders they do not accept single ones without coming to us for our approval of them. We insist, of course, on them putting their tenders out for competition for anything over £500 and accepting the lowest tender, unless they come to us for some special reason and get out authority for doing otherwise.

4512. These people would know, really, better than anyone in the Ministry, would they not, as to the cost of a job of this kind, because they have such valuable experience? Take Esso, for instance, in the job at Fawley. They would have acquired a terrific amount of experience, would they not?—That is so, and that is one of the advantages we have. It meant to imply earlier that we do not simply take their word for it. We have to apply our tests to what they themselves produce.

Mr. Hoy.

4513. Paragraph 57, Sir John, says: "... included £3,810,000 for the installations, but only £1,673,364 was spent, mostly on one project". May I ask what the original estimate was for that particular project and how did it compare with this price?—Well, Sir, this expenditure within the £1,673,364 was not in excess of the estimate for that particular project, which is by no means complete yet, and was certainly not completed in that year. This is not meant to imply that the one project was completed and is wholly paid for by that figure.

4514. You say that it is keeping within the estimate, or not exceeding the estimate, is that right?—Yes.

Chairman.

4515. Now, paragraphs 59-63. Sir John, we have had these pipelines in front of the Public Accounts Committee before. Apparently they are becoming more and more expensive to maintain. Why is that? Are they decaying, rusting or what?—I do not think I should say that they are getting more expensive to maintain in the ordinary sense of maintenance. If I might just explain to the Committee, though it may be familiar to them, the pipes that are here referred to were all put down in a very great hurry in one of the most critical periods of the war. They were put down by any contractor that could be got to put them down, they had joints made of rubber instead of being welded, and they were odd lengths and so on. They were put down solely for the immediate crisis purpose and

not as a long term job. Therefore, the moment it was decided to keep them and see how far they were in good working order, it was found that in the first place it was exceedingly difficult to decide which part of the line did need attention, and these progressive increases that are set out in paragraph 61, I think the Comptroller and Auditor General would agree, represent successive attempts to decide, first, how much of the pipelines had to have something done to them and, secondly, what was the cheapest way of getting that necessary repair done. Under both of those heads there have been very substantial increases there. I think 27 miles was the length, in the first instance, that it was felt certain must be given attention to, and then that went up to 75 miles, and our present estimate, now that we have surveyed about 75 per cent., is that we are reasonably satisfied as to the amount of repair that will be necessary in respect of 75 per cent. of the 900 miles, and progressively also we have been cutting down the price of repair. The wrapping which was the process that we started by assuming was the only process, and which is at present the main method of repair, reached its peak figure of something like £10,000 a mile at one point in this period, and that we have now got down below £6,000 a mile; but we are very hopeful that by a new method not referred to in this Report, which we are at present discussing, we may get it down to something like £3,000 a mile.

4516. That is merely for wrapping and protecting the pipes?—This alternative method would dispose of wrapping. It is a process, I think they call it the cathodic treatment, whereby you send an electric current in the opposite direction to the way in which the electric current would normally be running, and that has a countervailing effect on the corrosion which would otherwise be going on through the pipe resting in the moisture and the acid or alkaline character of the surrounding soil.

4517. But take ordinary gas pipes which I think would be approximately the same diameter; your pipes are about that size, are they not, about 4 or 5 inches in diameter?—Yes, for some spurs, but the main lines vary from 5 to 12 inches.

4518. How much a mile do they cost, are they wrapped, and do not they decay?—They do need very careful attention and, of course, gas pipes are not normally laid in the circumstances that these pipes were laid in, nor normally are they laid through the sort of country that these had to go through.

4519. If a gas authority is supplying gas it cannot choose the type of country through which it has to put its pipes. I would not like to say how many thousand miles of gas mains there are in this country. Are

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

your pipes greatly different from those?—I think, Mr. Chairman, they are definitely a different quality of work altogether, due simply to the fact that these pipes that we are talking about were put down as an emergency measure with anything that could be got hold of.

4520. You are spending £6,000 a mile now and hoping to cut it down to £3,000. How many thousand pounds a mile does it take to lay an ordinary gas main?—I could not answer that question, Mr. Chairman. What I am satisfied of is that to relay altogether, that is to say, to scrap these and to produce the same service with new pipes, would cost something altogether greater than the expenditure which we should incur even if we did not improve on our present practice, which we have every intention of doing.

4521. Given your treatment, whether it be cathodic or wrapping, for how long is that going to preserve the life of the pipes?—The sort of objective we have at the moment is to see that for 10 to 15 years we can get service out of these 900 odd miles of piping. That is the objective.

Mr. Hoy.

4522. And may be at the end of that period you will decide to renew the pipes?—One, perhaps, would venture to hope that in 15 years' time one will not need to take this very expensive precaution against war, but that would, of course, depend on judgment of international affairs.

4523. What do you say it would have cost to have renewed the pipeline? It cost £6½ million during the war. That is correct, is it not?—(Mr. Ayres.) About £18 million, something like £10 million for the line itself and about £7½ to £8 million for the installations that are connected with it.

Chairman.

4524. The renewal of pipes would cost about three times as much as the original installation?—(Sir John Maud.) I think there is a misunderstanding, Mr. Chairman. Mr. Ayres was answering the question of what would be the cost supposing that we did this new.

4525. Exactly. The pipes were constructed at a cost of £6 million, as Mr. Hoy said, and Mr. Ayres said that to relay the whole lot would cost £18 million, which is three times the original cost?—(Mr. Ayres.) That is a very rough estimate that we made recently.

4526. That is a measure of the increase in the price of the work?—Yes. I mentioned the £10 million which is the line alone because one would not expect, in any case, to have to renew the pumping stations and ancillary works which were included in

that figure of £6½ million you have quoted, but the line alone we think would cost about £10 million to lay today.

4527. What did the line alone cost originally?—I am afraid I have not got that figure, but it is within the £6½ million.

4528. Obviously, if it included the pumping stations. Who is doing this work, one contractor, or many?—(Sir John Maud.) One contractor is at present. We are concentrating on this contractor because they are the only people who have, in fact, developed this method, not the one I was referring to as the cathodic method, but the method of mechanically wrapping whereby you can do the work much faster by taking each pipe out and putting in a wrapped length in place of it while you are wrapping the bit you have taken out and putting that in further on.

Mr. Oliver.

4529. These pipes, I take it, are below ground?—Yes.

4530. How far below the surface are they?—It varies very much, but I would have thought an average of about 6 ft.

Chairman.

4531. I do not think so because they run from where I live to my constituency. They run alongside just off the road, and I passed them when they were being laid many, many times. I do not think they are much more than 2 to 2½ ft. on an average below the road. They run mainly through the fields at the side?—May I correct that. I was really envisaging how far you have to dig down in order to do the job, but I quite agree that 2 ft. would probably be a more accurate average.

Mr. Oliver.

4532. I think that is more likely to be the figure of the distance down. It was the replacement cost that was rather intriguing me, because when these pipes were put down the mechanical appliances for excavation were not as they are today. You can rip the earth up in almost one-third of the time. I see, according to the Report, that it is estimated that in a period of 10 to 15 years the cost will be in the region of £1 million to maintain them, and the question I had in mind was whether it may not be cheaper to leave them as they are and put down some new stuff in a year or two's time?—Could I make it plain that the information which we made available, and which is the basis, I think, of the Comptroller and Auditor General's Report today, is not quite up to date; that is to say, since then we have been working at this, and though we have not yet decided on using the cathodic treatment, if we do decide on that there will be no question of

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

another survey in five years time and another survey in another five years time. The thought is different from what is set out here, though it is a perfectly accurate statement of what, at that time, we thought.

4533. This is a more recent development?—Yes.

4534. Perhaps you would be good enough to tell us, Sir John, about this mechanical method that you are now employing which has reduced percentage on labour costs of 46½ per cent.?—I think that is a slight misunderstanding. The 46½ per cent. is the revised percentage which we have agreed to pay to the contractor, whereas before we were on this day work contract giving him 52½ per cent. on net labour cost; we are now only paying 46½ per cent., and the mechanical method concerned was the one I was mentioning earlier, namely, of taking a length of pipe out and having ready a wrapped length that you place in that position. You have a sort of field factory where you wrap the piece you have taken out, you put that in for the next one, and in that way you can go very much faster and, therefore, have a shorter disturbance of the farmer.

4535. What is the material the pipes are wrapped with? Is it a cloth or composition or a metal?—It is a composition, and I could find out what it was.

4536. What do you estimate this new method has saved you in cash?—It has almost halved the cost. It is working out at something in the neighbourhood of £5,000 to £6,000 per mile now, compared with a peak period of £10,000 a mile.

4537. That is the point I wanted to know, what originally it cost you? I heard you say the cost was down to approximately £6,000 a mile; is that right?—Yes. That is what we have got it down to now and under the new treatment we hope to reduce that very substantially.

4538. From your statement I gather you hope to reduce it by 50 per cent. to £3,000, is that right?—That is right.

4539. Some reference is made by the Comptroller and Auditor General in paragraph 62 to "the preparation of a satisfactory specification." What are the difficulties in the way of that?—It was extraordinarily difficult to say what the work was that would need to be done because it was a question, if it was the joints that had gone wrong, of locating them, and it was exceedingly difficult to say, for the purpose of inviting tenders, what the job was for which people were to tender; and in fact I think it is also true that we should not have got people, it was extremely difficult, unattractive work, and it was hard to get contractors to say they would do it.

4540. I see that in paragraph 63 the Comptroller and Auditor General says: "The programme is under review." What information have you on that?—That is what I was referring to, the idea of going over from wrapping to this cathodic method.

Chairman.

4541. Now, paragraphs 64-67. Sir John, how long are you going to need these local fuel offices?—I am afraid, as long as it is necessary to limit the quantities of coal which the householders may buy in any given period.

4542. Have you any control over the staffing of them and the general cost in the locality?—I ought to start, I think, by saying that it is a statutory responsibility of the local authority. They are the people who in the first instance are responsible for deciding how most economically this work can be done and they are only refunded by my Minister the additional expenditure which they can show would have been incurred in doing it.

4543. Additional to what?—Additional to what their expenditure would have been if they had not done it. If I may take an example, if it is possible to do it with part-time staff, and if it is possible to do it in accommodation which is, anyhow, being used for their other work, my Minister makes no contribution towards that accommodation, whereas if they have to take additional accommodation then that would rank for grant.

4544. You mean if you can make them do it in the town hall they do not get any additional pay?—That is right.

4545. But if they decide they would rather not be overcrowded and take some local offices, then you pay?—No, not necessarily, because our Regional Coal Officers have the responsibility for keeping in very close touch with them and satisfying themselves that they are only incurring the minimum additional expenditure needed to do the job, and it is, therefore, our responsibility, through the Regional Coal Officers and any other enquiry we may make, to satisfy ourselves that they do not ask for more than is genuinely necessary.

4546. Sir Frank, have you any views on this subject?—(Sir Frank Tribe.) Not on the particular subject you have mentioned. I realise that it is the statutory duty of the authorities but I felt that I was entitled to look into the way in which they exercise those duties in order to compare the economy with which one local authority can work the scheme as compared with another, and that enquiry did show up some rather startling differences. If I may give one or two examples, Birmingham and Glasgow have almost exactly the same

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

population, between 1 million and 1,100,000, but the Ministry had to reimburse Birmingham to the extent of £19 per thousand of population whereas in Glasgow it was only £8. Birmingham employed a staff of 33 on it and Glasgow only 21. If you would like to take two smaller places, Hull and Cardiff, their populations are slightly different but they are in the same range. Hull spent £14 per thousand of population on this work per year whereas Cardiff only spent £8. Hull used nine people on it and Cardiff only three. Those are rather startling variations which led me to make these enquiries of the Ministry.

Mr. Hoy.] Perhaps we are getting one of the reasons why Birmingham have cheap rates. The Ministry of Fuel and Power subsidise them?

Chairman.] I am wondering whether these figures ought to go down on the Minutes?

Mr. Hoy.] Why not?

Mr. David Jones.

4547. It is a demonstration in both cases of Celtic prudence, Mr. Chairman?—I do not know what the accounting officer feels, but they are publicly ascertainable figures, or at least the numbers of the staff are.

Chairman.

4548. It is rather an incentive to Glasgow, is it not? How do you explain these figures, Sir John? If you only pay what is absolutely essential additional cost, how do you justify the payment of £19 per thousand to Birmingham and only £8 per thousand to Glasgow?—(Sir John Maud.) Without going into the details of Birmingham and Glasgow it is naturally for Glasgow to say which of the various reasons may be the right one in that case, but, of course, there is a large number of possible reasons which would be quite good reasons for the difference. For example, it may be, and I suspect it is, that the reason why Glasgow employ 21 people and Birmingham 33, is that Glasgow are able to fit the work in, to share it out among part-time staff in a way which Birmingham are not able to do. I do not know whether the salary rates are the same and I do not know whether the Glasgow people employ officers at the same level of salary as Birmingham.

4549. Surely that is a point worth looking into when you find an extraordinary discrepancy like this, that you get one big town doing it at a cost which is less than half that of another, and it is surely desirable to see whether you cannot introduce the same standard of economy into the more expensive one that the more economical one shows?—Mr. Chairman, I entirely agree that any difference of this sort is one which leads one to ask: "Ought

it to be so?" This is a thing which we have always had before us and we have got these comparable figures, but my contention is that we do not, for example, allow Birmingham to claim a larger grant than is reasonably justifiable in the case of Birmingham, and if it works out that Glasgow do it very much cheaper we would say that we were fortunate in Glasgow rather than allowing Birmingham to be extravagant.

4550. Let me put it another way: have you looked at the Birmingham costs with the Glasgow costs in mind?—I cannot say that we have looked at the Birmingham costs with the Glasgow costs in mind, but we have certainly looked at the Birmingham costs with the figures of comparable and adjoining authorities in mind, and if I might just add this, a quite different sort of reason for the variation is that the work falling on one authority is of a very different weight from the work falling on another. For example, if you are in a place where there are a great many people who are solely dependent on coal, in other words, gas and electricity is not being used as much as in another place, there are going to be more people who have a reasonable case for coming and asking for an additional allocation, which is one of the main things which does increase the work of the Fuel Officer.

4551. Are you suggesting that it seems likely that Glasgow heats itself to such a large extent more by gas and electricity than Birmingham does?—No, Sir, I am not. I could not without going into it.

4552. The point is that you really have not compared the two and investigated, have you?—No, I want to be quite frank, I have not compared Birmingham with Glasgow, and with great respect, I am not sure that it is an important comparison. I think what one wants to compare with Birmingham is a place which is as near as possible not only in the matter of size, but in the type of population.

Mr. Hoy.] I think it is a pretty close comparison and I want to say this to you, that I think you have even got an advantage on your side because Glasgow is supposed to be so much colder than Birmingham that it gets an extra allowance of coal, so that even on your own argument it strikes me that it should be more expensive to deal with Glasgow.

Mr. David Jones.] And the west side of the country is so much wetter than the east side, and the same point arises.

Chairman.

4553. I think, perhaps, Sir John, it would be rather interesting to have a memorandum comparing these two cities?—Yes, certainly.*

* Appendix 15.

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

4554. What were the other two towns you mentioned, Sir Frank?—(Sir *Frank Tribe*.) Hull and Cardiff.

4555. I think we will have a memorandum on those four towns?—(Sir *John Maud*.) Yes.

Mr. *Hoy*.] Maybe Birmingham pays them at the same rate as they pay their Town Clerk?

Chairman.

4556. No, it would cost even more then because they have a very much larger staff than Glasgow?—May I just say that it is notorious in our Ministry that Scotland is more economical in this service than England.

Mr. *Hoy*.] That is why I regret, Mr. Chairman, if I may enter this caveat, the very bad decision of the Ministry of Fuel and Power to get rid of the Fuel Efficiency Committee in Scotland.

Chairman.] The point is that the Fuel Efficiency Committee in Scotland had apparently done its work.

Mr. *Hoy*.] And that is why they have been abolished?

Mr. *David Jones*.

4557. Are they transferring it to Birmingham?—May I say that the Fuel Efficiency Committee in Scotland has not been abolished and is the only one besides the central one to survive the change that we were referring to earlier.

Mr. *Steele*.

4558. Sir John, do the City Fathers in Glasgow know what the Birmingham Corporation get?—No, I think they do not.

4559. Do the Birmingham people know what it costs to do the job in Glasgow?—No, Sir, I doubt it.

Mr. *Steele*.] Would it be advisable not to tell the Glasgow people what the Birmingham people get but at least to say to Birmingham what the cost in Glasgow is and try to interest them in more civic pride, at least to do the job a bit cheaper than they are doing it. But it is quite clear that the Ministry have not fully considered this matter and I shall await the statement with interest, Mr. Chairman.

Mr. *Oliver*.

4560. Sir John, looking at paragraph 64, what accounted for the £72,000 rise in the cost in 1952-53 as compared with the two previous years, in spite of the reduction in staff referred to in a later paragraph, paragraph 66?—I think it is entirely in terms of increased salaries and wages. Those result from awards to local staffs.

Chairman.

4561. Turning now to paragraph 68, how much longer is this wartime emergency scheme going to last?—I think it will last

as long as the local fuel overseers do. In other words, both of them will last until there is enough coal to dispense with the restrictions on the domestic consumption of it.

4562. But is not this particular job surely one that the Coal Board could do?—No, Sir, I think not, because the Coal Board have not, whereas my Minister has, responsibility for securing equitable distribution at a time of shortage. (Sir *Frank Tribe*.) Might I just say on that, Mr. Chairman, that I have only quoted part of the Section of the Act in the middle of this paragraph. It is the Coal Board's duty to supply the coal available "in such quantities and at such prices as may seem to them to be best calculated to further the public interest in all respects", but the Act actually goes on to say: "Including the avoidance of any undue or unreasonable preference or advantage". Those were the words put into Section 1 of the Coal Industry Nationalisation Act, 1946, and they were presumably intended to make the Coal Board responsible for looking after the interests of consumers.

4563. Those words would surely cover the costs, would not they?—(Sir *John Maud*.) With respect, I do not think they do. I think that refers, and I only say this is the interpretation which we in the Ministry have put upon it, to the very proper point that the Coal Board ought not to charge one industry unfairly compared with another industry, or one consumer unfairly compared with another consumer of the same class, and should not itself give a preference to one type of consumer as against another, but with respect, I do not think that it does mean that the Coal Board has the responsibility for distribution. If Parliament had wished to give the Coal Board responsibility for distribution it would have made it abundantly plain, and the fact that the greater part of the distributive machinery of this country was not nationalised and remains in private enterprise, I think, rather supports the view, with respect, that the responsibility of my Minister cannot be avoided for seeing, at a time like this, that consumers do get a fair share. He is responsible for allocating to the house coal market as distinct from exports and industry and so on, and within the house coal market it is his statutory order, and nothing to do with the Coal Board at all, which says that you may not buy more than 34 cwt. in the south or 50 cwt. in the north, and this house coal emergency distribution scheme is an attempt to enable merchants to have the coal to ensure that consumers get a fair share of what the Minister says is available.

Mr. *Oliver*.

4564. If the answer which you have just given to the Chairman is right, can there

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

be any basic reason for the complaints made by the miners that discrimination is shown between one industry and another in respect of price? I understand from what you say that these words which Sir Frank has quoted relate more to discrimination in price, and if that is so, I do not know the basis of their complaint, but the miners have frequently raised the point about preferences being made to certain industries in respect of the price of coal and they do not feel that they are getting a fair crack as a result of that. Now, that would rather vitiate the answer you have given?—With respect it is to the Coal Board that the miners make that complaint.

4565. Yes, but Sir Frank has just cited the extract from the statute: "Making supplies of coal available, of such qualities and sizes, in such quantities and at such prices, as may seem to them best calculated to further the public interest in all respects, including the avoidance of any undue or unreasonable preference or advantage." Your reply to that is that it is a question of price and not a question of distribution. If that is right, then the complaint which we frequently hear in the House is incorrect? Have I made myself clear?—I think the answer is that in so far as a complaint lies against either price or any other aspect of coal supplies based on undue preference, that complaint under the provisions of the Act can rightly be made against the Coal Board, whether with justice or not, of course, I am not discussing.

Mr. Oliver.] But still, if that is the provision of the statute it would be the duty of the Ministry, not the duty of the Coal Board, because the obligation would be placed on the Ministry, because I understand the Ministry is the policy-making body, not concerned with the day to day management and control, to see that the obligations in the statute have been carried out?

Chairman.] What is the actual wording of the Act? Is it not "The Coal Board shall"?

Mr. Oliver.] Yes.

Chairman.] It is the duty of the Coal Board, not the Ministry, to see that there is no discrimination against individuals or trades.

Mr. Oliver.

4566. That is true?—I wonder if it would help the Committee if I said this: even if I am quite wrong in my interpretation of the Act, and even if the Coal Board could more properly than my Minister be asked to secure that my Minister's Statutory Orders work out well as between one consumer and another, even if that were so, I would still suggest that the house coal distribution emergency scheme is the right way

to do this particular job today, if only because it was invented before there was a Coal Board, in the early years of the war, and it has worked itself out with very great economy of cost, in my opinion, to the taxpayer. Of all the administrative schemes I have come across I can think of none where a better service is given for money than through this particular scheme, because the great majority of the people who work the scheme, the 5,000 depot managers, for example, are paid nothing but their expenses. They are ordinary coal merchants who do, as part of this scheme, help the allocation of coal and, particularly, do what no-one can do better than they, namely, work out ways in which one merchant can get coal to another merchant and the terms on which the transfer should be made when, in the interests of distribution, it is necessary at a particular depot to get coal out of one merchant's hands into another's. In other words, I think there are immense advantages in carrying on with this scheme so long as the limitation of supplies by statute to domestic consumers is necessary. (Sir Frank Tribe.) I did not mean to challenge that, Mr. Chairman. The only point I was raising, really, was whether this comparatively small sum of £100,000 was a proper charge on the Ministry of Fuel and Power's Vote having regard to the fact that Parliament appeared to have inclined to the view that this was a duty the Coal Board should carry rather than the Ministry. It is a question on whose charge this sum should fall.

Chairman.] [It seems to be rather a matter of interpretation of the wording of the statute.]

Mr. Steele.

4567. My understanding of the scheme is that, at the various depots one of the responsible coal merchants is appointed to this job and the others appreciate that, and it is his job to allocate the coal as it comes along. My own experience is that it has worked fairly well. I may support you in that matter, but you find that there is very little complaint in how it is handled?—(Sir John Maud.) We do find very little complaint.

4568. Do you find that the people who are appointed to that job stay at it for quite a considerable time, or is there a big turnover of individuals in this job?—There is not a big turnover now, no.

Mr. David Jones.

4569. Having regard to what you have just said, would not you agree that some of the functions that are now being performed would naturally fall to be performed by the National Coal Board?—May I try and answer that question by

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

imagining that we have no longer got statutory limitation on the domestic consumer?

4570. Yes?—In those circumstances, quite clearly there would be no such scheme as this, and there would be no fuel overseers, and in those circumstances the Coal Board and the merchants will, in fact, be in direct contact in whatever way seems to them to be most satisfactory, my Minister, of course, watching with great interest and seeing that it works from the consumers' point of view. But it would certainly be the Coal Board's responsibility to see that its relations with the merchants were satisfactory from all points of view. I do not know whether that does answer you?

4571. It does, because the next point is that, having regard to the fact that there is a shortage of coal and these emergency operations have to be performed and part of the cost of the working of this scheme is already met by the merchants, is it not reasonable to argue that the balance of the cost ought to be met by the National Coal Board?—No, Sir, I think not, if, perhaps, only for this reason, that it is my Minister's responsibility to programme total coal supplies and determine how much should go to the domestic market. His responsibility is discharged in a way which in fact limits the quantity which can go to the domestic market to something, at any rate, thought to be below the quantity that the domestic market would take if there was not that limitation.

4572. As he does, in fact, limit the quantity of coal which is to be exported from this country to other countries?—As, in fact, he can and does on occasion.

4573. And issues directives consequently to the National Coal Board that only limited quantities of certain coals produced in various parts of the country are, in fact, to be made available for export?—And, if I may add to that, only allows the Coal Board to import coal when he says they may.

4574. Yes, and the cost of undertaking that function is exercised by the National Coal Board, of carrying out the direction of your Minister, but in the case of domestic fuel, where he exercises the same power of direction, he also pays the cost of working this scheme of parcelling out the coal amongst the several coal merchants. I suggest that, having regard to the fact that the principle has already been accepted in the case of export coal, it is not a very long step now to say to the National Coal Board: "This ought to be your financial responsibility and you ought to carry it"?—Mr. Chairman, the difference, I would suggest, between exports

and imports on the one hand, and what we are talking about on the other, is that there is in the latter case the problem of distribution of coal which, with great respect to the Comptroller and Auditor General, I do not think is the responsibility of the Coal Board in the sense in which production, exports and imports are a responsibility of the Coal Board.

4575. If, then, the responsibility for exercising this scheme in your judgment falls properly on the finances of the National Coal Board, you are, in fact, mulcting the merchants to some extent which they ought not to be meeting because the merchants, in fact, according to this report do pay the salary of the Director General?—I do not think, Mr. Chairman, that the merchants would pay the salary of the Director General, nor would the other merchants, who collaborate in the scheme, give their services for nothing except expenses unless they felt that it was not only in the national interest but fair to themselves.

4576. Have you ever considered the possibility of replacing this scheme by arrangements worked out between the Coal Board and the trade which would not involve any expense to the taxpayer?—Yes, I have, and I have always come to the conclusion that we would not improve from any point of view, either the result to the consumer, or the result to the Exchequer, or the result for the Coal Board, or the merchants; we could not improve on the present case by substituting something new for an arrangement which has grown up and become, I think, every year, rather more efficient and more easily accepted over twelve years, always remembering that, of course, the Government's policy is to see that this control and all that goes with it lasts only so long as the situation makes it necessary.

Mr. West.

4577. And, of course, it is perfectly true to say that it is the Government of the day which decides that and not the National Coal Board?—Yes.

4578. If it is the Government of the day which has the responsibility for that decision they, of course, choose the body which has to take the obligations for that afterwards?—And that, I think, is why we regard the house coal distribution emergency scheme as part of a total scheme of which the rest consists of these local fuel overseers which fall on the Exchequer.

Mr. Steele.

4579. In connection with the scheme each house coal burner is registered. Now, is the cost of the registration and the forms and the filing of the forms involved in this?—No, that entirely falls within the previous paragraph, namely the fuel overseers, and,

P

20216

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

therefore, on my Minister's Vote. This scheme is really a device for securing fair shares among the merchants of those limited quantities of coal which are allocated first to the house coal scheme as a whole, secondly to each region, then within each region to each district, within each district to each depot, and from each depot to each merchant.

4580. I wanted to get that on the record. Is it the case that the coal merchants themselves are in contact with the National Coal

Board and all the accounting and ordering is done in that way?—That is perfectly right.

4581. And the purpose of the fuel overseer is to see that justice is done in each depot?—His purpose is to register the consumers, as you say, to register the merchants and to give such special leave for extra quantities, and so on, as is permitted by the Statutory Order, the result of which is that no-one would have more than whatever is the quantity specified.

COAL INDUSTRY NATIONALISATION ACT, 1946, ACCOUNTS, 1952-53.

Chairman.

4582. Will Members now turn to the Coal Industry Nationalisation Act Accounts, to page 8, paragraphs 1 to 5 of the Comptroller and Auditor General's Report? Could you explain to us, Sir John, why there has been a large discrepancy between the Budget estimate and the actual expenditure on this matter? This is the Exchequer issues?—(Sir John Maud.) Yes. The fact, I think, is that we have to rely naturally on the Coal Board to let us know how much they think they will need to ask for from the Consolidated Fund in the succeeding year and that they do, of course, some months before the beginning of that year. I think it is fair to them to say that it is exceedingly difficult for them to estimate correctly what sum they will need because of the rather strange, but I think very satisfactory, arrangement whereby all their accounts are pooled and they only do come to the Consolidated Fund when there is no cash available, either from their trading accounts or from any other source of liquid funds. It did happen after the first year when they drew quite substantially from the Consolidated Fund, I think, £33 million, that for the next three or four years they were able to satisfy their needs for money for capital expenditure and working capital, which they could have borrowed from the Consolidated Fund, out of their own resources, and they came to us for very little. But in the year before the year under examination they did, in fact, ask, as the Report says, for £9 million more than they had estimated. For the year in question they warned us that the estimate would be larger than it had been the year before, but, in fact, they still underestimated, and I think that the reason for that was that their capital programme had at last got under way and they, therefore, required more for capital expenditure in the full sense, for collieries and so on, and there were not the resources on their trading account to meet those bills.

4583. So that, assuming, for instance, that they had made a fairly reasonably accurate estimate of what they would spend on capital account, and there was a rise in

wages during the year and coal prices did not go up rapidly enough, that would throw out their estimate of what they demand from the Exchequer, is that correct?—Yes, that is part of the confusion through which they have to see. But it is not only what their capital expenditure will have to be, it is the bills which will come in to be paid during those twelve months in respect of that capital expenditure.

4584. That is what I meant. It is their accruing liabilities?—Yes, and their capital expenditure did jump, between the year 1952 and the year 1953.

4585. Now, with regard to the general settlement, will you be able to complete your valuations this year?—I am afraid not, because the litigation that the various parties are entitled to is bound to go on well into 1955. I think it is fair to say that the work that can be done by the Valuation Boards and ourselves is sufficiently advanced to bring the work to an end this year, but in practice I could not advise the Committee that I thought at the moment we would finish this year.

4586. What type of litigation is holding you up?—It is of many different kinds. When the unit has been comprised and a draft valuation made of it by the District Board the owner in this case has a right of appeal to a Referee and in certain cases on a point of law to the High Court. That is one type of appeal procedure. Then, on the subsidiary interests, that is to say, the interests other than coal industry interest, on houses or brickworks or coke ovens, and the rest, there again there is the right of appeal against any valuation that has been made.

4587. Do you expect to get everything cleared up next year?—As we said, I think, a year ago, our hopes were then concentrated on completing the work in 1954, and so our hopes are now concentrated on completing it in 1955.

4588. You must have eliminated a large number of these litigious gentlemen?—Generally speaking we did have a good year this last year. Since I was last before the Committee, we have got 935 certified

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

and 870 draft valuations made out of a total of 2,900 that have got to be made. So we have now got 84 per cent. of all the units certified and 80 per cent. of the compensation paid, but, frankly, I could not make any promise as to when the 100 per cent. will be reached.

4589. But you are expecting to break the back of the residue this coming year?—Yes.

Mr. West.

4590. I see from paragraph 3 that compensation amounting to £49 million was satisfied during the year by the issue of Treasury stock. Is that a payment on account of the compensation to coal owners?—I am not quite sure what the question is?

4591. I am looking at the Report of the Comptroller and Auditor General, paragraph 3: "Compensation amounting to £49,677,865 was satisfied during the year by the issue of Treasury stock." Was that a payment on account to the coal owners for compensation?—That is right.

4592. If that is so I wonder if you could say why stock to the nominal value of £57,576,000 was issued to cover compensation amounting to £49 million?—Because the actual value of stock to the nominal value of £57 million was £49 million at the time of issue.

4593. In this current year, the year under review?—At the time of issue.

Chairman.

4594. You issue a particular type of stock, do you not, for the compensation of coal rights?—Yes. (Mr. Ayres.) There is a Treasury stock which is issued at six-monthly intervals, the nominal amount being adjusted by the Treasury according to the market value of the gilt-edged stock at that date.

Mr. West.

4595. Do I understand, then, that the stock which was issued was below par?—It was originally a 3½ per cent. stock issued at par, I think I am right, in the first instance. The Treasury maintain the basic terms of issue and adjust the issue price to suit the market conditions from time to time rather than alter the interest rate on the stock and create a new type of stock.

4596. So, at today's prices, apparently, when gilt-edged securities are high, stock would be issued below the compensation value, is that right, if it were done now?—(Mr. Figures.) If the rate had moved so far. It has not moved that far, but if, in fact, the long-term rate moved, shall we say, to 2 per cent., then compensation would be paid by an issue of stock of less

20216

than the nominal amount—the reverse of this situation.

4597. The 3½ per cent. Treasury Stock is above par at the moment, is it not?—No, I should have thought it was slightly below.

4598. But, at any rate, stock is issued and it has cost the Treasury £8 million more in issuing stock rather than in paying cash? That is it, is it?—No, the only sense in which it has cost us more is that if the whole of the thing had been done in the one issue of stock when the rate of interest was right, it would appear to have cost us less. What we are concerned with is what the obligation is that we are taking on. In order to take on an obligation of £49 million at the date in question we needed to issue stock of £57 million, that is, the £57 million at that rate of interest is the right payment to somebody who has today a claim of £49 million.

Chairman.

4599. You are paying in depreciated stock, in other words?—We are paying in depreciated stock, because it is thought advantageous to keep a single issue of stock to cover the coal compensation. We could have changed it and had a series; we know we have these six monthly issues to make as we work towards the end of this operation. We do not wish to have a whole series of stocks with different dates, and different rates of interest. We decided we would keep to one issue.

4600. They are dated stock?—Oh, yes.

4601. So, sooner or later it is going to cost the Treasury infinitely more?—Well, I would be perfectly willing, if you would like, to spend some time explaining that that really is not so.

Mr. West.] Very well.

Chairman.] I think you can take it it is all right, Mr. West.

Mr. Steele.

4602. Sir John, is the reason for the Coal Board's demand for an increase from the Consolidated Fund due to a decrease in profit or to an increase in capital expenditure?—(Sir John Maud.) It has nothing to do with the decrease in profit at all and it is solely due to their increased need for such funds on top of their own internal resources, whether for capital expenditure or for working capital.

4603. I rather gathered from an earlier remark—I may have misunderstood it—that one of the reasons for this increase in the demand from the Consolidated Fund was because the National Coal Board them-

P 2

13 May, 1954.]

Sir JOHN MAUD, K.C.B., C.B.E.,
and Mr. R. J. AYRES, C.B.E.

[Continued.]

selves, out of their trading profits, were not able to do the financing of capital expenditure?—I wonder if I could clear that up, because it was my fault for not making it plain? What I was meaning to say was, that the arrangement under which the Coal Board only come to us when they must for advances from the Consolidated Fund, means that their coming depends to some extent on the state of their trading account. By that I did not mean to say that they were over that year making a loss or a profit; I only meant that their account varies from day to day, and may swing £20 million in the course of a month through incomings and outgoings, and it is only in that sense that their trading balance affects the amount that they ask from us. All that they have a right to get from us is moneys in respect of expenditure which the Act says can be met out of capital funds, and in fact, of course, they could have asked us for a very great deal more than they have ever asked us. They are nowhere near the limit of the amount which under the statute we could pay out, but naturally it is in everybody's interest that they should ask us for as little as possible, and that they should use their internal resources to the limit day by day and week by week.

4604. But it is true that increased costs which the Coal Board have to meet without getting an increase in income from what they sell, would mean that their trading account would not be in that condition which you desire?—Perfectly true.

4605. So that, if in fact they were not making a profit it would be necessary for them to come to you?—Yes.

4606. Now, you told us that 80 per cent. of the compensation has been paid and you hope to get the 100 per cent. soon. Does this residue of 20 per cent. of compensation still to pay include large amounts and difficult cases, or is it just that those are normal cases?—Last year, Sir, I think I mentioned that Sir Malcolm Trustram Eve had just been asked to preside over a tribunal to try and give a decision which would speed the agreement on the value of the 120,000 houses which were in dispute. That, fortunately, has led to the desired result and I think we are no longer troubled with delays over the valuation of that subsidiary interest. The brickworks and coke ovens are making some progress, but I would mention those as large items which have not yet been settled, and there are one or two districts of the country also where the district valuations are held up through particular disputes or appeals, because as the Committee knows, you cannot make a final decision on the coal industry payments, which have to come out of a global sum which is limited by the Greene Tribunal's award of £164 million in total until every valuation in the district has been settled, because the amount which each gets is proportionate to the share of all the other claimants in the district.

4607. What are the two districts, are they Birmingham and Hull?—I am sorry to say it is Scotland and Lancashire.

The witness withdrew.

Adjourned till Tuesday next, at 4 p.m.

TUESDAY, 18TH MAY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.

Mr. Hoy.

Mr. David Jones.

Mr. Niall Macpherson.

Sir John Mellor.

Mr. J. Enoch Powell.

Mr. Steele.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

TREASURY MINUTE ON PARAGRAPHS 10-14, 15-17, 18 AND 19, 20, 21 AND 22, AND 32 AND 33 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir JOHN HAWTON, K.C.B., Permanent Secretary, Ministry of Health, and Mr. H. R. SMITH, C.B., Secretary, Department of Health for Scotland, called in and examined.

Chairman.

4608. Mr. Smith, I think this is the first time you have appeared before us, is it not?—(Mr. Smith.) Yes, Sir.

4609. Will Members turn to the Treasury Minute on paragraphs 10-14 of the Third Report of the Committee of Public Accounts, 1952-53? The first question is to you, Sir John: have the dentists and the opticians agreed to co-operate in this fact-finding investigation?—(Sir John Hawton.) Yes, Sir. The position is slightly different in the two cases. In the case of the dentists they fully agreed to the inquiry, and information is now being obtained from three sources, an inquiry from the Dental Estimates Board, a questionnaire from individual dentists which the Association have agreed with us in selecting, and, in addition, the Board of Inland Revenue are producing figures in evidence for us; so the dentists' one is in full operation. I always hate in front of this Committee ever to promise, but I hope that we shall be able to get at least the results of the review within the next two or three months. Your other question related to opticians, or was it chemists?

4610. The opticians?—With regard to the opticians, it is agreed that there should be an investigation. That is all fully agreed with them. An inquiry is going on about the kinds of establishments to investigate, in other words, about the method of investigation, what kinds of establishment will give a representative sample, and so on; and then the moment that is settled, the inquiry from those establishments will go on. There is no disagreement.

4611. What do you mean exactly by "establishment"—the number of opticians?—The kind of opticians, rural, urban, and what sort of size, and so on. That is all being done in agreement with the opticians, but it is not as advanced as in the case of the dentists. You did not ask it, but perhaps you might know of the third side, and that is the chemists, who also have

a claim in front of us. There we have said that we will not do anything without a full inquiry, and the kind of inquiry—not whether they have one, so much as the kind of inquiry—is now being discussed with the chemists; so there are the three stages on the three main bodies.

4612. When are you expecting to have all the investigations in hand?—They will all be at different dates. We expect to have the results of the inquiry into the dental case within two or three months, and then we must look at them with the dentists and see what the result is. The others will be a bit slower. I cannot give you an actual date for them, as I say, but the stages I have described. If I may say so, these things, I am afraid, do take an enormous amount of discussion, but the advance on last year is that whereas then we were proposing to say, "You cannot have any of your claims unless you do this", we have now got agreement that this must be done in every case, and we are in various stages of doing it.

4613. Presumably, if the facts warrant it, it might even lead to a reduction in the remuneration?—Oh, indeed, if the facts warrant it. Of course, the position is that in all three cases we have before us, and have had for a long time, a claim for an increase, and that claim for an increase has been completely suspended while this has been going on, so that whether it will produce a reduction or not I could not possibly forecast.

4614. Now, with regard to the chemists, have you settled—you know the Treasury Minute—"the conclusions to be drawn from certain facts about the remuneration of chemists"?—No. As I said just now, in the case of the chemists it is thought that the best way is to have a full inquiry as in the other two cases, and not merely confine ourselves to certain things, and we have told them so and we are now discussing how that inquiry may best be conducted. But the intention is the same as

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

in the other two cases; in other words, we are, I think, adopting the Committee's view—at least, I hope we are—that all of these things must be based on full investigation.

4615. Mr. Smith, what about Scotland? Have your chemists agreed to co-operate?—(Mr. Smith.) Yes, we are having a discussion with the chemists at the moment to investigate their dispensing costs under the National Health Service Act. The basis of the investigation has been very largely agreed with the chemists. What we are doing is arranging for a questionnaire to be sent to a representative sample of chemists, and that will be followed up by the submission of accounts linking up with the period of the questionnaire. In addition, we will carry out a survey of a few chemists' businesses of various sizes. The basis of this has all been agreed, and the chemists themselves have obtained a good deal of information which we will be discussing with them at a meeting later this month.

4616. Now, with regard to the costs of proprietary articles, drugs, dressings and so on, how many have you investigated so far?—(Sir John Hawton.) What we have decided to do on that, Sir, is to start with these groups—I am trying to keep this as short as I can—the spectacle lens and spectacle case and metal frame makers, broadly speaking, spectacles and their cost; then surgical dressings and plasters; then a certain number of basic drugs, that is, non-proprietary; and then the vexed question of proprietaries. I can, of course, give you detail in answer to questions, but may I, perhaps, give you a short summary of where we are?

4617. Perhaps you would give us a summary of what you have done?—On the spectacles enquiry, which we thought was the most urgent because there were various allegations about price there—spectacle lenses and cases and metal frames—the result has been an increase in cost and not a decrease as a result of a full cost investigation. These cost investigations, I should explain, are not done by inexperienced people like ourselves; we do for the purpose borrow cost accountants from the Board of Trade who are used to the work. In summary, we found that, if you add together lenses and the prescription houses that make up spectacles, and the cases and frames, we had to admit the reasonableness of increases which will cost the Exchequer about £170,000 a year. That, to get it in perspective, is to be compared with increases which were claimed by those people during the inquiry which would have cost over £½ million, that is, at least another £400,000, which we disallowed. But we had to allow £170,000, disallowing £400,000, and that—the details are extremely complicated—was largely due to the effect of

wage awards and other things which were approved; and, in case the Committee is likely to think that those increases were lightly allowed, we confined the profit rates on which they were based to the kind of level which is usually used in Government contracts, which is usually regarded as a rigid level.

4618. What was it?—Well, it varies. But what we actually allowed in this case was, for lens manufacturers, 11½ per cent. on capital employed; for prescription houses, 10 per cent.; for metal frame manufacturers, 11 per cent.; and, for the spectacle cases, 8 per cent. I mention those as an example of the fact that in spite of that, one got an increase. It is of extreme interest, I think, that that was the result of the first completed inquiry. Am I giving too long an account of this, Mr. Chairman?

4619. No?—Shall I just mention the rest?

4620. Yes, if you would?—Then, in the drugs field, which is much more difficult, we have selected and started looking into a whole number of non-proprietary drugs, mostly antibiotics, which are about 20 per cent. of the total drugs bill, and vitamins, hormones and insulin. We have not got final results to report to the Committee in the form of actual cuts or *vice versa* at this moment, but during the investigation the prices of some of these articles have already been voluntarily cut, as the Minister mentioned in the House the other day; one article has been cut by 10 per cent., and those inquiries are going on. Lastly, on proprietaries, which is the really difficult field, we have started investigating 91 proprietaries. There are about 6,000. The figure of 8,000 which keeps appearing in reports is, I think, my own fault. I think I gave it wrongly several years ago. I think the figure is more like about 6,000. We have chosen 91, but those 91 make up about 30 per cent. of the proprietaries prescribed, so that the proportion is bigger than it looks. We are inquiring into those item by item. So far we have completed the work on three asthma preparations with which, as I think the Minister again announced the other day in the House, we could not reach agreement and we have therefore decided to blacklist them*. We have told all doctors—or, at least, are in the process of telling them; it has not gone out yet, but at any moment it will go out,

* *Note by Witness:* Since this evidence was given, one of these firms has decided to reduce its prices to a level at which the Health Departments consider they would not be justified in black-listing the preparation concerned. There are therefore now only two manufacturers whose products are being black-listed.

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

it is being printed—of the fact that a satisfactory price is not agreed in respect of those items, and therefore they should please not prescribe them.

4621. Is that mandatory?—No. You have hit, if I may say so, the nail on the head. Under the law as it stands, there is nothing we can do about that. A doctor has the absolute right to prescribe whatever he feels essential, subject only to answering to a charge of prescribing unnecessarily or excessively. We cannot say to him at law: "This you may not prescribe". We can only say: "This we ask you not to prescribe".

4622. How far do you get co-operation from doctors on this point?—We get a fair amount of co-operation on this. Last year we issued a list—I am speaking from memory now; I have not got it here—of about 250 drugs to doctors.

4623. I have seen it, yes?—I think we mentioned the comparable prices. It is a little early to judge what the result of that one was, but earlier than that we issued a list of drugs which were in the Cohen categories of being of no proved therapeutic value, two categories, and on those the figures dropped quite remarkably after the issue of the list. I think I could find the figures, but they dropped quite remarkably. In fact, on those last, where we have said they were those marked of no proved therapeutic value, they have dropped between January, 1953, and September, 1953, that is the period during which we issued the list, from nearly 9 per cent. to 3.5 per cent. of prescriptions, and from nearly 10 per cent. to 4.4 per cent. of cost. But it is true that in the last resort a doctor can use his own judgment as long as he is prepared to justify it to the appropriate authority.

4624. Now, with regard to the price investigation of proprietaries, how long do you expect it to be before you have really broken the back of the job? I will not say to get 100 per cent., but to have its back broken?—I feel I am being unhelpful, but I find it awfully difficult to give a guess on that. The kind of difficulties, really, once we enter into this proprietary field, I think, are familiar to the Committee—the legitimacy of allowing for certain research costs, and so on. The Board of Trade are interested in the export interests and so on. All we do, we do with the Treasury and the Board of Trade, and often it will depend on Ministerial policy. Indeed, this field was so difficult that we did not get—and I will correct this if I am wrong—full Ministerial cover to use the necessary powers, if necessary, to call for figures and so on, of proprietaries, until 1953.

Sir John Mellor.

4625. To call for what?—To call for figures and so on; there are powers to do

20216

it. It is, understandably, so much a problem for the Ministerial level to know how far one ought to do that in this kind of field, but we are, I think, making quite a lot of progress. I wonder, as this is so important, Sir, whether it would help the Committee, without in any way limiting the questions now, if we were to put in a more detailed memorandum showing what we are doing in all these fields of cost investigations?

Chairman.

4626. I am sure it would?—It is far too much to do orally; one cannot carry it in one's head, and I think it is one of the vital things. We would be only too pleased to do it if the Committee would like it.*

4627. I think so, yes. Have you fixed in your mind the level of profits for proprietaries as you have arranged other matters?—I was wondering how to answer that shortly. We still think that there the range should be roughly something like the one for Government contracts, that is to say, it should be anything between 7 per cent. or 8 per cent. and 15 per cent., but we are at the moment discussing with the main Association, which is, as you know, the Association of British Pharmaceutical Industry, the exact method on which this should be done. That is our own idea, that it should be based on them; but the Minister, I think, has also said that reasonably proved allowance for research—of course, that is more on basic drugs, but it might apply to the others—which are obviously in the national interest, would have to be taken into account. Let me say at once, I am afraid it is true that progress is rather slow on this, but at least it is plugging ahead all the time and it is having, I think, a steadying effect on the drug bill.

4628. With regard to the so-called ethical preparations, I presume some of those were on your costed list that you sent to doctors? Was the drop in those greater than the drop in the drugs which are advertised to the public?—By "ethical," I am not quite sure what you mean. You mean those which are not advertised to the public?

4629. Yes, those which are not advertised to the public?—I am sorry. What we have done is that we have informed the doctors of those which are advertised to the public in the light of the Cohen Committee's report, and drawn attention to the fact that the view of the Cohen Committee was that they should not normally prescribe those.

4630. That they should not normally prescribe drugs advertised to the public?—That was the view, if you remember, of the Cohen Committee's report.

* Appendix 7.

P 4

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

4631. You draw a practical distinction between the ethical and the non-ethical drugs?—Well, it is so difficult to give tangible figures. I think, without doubt, living with it from day to day, there has been a response to that. There has been a drop in prescribing those advertised to the public. The Chief Medical Officer himself has taken a lot of personal intervention in this in writing letters, which are often more effective than official circulars, to doctors, and I think, judging from some of the replies we have had—no doubt it varies all over the country—that we are getting somewhere.

Mr. Hoy.

4632. May I ask Mr. Smith a question about the chemists? You do appreciate that Scottish chemists have a very important part in this connection, as apparently the charges for Great Britain are decided by what is paid to Scottish chemists?—(Mr. Smith.) We are having discussions with the Scottish chemists at the moment, an investigation into the cost of National Health dispensing in Scotland. That has not been brought to a conclusion yet, but we are still having meetings with them and we are hoping something will come out of them.

4633. Do I understand you to say that you have a special team which investigates the evidence supplied by the chemists?—No, we are having discussions with the chemists' representatives at the moment. There have been discussions for some time. We have had the assistance of the Government Actuary and, of course, the Board of Trade accountants.

4634. I notice that the Treasury Minute says "An outline scheme has been submitted to the Scottish chemists and the Department now await the outcome of their consideration of it." When was the scheme submitted?—That was submitted some time ago, about a year ago. Since then we have agreed, as I said, I think, earlier, the basis on which this investigation should be carried out. There would be a questionnaire sent out to chemists, there would be a submission of accounts relating to the period included in the questionnaire, and there will be a survey of a few representative chemists' businesses.

4635. But if, in fact, it is now a year since you submitted this outline scheme to the chemists, do you not think it is about time you were coming to a decision?—This is a thing, necessarily, which goes rather slowly. The chemists themselves have amassed a great deal of information on the lines of that which we want, and, as I said earlier, we are having further discussions with them this month to go into that in more detail.

4636. When do you think you will be able to arrive at a decision on this matter, because it is a particularly heavy cost? The last accounts show that it is even higher than it has ever been despite the shilling prescription charge?—I could not say just when we shall be reaching any conclusion. We are pressing on with getting the facts. We feel we must get the facts first of all, and, when we get the facts, we shall be in a better position to decide what sort of action should be taken.

4637. What troubles us is that it is a year since you decided to get the facts and you submitted a scheme. One would have thought that in Scotland it would have been possible to collect the facts in 12 months' time?—What we have done, as I said earlier, is that we are entirely agreed on the basis on which this investigation should be carried out, and the chemists themselves for some time past have been amassing a good deal of information under the heads which we want. That has been looked at, I understand, by the Government Actuary and the Board of Trade accountants, and the next step is a further discussion with the chemists. That, as I say, will be held later this month.

Chairman.] Mr. Hoy, I am afraid I must apologise to the Committee. I had rather outrun my brief, and I asked questions—they seemed to arise naturally—which are on paragraphs 32-33, on the question of arrangements to secure economy. I think we had better take those with the paragraphs we are on now; they are all comparable subjects.

Mr. Blenkinsop.] It would be for the convenience of the Committee, Mr. Chairman, if we could bunch these all together and get rid of them, rather than come back to it again.

Mr. Hoy.] Yes, we have not gone beyond what we were questioning about.

Chairman.] No.

Mr. Hoy.] You propose to add paragraphs 32 and 33?

Chairman.] I have asked questions which ought to arise on paragraphs 32-33 because they seemed to arise out of the evidence we have had. Do you wish to ask anything on paragraphs 32-33?

Mr. Hoy.

4638. I would like to ask Mr. Smith, with regard to these proprietary preparations, has what Sir John Hawton has said the same application to Scotland? Are they bought for Britain as a whole, or do you have a buying agency for the Scottish Service?—No, we have no separate buying agency for the Scottish Service.

Mr. Steele.

4639. Mr. Smith, there is a difference between the English method of paying the

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

chemist and the Scottish method?—That is so.

4640. As far as I can understand, the English method is what the Scottish people are trying to adopt? Is that what you are trying to get round to, or what is the position?—There are certain distinctive features of the Scottish drug tariff which are of very long standing. I understand that they have been in operation ever since the date of the introduction of the National Health Insurance Act. Very briefly, they make provision for rounding up in certain cases and make an allowance to chemists for dispensing in small quantities. I think also it is true to say that in Scotland the cost of tablets in some cases is calculated by reference to a smaller quantity than it is in England and Wales. We are having discussions with the chemists on these aspects. In point of fact, we have succeeded in getting their co-operation to an individual method of pricing certain kinds of tablets, that is to say, pricing by reference to a larger quantity and fixing the basic tariff price by reference to one hundred instead of by reference to a dozen. I do not think the Scottish chemists are in any doubt about our views, that is to say, that we ought to have a uniform tariff for both countries, provided of course, that that was sufficiently flexible to take account of different Scottish conditions. (Sir *Frank Tribe*.) Perhaps I might say, Mr. Chairman, this is dealt with in paragraphs 52-55 on the Report on the Appropriation Accounts, which appears near the end of item (b) on to-day's agenda.

Chairman] Yes.

Mr. Steele] It did seem to me, Mr. Chairman, that these items were running together.

Chairman] It is extremely difficult to sort this out.

Mr. Steele.

4641. I only wanted to ask if all this was leading towards economy?—(Mr. *Smith*.) What we have achieved to date is certainly leading to economy.

Chairman] I think inevitably we shall have a certain amount of overlapping. I do not think we can avoid that.

Sir John Mellor.

4642. Sir John, with regard to proprietary articles, I want to get quite clear in my mind exactly what disciplinary power you have over doctors regarding their prescriptions. I think you said that, under the law as it stands, you have no power except that in the last resort they can be required to justify their prescription to the proper authority?—(Sir *John Hawton*.) I would put it this way, I think, Sir, that a doctor can, under the General Practitioner Service, prescribe whatever he thinks his patient

needs. The only restrictions on that are that it must really be a drug and not, for example, a food or a cosmetic (that is covered), within the field of drugs, if it can be shown that he is wastefully prescribing, that is to say, either in thoroughly wasteful amounts or prescribing articles which there was obviously no need to prescribe and wasting public money, he can be called to account for that by the Local Medical Committee and the local Executive Council and, if it is proved, the amount involved is withheld from his remuneration. Apart from that, as far as I am aware, there is no legal power to control what a general practitioner prescribes.

4643. You say "the amount involved". Do you mean the cost of the articles wrongly prescribed?—If it were proved that he was prescribing such vast amounts for some trivial injury or something that was an entire waste of public money, that would be a good ground for calling him to account for it.

4644. But if he is found guilty of a gross waste of public money, cannot he be fined?—The amount involved can then be withheld from his pay, which is tantamount to fining him that amount.

4645. That would be something quite trivial, would it not?—That depends on the amount of excessive prescribing; it would be the amount of it.

4646. Is there no other punishment?—As far as I know, there is no form of penal fine in addition to that at all*.

4647. Really you have no effective authority over the doctors in this matter?—I think that, if I may say so, Sir, is a little overstating it. You say we have no effective authority but I would—I think I have on previous occasions—make it quite clear to the Committee that we have no power to select any article and to say, "This you may not prescribe".

4648. What power have you with regard to the manufacturers of the proprietary articles? Cannot your Ministry say that the prices charged for those proprietary articles are too high and that they will not be allowed?—The only power which we have of controlling prices, of saying, "This price is too high and you must reduce it to X.", is a power based on Defence Regulations passed during the war, and it is a power which obviously Ministers would

* *Note by Witness*: The actual position is that the Minister decides the amount to be withheld on the recommendation of the local Executive Council, who take into account the Local Medical Committee's estimate of the excess cost (as explained in the separate note submitted); but the amount withheld need not necessarily always be limited to that figure.

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

always want to consider very carefully how they use. At the moment, we have no firm Ministerial decision about its use. No doubt if the occasion arises when we feel it is the only solution, we shall have to seek such a decision from Ministers.

4649. So, leaving aside the power you have under Defence Regulations, assuming for the purpose of argument it is not considered proper to exercise that power, you have in fact no power to prevent a doctor prescribing a proprietary article at any price the manufacturer of that article chooses to name?—Except that, as I say, particularly if we have already pointed out that the price is excessive in our view to the doctor and asked him not to prescribe it, *prima facie* there would be a case that the doctor was prescribing unnecessarily, and he might be called on to answer for it and refund the cost. That, I think, is the value of our drawing the attention of doctors to these comparative prices, because, in the event of proceedings against a doctor for being unnecessarily wasteful, it is obviously very relevant that his attention has already been drawn to that very fact beforehand.

4650. In how many cases, during this accounting period, have such proceedings been taken against doctors?—I have got that note here, Sir. I can find it, or send it in to you.

4651. I would like it if you have got it?—As a matter of fact, it is rather broken up here. I wonder if I might send in to the Committee the full figure rather than waste your time now? I have here, for example, the result of a special unit we have which goes into investigating excessive prescribing, and I have got one or two others, but one really wants to analyse those, show you them broken up, and show you the total. We can do that.*

Sir John Mellor.] Perhaps we may have those.

Mr. Blenkinsop.

4652. First of all, could you say anything about what effect the note that has been sent round about slimming drugs has had upon prescriptions, as that was a matter raised in this Committee more than once in the past?—I am sorry, no. I have not the result in respect of a specific drug. As you know, we do, in pricing prescriptions, price only 20 per cent. below a certain value, and so, without a special search, it would be impossible to take one particular drug right through the whole of doctors' prescribing and analyse its cost.

4653. I just wondered, had you made any sort of vague estimate on it in view of the fact that it did get an enormous amount of publicity at one time about a year ago?

* Information supplied; not printed.

—No, Sir, we did not. We, of course, included it in the list of comparative prices showing what loss there was by prescribing that compared with the standard alternative, but I have not a separate figure for the result. May I say, as I said last year (it is only a minor point), that it is not entirely fair to call it a slimming drug, although I believe it is often prescribed for that; it has other very legitimate uses.

4654. You explained that you were using the cost accounting service of the Board of Trade?—Yes.

4655. Do you find you are limited at all by that? Shall I put it another way: do you feel you could embark upon a wider investigation if you were able to get rather fuller facilities?—Up to a point, yes. We are, I think, bound to be rather limited by the number of cost accountants we can use at any given moment, but we are being very liberally helped by the Board of Trade, and what I have said is in no sense critical of them. This is surely the same sort of problem as runs throughout this Health Service; one could do so much more with so much more staff, but one has always got the problem when the cost of the staff has got to be weighed against the cost of the results of what you do.

4656. The sort of point I wanted to put is whether you felt you would get useful results by an even fuller investigation than you have been able to initiate so far?—I think an investigation covering 30 per cent. of the cost of proprietaries is not a very bad proportion, especially if it chooses the right ones. I do not think I told the Committee this: although we have only finalised it in three and are black-listing them, we have got most of the reports on all those proprietaries we have been investigating. Then we discuss the results of these with the firms, and we are fixing meetings with those within the next few months; but, as I say, the Association of British Pharmaceutical Industry has a very big interest in this and also, quite properly, has to be joined in the consultations. We are as far ahead as that. We are getting all those reports in; we are not just beginning.

4657. Would you say it is having a valuable secondary effect even upon the drugs which are not being investigated? Are you finding any fall in the price of other drugs in advance of any investigation?—I would say, for what it is worth to the Committee as a general impression, being in this every day, that the cumulative effect of all these separate activities, some of which are minor, and so on, all going on simultaneously, is making the doctor more conscious of the cost of prescriptions and is all the time having a wholesome effect on the drug bill. But I would not for one moment suggest that we are anywhere near,

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

at this moment, having solved what I regard as one of the biggest problems of the Service.

4658. You would regard this as a continuing investigation, would you not, rather than one which is being carried out over a period of a few months or a year or two, and then ending?—Yes, indeed, I also regard the problem myself as one of the most fundamental ones in administering the whole Health Service because of the inherent dangers in the present system.

4659. Have you any information as to the comparative cost of dispensing in hospitals as against through general practitioners' surgeries? Should I put it this way: have you made any investigation into that?—No, we have not, as far as I know, any useful comparison there. The conditions are so different that it is very difficult to get a comparison. To introduce only one factor, when your dispensing is done through a chemist it is done through a man who is engaged in business for profit and we have the whole system of oncost payments, and so on. I think the two things are so different. The answer is no, we have not got them.

4660. That means you have not any comparison, for instance, of the cost of dispensing by a doctor who does his own dispensing with the cost through the normal process?—I am not aware of any at the moment, but the number of doctors doing their own dispensing is, as you know, a very minor one compared with the total drug bill.

4661. Is it true that it is falling as well?—I am not sure, I do not think so.

4662. Have you considered any further development of central purchase of the few of the remaining items of drugs?—We are always considering this problem of central purchase and I think, broadly, the picture at the moment is similar to the one I gave the Committee last year. There is no very big extension of it. There is no significant change of policy in that, but we do do it wherever we think that it is a sensible and profitable thing to do, but as you know it also provokes a great deal of controversy. People have views very strongly on both sides on that problem.

4663. One final point on your investigations with regard to the opticians' remuneration; has there been any consideration at all given to the question of the value or otherwise of having a joint prescribing-dispensing fee as against separate fees, on the grounds that this might reduce the amount of actual prescribing of glasses?—We have not got there. What we are doing there is collecting, as I have described at the beginning of this meeting, the materials on what the facts were of earnings, and so on. We have the claim before us for

an increase; it would then be a matter for considering that or any other solution, but we have not got there.

4664. You have not any particular evidence about, for example, the number of prescriptions of glasses by opticians as against through hospital eye clinics? That might give some sort of guide?—I am sorry, I am not quite clear of the drift of that last question; comparison of each of the two figures?

4665. A comparison of the number of cases in which glasses are prescribed to patients when they go to hospital as against when they go to the optician's shop?—I do not know whether we could get that figure, but the number prescribed through hospitals would not be a very big one, relatively. It would be quite a small one. It is not a normal practice, of course. They may provide them but they do not normally prescribe them. They may in some cases, but it would be a small number.

Mr. Niall MacPherson.

4666. Is your inquiry into the 91 proprietaries directed to make any distinction between proprietaries which are advertised to the public and those which are not? Are they all advertised to the public or are some advertised to the public and some not?—No, you see what we did is, first having got the Cohen recommendation that things advertised to the public should not be prescribed at all, we then drew up a list of those and sent it to doctors and said, "That is the recommendation, please do not do it". What we are now doing is looking at the others which are not advertised to the public where the Cohen recommendation was that they should only be prescribable if satisfactory arrangements relating to price can be made. It is to ascertain whether we can make satisfactory arrangements relating to price that we are doing these inquiries, so that all belong to that category.

4667. Does any allowance for bringing the preparation to the notice of doctors come into the allowance for cost? Is that taken into consideration?—Yes, indeed it is the whole point that throughout all this field, whether it is just those we are investigating or any other field, we think it is one of the most valuable things we can do to keep doctors informed all the time as to what it is they are doing if they prescribe X instead of Y and we do, among other things now issue a booklet—it is not absolutely regular, but roughly quarterly—a very handy short little pamphlet booklet to doctors which does contain that kind of information.

4668. A comparison of costs?—A comparison of costs and other things too. It does contain useful information about "Have you thought that if you prescribed

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

so and so the amount you are really prescribing is", say, "50 yards long", little things that a doctor who is busy might not realise. The reception of that, I am sure, will vary with the doctor and the busy state he is in when he gets it, but I believe it does some good.

4669. How easy is it to make a complete comparison of costs, taking all factors into consideration, chemists handling charges, and so forth?—You mean between a proprietary and its therapeutic equivalent?

4670. Yes?—It is only possible in a certain number of cases and not in others. In others there may not be an absolute therapeutic equivalent although there may be one which, for all intents and purposes, is near to it, and there may be other factors, but there is a fairly big field in which we can say that there are complete therapeutic equivalents; and we do not judge this, we are advised by experts on that kind of thing.

4671. Where there is a complete equivalent it is easy to make an exact comparison of cost, is it?—Yes, generally, I think so.

4672. In that do you take into consideration making up charges by the chemist, and so forth?—Yes.

4673. So it is completely comparative?—It is the charge to the National Health Service which we are concerned with, the charge to the Exchequer; that is, after accounting for what we have to pay the chemist.

4674. May I ask Mr. Smith a question there? Has any similar inquiry been undertaken in Scotland?—(Mr. Smith.) The inquiries which Sir John has referred to, of course, have covered Scotland as well.

4675. They cover the whole country?—That is so.

4676. Have you any details, or are they also included in Sir John's figures of the proportion of use in Scotland of proprietaries compared to England and Wales?—So far as we can see about 40 per cent. are of properties.

4677. That is rather higher in Scotland than in England?—That is the figure, 40 per cent., as far as we can judge.

4678. How would you account for that?—I do not think I could account for that.

4679. Would it not be a surprising result in this sense, that I take it there is more making up of prescriptions by doctors in Scotland than there is in England and Wales?—I should not have thought so.

4680. In the Highlands and Islands?—Possibly in the Highlands and Islands, yes, there.

4681. When you say that you are carrying out a survey into chemists' costs does

that mean with your own staff, too?—Yes, indeed.

4682. Or do you get assistance as well?—With our own staff, of course, with assistance from the Government Actuary's Department and the Board of Trade accountants.

4683. How long do you estimate that will take?—It has been going on for some time. As I have said earlier, the basis of the investigation has been agreed and we know that the chemists have gathered a great deal of information on this. We have been asking them to produce it and we are having a meeting later this month. How long it will be before we reach a conclusion I should hesitate to say at the moment.

4684. It was stated, I think, by Sir John that increases had resulted as a result of wage awards, among other things. If increases are granted would they be retrospective to the date of those wage awards?—I should not have thought so.

4685. They would not be?—I should not have thought so.

4686. They will be from the date when a decision is made?—Yes.

Mr. Enoch Powell.

4687. Sir John, did I understand you to say that at the beginning of 1953 10 per cent. of all prescriptions, both by quantity and value, were of no therapeutic value?—(Sir John Hawton.) I did not give that figure.

4688. I thought you said that 10 per cent. had been reduced to 3 per cent. by quantity and 4 per cent. by value between January and September, 1953?—I beg your pardon, yes. It is implicit in the comparison I gave.

4689. So 10 per cent. of the prescriptions which were being prescribed by general practitioners in the National Health Service in January, 1953, were of no therapeutic value?—The exact phrase used by the Cohen Committee is: "Not proved to be of therapeutic value". It is putting it the other way round; not, proved to be of no therapeutic value, but, not proved to be of therapeutic value.

4690. They might do good to the patient, or they might not?—Exactly, but no one has yet proved it, that was the point; there is a slight difference there.

Mr. Steele.] The question of psychology does not arise?

Mr. Hoy.

4691. Are they paid for these prescriptions?—They were when they prescribed them.

Chairman.] They still are, I gather, if they are making them?

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

Mr. Hoy.

4692. I hope that will not lead to any misinterpretation. If they still go on prescribing prescriptions of no therapeutic value they will still be paid for doing so?—When you say “they”, of course, it is the chemist who makes it up who is paid. He, of course, in fairness to him, makes up whatever is prescribed and is entitled to be paid.

Mr. Hoy.] That is what I said.*Mr. Blenkinsop.*

4693. But would you agree, Sir John, it was only after the Cohen Committee had completed its Report that it was possible to say that this particular group of medicines were of no therapeutic value, and many of them were well known?—We, of course, as a Government Department obviously would be quite incapable of saying what medicine was or was not of therapeutic value. We must seek the advice of experts; we sought it in the Cohen Committee and their Report classified them in a number of classifications, of which one, if I may again put the wording right, was “Not proved to be of therapeutic value”.

Sir John Mellor.

4694. Have not you medical experts in your Department, permanent staff?—Yes, but we felt on a field of this kind that we ought to appoint a Committee of outside people much more in contact with clinical practice, and so on, and a man of the eminence of Sir Henry Cohen was obviously a suitable chairman.

Sir John Mellor.] No doubt, but you had expert advice available to you before that?*Mr. Steele.*

4695. You had your suspicions, Sir John?—Do I have to answer that?

Mr. Hoy.

4696. Has this anything to do with the water contained in a prescription? You remember that last year it was argued that the Scottish prescription cost considerably more than the English one and it was suggested that, maybe, the water content of the English one was greater than the Scottish one. Would you think that might have increased the ratio of the prescription?—I do not think it has any relationship with this problem but I have always understood the water content in England was always slightly greater!

Chairman.

4697. On the other hand, if I remember rightly, the Scottish chemists charge for their water and English chemists do not?—I think Mr. Smith must answer that question.

Chairman.] Now, the Minute on paragraphs 15 to 20 of last year's Committee's Report I will take in three groups, first paragraphs 15 to 17. I have no questions.

Mr. Blenkinsop.

4698. Sir John, have you the intention of publishing at some point of time the final results of the investigations by the team of investigators?—We had not intended to make a separate special publication of that kind of thing. It is the sort of thing which normally might be in the Annual Report of the Ministry and, of course, is always available, obviously, to this Committee, but we have not thought more than that. What we are trying to do here is that we are trying to help, really, the Regional Board in carrying out their own reviews of staff complements. We are trying to issue to Regional Boards tables which show in regard to the various types of hospital in their own areas and various types of staff, ratios of staff to work done, and we hope that if they begin to look at that in relation to their own areas they will get some idea of where the shoe is too loose.

4699. Will not it be useful if at some point, either in the Annual Report or in some form or other, the general information of what has been achieved could be made public for general interest, wider interest than that of the Public Accounts Committee, possibly?—We will certainly consider that point.

Mr. Steele.

4700. I see that this survey is carried out in a few selected hospitals and is specially undertaken by a team of experts. I am interested in who those experts are?—May I ask where you are quoting from?

4701. I am sorry, we are discussing the Review of Hospital Establishments, paragraph 15, and that appears in paragraph 2 of the Treasury Minute?—The teams which are used from headquarters are usually teams involving the kind of person who has some Organisation and Methods experience, if possible, a person from outside who has some direct hospital experience, and a small team of two or three like that who visit the hospital then go through everything with the people on the spot.

4702. You say a team from headquarters?—We are talking here, I think, in paragraph 15, of teams which were started by the Ministry in 1950 from headquarters. Those teams are going on dealing with administrative and clerical staffs which are mentioned at the opening of paragraph 16; but as I announced to the Committee last year, we thought that things were not moving fast enough so we did institute a new system in which we froze all staff establishments and made it the job of the Regional Boards in most cases to approve

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

any increase at all from then on, and in the case of the Regional Board's own staff in their offices for the Ministry to approve it. So, a complete system of freezing with approvals was introduced. The teams from headquarters which had made most progress were on administrative and clerical, and paragraph 16 opens by saying establishments have been fixed for 243 of the 457 authorities. The Committee may like to know that that figure is now 355 of the 437 authorities and that the visiting now has covered 426 of the 437, so that the visiting is practically completed; so, there is a great deal of progress on that.

4703. I take it these experts are taken from the Ministry, and you say sometimes outside people are brought in. For instance, you have not considered the employment of some retired establishment officers?—No, in that case the main thing, as I say, which is being done by us direct and is now nearly complete, is administrative and clerical staff in the hospitals and there the teams usually include a hospital administrator, someone who spends his life normally in administering hospitals, who is brought in with one of our own people, if possible, a man with Organisation and Methods general training, but we attach great importance to bringing in the man from the field who knows the job.

Mr. David Jones.

4704. You have just told Mr. Steele, I believe, that the figure of 243 has gone up to 355. I take it that is that 112 additional establishments have been settled in the course of a year?—Yes.

4705. Would you regard that as reasonable progress or as a bit slow?—Bearing in mind the problem of getting these teams round each individual hospital where they have to visit and go into every detail, I should have thought it was not unreasonable. We have practically completed the investigations now—the other figure I gave you—so I do not think the rate of progress is too bad.

4706. What was the average reduction in the size of the staff, can you give us any idea?—The one that was concerned on administrative and clerical, as you can see from paragraph 16, showed roughly 6 per cent. That was the other thing I was going to mention to the Committee. I ought to say that as the result of all these other things the average has dropped, not increased, to about 4 per cent. That we would have expected because we naturally took in order of priority the worst cases first. It is, in fact, I think, something of the order of 4 per cent.

4707. Would you expect a progressive reduction in that percentage?—As one gets to the people whom one thought it less

necessary to investigate, one would expect to find less reduction, but there is not much further to go so I hope the reduction will not be much different.

4708. Mr. Smith, the account does not seem to claim very much in the way of tangible results in Scotland. Can you tell us of any?—(Mr. Smith.) We did carry out an investigation of staff complements of six selected hospitals through the medium of an expert team. The report of that team suggested savings of the order of between 7 and 8 per cent. on total staffs at the hospitals. We then proceeded to discuss the position with the Boards of Management concerned and as a result of implementing some of the recommendations put forward by the team there has been an annual saving of the order of £25,000, which represents a reduction of about 2.9 per cent. in the staff complements at these six hospitals. I should explain that we did ask the Boards of Management themselves to examine the possibilities of reducing staffs, but the results were rather disappointing and we felt it was necessary to give them expert assistance in looking at this task. What we arranged to do was for one of the members of the expert team to go round and discuss the position with Boards of Management, to draw to their attention the methods adopted by the expert team and persuade them to adopt those methods. It is a little too early to say what result that would have. I do not think one can expect spectacular results, but we do hope that it will result in savings. I should say, also, that as a result of visits paid by the Department's Domestic Adviser to Hospitals, she is frequently able to suggest economies in the employment of domestic and ancillary staff, but unfortunately these are dependent, sometimes, on things like rearrangement of kitchens and acquisition of labour-saving devices, and so on. It is, perhaps, of interest to mention that between 1951 and 1953 the numbers of domestic and ancillary staffs have dropped by 220. That is not a very high percentage, it is about 1.5 per cent., but it was accompanied, of course, by a rise in the number of occupied beds.

4709. What you have just told us is what the Treasury mean in their paragraph 2, when they say that there was a tendency for the reviews conducted without expert assistance to be a little more conservative than those with expert help, is that it?—That is so.

4710. Is it now your settled policy to arrange for experts to be sent to consult with all Hospital Management Boards?—We should have liked, of course, if we could, to have made the expert team available to all hospitals, but we could not do that because they were giving up a great deal of their time, but we did get one of

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

the members of the team to go round, as I said earlier, and he is still going round discussing with the Boards of Management the methods adopted by the expert team and pointing the way to economies.

4711. It is your intention to cover all the hospitals in Scotland with this expert team?—So far as possible.

4712. Mr. Figgures, your Department recognises the need for speed in regard to this matter. Are you satisfied that there is no danger of either the Scottish Department or the Ministry of Health being prosecuted for over-speeding on this?—(Mr. Figgures.) That seems unlikely, Sir.

Mr. Hoy.

4713. Mr. Smith, are you able to assess this reduction in hospital staff? Would you like to say which these hospitals were which were investigated?—(Mr. Smith.) Yes, certainly: the Falkirk Royal Infirmary, Stracathro, the Western General Hospital, Edinburgh and City Hospital, Aberdeen, the Sick Children's Hospital, Glasgow, and Hairmyres Hospital.

4714. So you did select six very substantial hospitals?—Yes.

4715. It is not really an accurate reflection of what you might find in the rest of Scotland where you have got a lot of smaller hospitals?—That is so. I do not think one would claim that the economies that one achieved in the case of those six hospitals would necessarily be equalled by any similar investigation of other hospitals.

4716. That is so, and I think the Committee might understand that. One other point about it: when you say you had a reduction of staff, while I assume there is an actual saving of £25,000 a year in six hospitals over a complete year, might it not be that the numbers of staff involved are a little inflated because they were part-time workers?—No, we have taken that into account. The figure of 220 which I mentioned is really whole-time staff.

4717. In these six hospitals?—The figure of 220 did not relate to the six.

4718. I am now thinking of the six hospitals involved where the numbers of domestic workers were reduced?—That is effective staff, the equivalent of full-time staff.

4719. The equivalent of full-time staff?—Yes.

4720. Then, if that is so, may I ask both you and Sir John why the Ministry issued a directive to Hospital Boards to effect a saving of 5 per cent. in domestic staff if, in fact, your experts in six very substantial hospitals could only effect reductions of 2.9 per cent.? How do you think that the Boards themselves could do twice as well as your experts did?—On that, so far as Scotland is concerned, we did not set a

target or ceiling. That was purely an English target. (Sir John Hawton.) That is so.

4721. Then, on the nursing side it says the Regional Hospital Boards were asked to examine nursing staffs. Did you ask Regional Hospital Boards to examine nursing staffs?—Yes, indeed.

4722. With what result?—Nursing staffs have gone up recently.

4723. But so have the number of patients, I believe?—That is so, it reflects an increase in the number of patients.

4724. Could you show us a statement showing that?—We did not ask the hospitals to effect any decrease in nursing staffs. There is in general a shortage of nursing staffs. It is mainly domestic and ancillary staffs.

4725. What saving did you expect to get, Sir John, out of examining the nursing staffs?—We did not set a target for the nursing and, in fact, it has gone up. There has been roughly an increase of between 3 and 4 per cent. but, of course, that has been accompanied by some development of the service and the problem is that there are still shortages of nursing staff. We are very well aware of them, particularly in mental and mental deficiency hospitals, and I would say that the improvement there is some evidence that distribution has improved.

4726. Is that, in fact, what you were asking them to examine?—Well, we cannot, of course, take positive steps to redistribute, there is no power of direction, but we were asking them to look for economy wherever economy was possible, and it looks as though there has been some redistribution as a result; but there is no doubt about it, the total has gone up by the percentages I have just given and I think it has been bound to at the moment. Indeed, we are trying hard to recruit nursing staffs for mental purposes.

4727. I am not complaining, I am just saying I find it rather strange without any explanation, because you are saying here that you asked them to examine the nursing staffs and to aim at a 5 per cent. reduction in domestic staffs; it is all in the one sentence, as if in fact you were trying to have a cut on the nursing staffs too?—No, this is, perhaps, shorthand. What we really did is to ask them to look critically at nursing staffs to see if there were any reductions in individual hospitals which ought to be made. We did not suggest any total target for total reduction of nursing staff and the fact that the domestic one with its target appears in the same sentence, is just, perhaps, bad drafting or a form of shorthand. The two are not treated quite on the same footing.

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

4728. I must repeat, in view of the answers to the questions put last year, that there is no danger of your cutting the domestic staff to such an extent that nurses may be asked to undertake domestic work?—We made that clear actually in the document itself which went to the Boards, that on no account must cuts be made in such a way as to throw non-nursing duties on to nursing staffs.

4729. And you would, of course, take the same precaution in Scotland, Mr. Smith?—(Mr. Smith.) Yes, indeed.

Chairman.] Now, paragraphs 4 to 6 of the Minute, dealing with paragraphs 18 and 19. I have no questions.

Mr. Blenkinsop.

4730. Have you anything further to report on the working of the Special Committee that was set up to investigate the possibility of introducing a scheme of cost accounting in hospitals, or any information?—(Sir John Hawton.) No, this is at the moment sitting. I have nothing specific to report on that. It is sitting and working as fast as it is possible for it to go having regard to the investigations it has to make. But it is sitting.

4731. Knowing our common dislike of making any prognostication as to the future, have we any idea about that at all or have you any contacts?—I would really much rather not, because I am not sufficiently *au fait* with the Committee's daily proceedings; but I do know, and it is fair to them to say this, that they are an active body and I do think they will do this job as soon as they can.

4732. Might I just put this further point to you: you are interested, presumably, not only in being able to get some comparison between hospital and hospital, very difficult as that is, but also in trying to establish the possibility or otherwise of having some form of actual departmental costings?—That is one of the central points before them. I will not go into all the difficulties, of which the Committee are aware, of doing that without a lot of additional manpower, but that is for the working party to look into.

Mr. Hoy.

4733. How have the Regional Hospital Boards responded to your request to make use of the costing returns as referred to in paragraph 5 of the Treasury Minute, dealing with paragraphs 18 and 19?—Generally, the Regional Boards have told us that they have found these hospital costing returns very useful indeed. Obviously it is almost impossible to try to translate results into terms of any specific figures, but they have all said they found them interesting. I do not want to bore the Committee, but there is one small point I may make, that

we are now trying to improve them a little further, in one gap we have found. We think they ought to include the cost per person fed. It is quite an important point which we have not been able to compare before. We are trying to introduce that modification without waiting for the working party, but that is in our own rough costing return.

4734. What about the teaching hospitals?—The teaching hospitals as I told the Committee last year, regarded themselves as rather *sui generis* in this and have not, perhaps, been quite so enthusiastic as the Regional Boards, but we are doing quite a number of things in regard to them. We are sending round to selected teaching hospitals, sample teaching hospitals, technical officers to carry out investigations into one or two things, mainly the question of provisions and the cost per person fed of those, secondly, the question of drugs and dressings and the method of control of the cost of those, and thirdly, fuel, light and power. Now, all of these are to be selected teaching hospitals to see if we can get any useful result out of it, and we are sending technical officers direct to do that while the working party is carrying on with its work.

4735. Mr. Smith, would you like to say, has your study led to any economies yet?—(Mr. Smith.) We have been studying costing for a number of hospitals, as mentioned in the Treasury Minute. We have more or less decided on a basis of costing which we are now proceeding to discuss with the medical people in the hospitals. We think that there should be no difficulty in introducing a good form of costing, but it may take some little time to get each individual hospital to adopt it and they may need some expert advice before they are in a position to do this.

Mr. Steele.

4736. Mr. Smith, I see that the Department of Health for Scotland only appointed a working party whereas the Ministry of Health in England and Wales appointed an expert working party. Is there any significance in the terms?—I should not have thought so.

4737. And what is the difference between a working party and a Committee?—Perhaps we were being unduly modest.

Chairman.

4738. If I remember rightly, Sir John, the teaching hospitals claimed, I think, that they were *sui generis*, that they could not be compared in any way with the ordinary hospitals, they were quite distinct?—(Sir John Hawton.) Yes.

4739. Is there any particular reason why the teaching hospitals should not be compared with each other?—The problem is really to keep a middle course in the prob-

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

lem of the teaching hospitals, and we decided to use a rather different method, to take these technical officers and say: "Well, the things where we are most interested in your costs are those items I have given you, and these fellows are calling on you and they want to know all about it". It is rather an *ad hoc* procedure, perhaps, but it will probably be a little quicker than anything else. I think the Committee know the difficulties.

Mr. Hoy.

4740. Of course, we understand you have a different system in Scotland, but the teaching hospitals in general provide you with these figures, do they, Mr. Smith?—(Mr. Smith.) I am rather new to all this. I should hesitate to express a view on that.

Chairman.

4741. You believe that teaching hospitals in Scotland can be just as awkward as in England?—The teaching hospitals in Scotland come under the Regional Boards.

Mr. Hoy.

4742. That is exactly what I mean, and so they do not provide these difficulties, surely, that the teaching hospitals in England seem to find?—In general agreement with the Regional Board, investigation, of course, covers the teaching hospitals automatically.

4743. Perhaps it may be some encouragement to Sir John when he is dealing with teaching hospitals in England?—(Sir John Hawton.) The teaching hospitals in England do not come under the Regional Boards.

4744. I know, Sir John, that is exactly what I am saying, but the teaching hospitals in Scotland do not seek to make excuses or put themselves above the Hospital Boards. Why should the teaching hospitals in England seek to act differently?

Mr. Steele.] Mr. Hoy is pointing the moral.

Mr. Hoy.

4745. I am only saying it may be a little hint to the Department in England to say: "You know, you really cannot put yourselves above the battle. Teaching hospitals in Scotland do not feel in any way offended by having to answer these questions". Is there any objection to that, Sir John?—It is a very difficult question.

4746. I do not see any difficulty at all?—I quite appreciate your point of view on it. I quite appreciate that the teaching hospitals must not, of course, be allowed to take an unreasonable attitude in this. One also appreciates that, as constituted in this country, it is quite true that they are rather differently situated from the ordinary hospitals. They have various problems which the others have not got, and I think

it is a matter of balancing their claim against the national view, and I will certainly take note of what you say about it.

Chairman.

4747. I do not suppose that this Committee is particularly concerned about the method, so I do not think the Committee for a moment would be prepared to admit that the teaching hospitals are above investigation?—I hope, Sir, the Committee will notice that we have started a type of investigation in these fields which we have not in fact started anywhere else.

Chairman.] Now, paragraph 20. I have no questions.

Mr. David Jones.

4748. On paragraph 20, Sir John, has the expert Committee now reported?—Yes. The Committee, if I may try to shorten it, found, on the whole, that the criteria which had been laid down for the holding of land by hospitals in this way were not being observed, that very few patients were being employed in occupational therapy on this sort of ground, that it was questionable whether the reasons which used to lead hospitals to provide their own milk, and so on, still were justified, and that the thing warranted reinvestigation. They therefore suggested, and this is the material point, that Boards should each set up a small investigating committee, including a doctor, to visit each farm in the Region and to advise in consultation with the hospital whether that farm need be retained. The Minister accepted that recommendation, told the Regional Boards and all hospital authorities that he had accepted it, and that the proper criteria in future were really four: reasonable seclusion for the hospital, suitable occupation for the patients, recreational space and site for development and future buildings. On that we have called for a review with these Regional Committees set up and with these criteria laid down, and called for that review by this autumn. I hope that has not taken too long, but that is a rather concerted summary of it.

4749. Are you now satisfied that the Boards are fully carrying out those things?—I see the Boards are now appreciative of the right attitude to this in a way which they were not before. As the Committee knows, we do meet, quite apart from official details. I meet the Chairmen of the Boards every two months, and we meet their officers every month or two and this is one of the things we have often talked about, and my own impression is that, certainly, the Chairmen of the Regional Boards are not at issue with us on the whole of this. I think we are going to clear this thing up.

4750. Have you found any of the Board Chairmen suggesting to you that, if they were allowed to run piggeries, they might

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

use up the waste which would otherwise have to go outside?—We thought, and the Committee thought, that so far as running piggeries merely for the proper consumption of the swill of the hospital was concerned, that was not an illegitimate thing to expect; that is quite reasonable. It is only when the thing goes rather outside the hospital field proper and becomes like farming for its own sake that we have got to clamp down on it

Mr. Hoy.

4751. The Air Force do it, Sir John?—That I cannot answer for!

Mr. David Jones.

4752. You would be prepared to regard the keeping of piggeries in order to consume what would otherwise be waste from the hospital as something which comes within the hospital province?—Within reason, yes.

4753. Regarding paragraph 8, have the Committee made any recommendation for extending or altering that policy? The Committee has not made any recommendations which vary from the 1948 suggestions, I take it, so far as carrying out the policy is concerned?—The Committee found that those 1948 standards as to the right purposes for farms were not, in fact, being carried out, and as I said just now they made these new recommendations about these new inquiries. We have now set out in a new form the criteria to be observed, which I think I did give the Committee and which is on the record, and have told them to go ahead with this and report in the autumn.

4754. Have you lost more money or less money this year than last year?—This busi-

ness of assessing the real cost of farms is almost hopeless, or has been under the past system, as I did explain to the Committee last year. Items that ought to appear do not and items like ordinary gardens round a building appear in it and should not, and we feel that the only answer to that is to introduce a form of trading account which really does show the actual profit or loss on these things as such. It would not be an absolutely true trading account, I am advised, in the pure accounting sense, but it would at least show whether in fact on the whole this kind of activity is resulting in a profit or loss. At the moment, quite honestly, we do not know because although expenditure may appear under certain headings as "farms and gardens", it may (a) include things which it should not and (b) not include things which it should. I think we went rather fully last year into that, but we are proposing to cover that in the form of a trading account. That is the other thing we want to do on this. I do not want to take up the Committee's time, but perhaps I could mention, as part of progress on this, that we have put up for disposal, without waiting for these activities which I have described, ten farms of which three have already been sold and the others are in process of being put up for sale, so we are trying even without waiting to get on with this. We are entirely, if I may say so, at one with the Committee on this thing. It is only a matter of getting it done.

Chairman.] I propose to postpone questions on paragraphs 21 and 22 until next Thursday. We will take those with the White Paper accounts.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I TO VIII).

CLASS V.

VOTE 5.

NATIONAL HEALTH SERVICE, ENGLAND AND WALES.

TREASURY MINUTE ON PARAGRAPHS 23-26 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Chairman.

4755. Will Members now turn to the Civil Appropriation Accounts, Classes I to VIII, to paragraphs 42 and 49 of the Comptroller and Auditor General's Report, and also to the Treasury Minute on paragraphs 23 to 26 of the Third Report of the Committee of Public Accounts, 1952-53? Sir John, can you tell us a little more about the properties acquired between 1950 and 1952 and not yet brought into use?—(Sir John Hawton.) These are the various hotels?

4756. Yes, I think most of them are hotels?—I can, of course, give the Committee full details of the history of all these, if I may say so, rather unhappy cases. I think most of it is already in either the Report or the Treasury Minute.

4757. In that case, we just want some additional information. Can you give us some explanation of how these came to be acquired? I think that is really what we want?—Yes. May I say right at the outset that this is one of the things for which I feel we should make least excuse. It is,

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

looking back after the event, not a very happy story and none of us in the Ministry think so. But, on the other side of the picture, historically at the time these earlier stages were happening it did, of course, seem reasonable in the individual cases. It is necessary, I think, to point out that in these earlier days of the Service, rightly or wrongly, the general climate was one of a new service and development and the feeling was that things which looked reasonable should be encouraged; and also the climate at the time was that, as far as possible, there should not be too much bureaucratic interference from the centre, but that the service was being administered in the field. As you know, since then we have tightened up so much on financial control that we are now under considerable fire the other way, but I am not for one moment suggesting that when one looks at the historical facts and dates of these, that they are particularly defensible cases. Obviously, they ought to have been got rid of sooner and the thing which seems to me vital, if I may say so, is the thing which is referred to towards the end of paragraph 26 of the Report, where it is said that the Ministry's general arrangements ought to be tightened up to stop all this happening in the future. That seems to me to be the key to the whole thing, and that we are really concentrating on. I think in the process it is only fair to say we may find even more of these cases. There may be more when we start really digging, but what we are doing is broadly set out in the Treasury Minute; but in essence we have now, I think, and I do hope I am right, blocked every hole for the future. We have imposed on all the Boards in future a complete procedure whereby they have got to tell us within six months precisely what has happened if the use is not followed up for which they were allowed to buy a building, and if they are proposing to alter the purpose they have got not only to tell us, but we have got to tell the Treasury. We have agreed all this and we have also agreed, and I think it is very important, that we should to keep the Treasury periodically informed with up-to-date schedules. My own feeling is that it does not explain these past cases, but we have, I think, at least got this thoroughly tightened up; there has been this number of perfectly legitimately criticised cases for which, in wisdom after the event, there is not a great deal of excuse, but as the months went by at the time everybody thought that they were going to do this and they were going to use it for this or that, and so it drifted on.

4758. How many properties are you in possession of that have been purchased for six months and not yet been put to the purpose for which they were bought?—May I just give you the exact number if I can find it? I will correct this afterwards if it

is wrong, Sir, but I think it is about 40, 40 or more.

4759. Have you any information, Sir Frank?—(Sir Frank Tribe.) The Ministry told the Treasury last month that there were 46.

4760. That is, those that you have been in possession of for over six months. How many have you been in possession of for over twelve? Six months is not, of course, a particularly long time in applying a building to its purpose, if it has to be altered?—(Sir John Hawton.) May I give you a note, Sir, on this? May I give you the fullest details?

4761. Let us know how many you have had for twelve months and how many you have had for two years?—I am not sure that I have got the note here, and as the references to this are rather dotted about the reports it is difficult to find them without a lot of time. But would it be helpful to the Committee, as I am attending again, if we were to give the Committee a note, may I be quite clear, of the number we have had for six months not yet in use and twelve months?

4762. And two years?—And two years*.

4763. Are the Treasury satisfied with the arrangements that have been made to prevent this happening again?—(Mr. Figgures.) We hope so, Mr. Chairman. What matters is to ensure that it does not happen again; we have made arrangements to receive every three months a schedule of precisely the type which Sir John has just described, and on the basis of which we shall discuss with the Ministry, all these cases which are lagging and where it appears that some alteration is needed in order to escape the liabilities which the Ministry has taken on.

4764. Sir John, looking at paragraphs 44, 45 and 46 of the Comptroller and Auditor General's Report to the Appropriation Accounts, what is the history behind this? One hotel in a South Coast town is referred to, and then in the same town another hotel was purchased?—(Sir John Hawton.) Yes.

4765. What is the town?—The town is Southsea and Portsmouth.

4766. Take the first hotel. How was it that the estimate was so badly out?—This is the one referred to in paragraph 44?

4767. Paragraph 44, yes?—I think really the story is simply the one we have given you. These were revised estimates made from time to time. Whether the costs for the articles were going up in those years or not, I am not sure, but if you are talking of the cost of adapting, the Board's architect in 1950 said the adaptation would be £12,000 and the Treasury approved that. In September, 1951, nearly a year and a half after-

* Appendix 8.

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

wards, the revised estimate, to include a preliminary training school, was £23,000. Our own officers went into that and decided it was an under-estimate and it ought to be £30,000, and at this the Treasury, I think quite rightly, jibbed, and it was really different people's estimates, I think. In the end, as you know we got rid of the place.

4768. This process with regard to this hotel was going on from May, 1948, to September, 1951, and in the middle of it the Board in the same town bought another hotel and then eventually found that even that hotel was not necessary?—You say, "the same town". The purchase of the other one was for another hospital.

4769. Yes, but it is in the same area?—Yes.

4770. And the same Board, I presume?—Yes.

4771. When things like that happen what representations do you make to a Hospital Board?—Now, of course, we demand the most minute explanation of why they want it. In those days there was a great deal more discretion left to the Boards to judge for themselves. It was a matter of policy, as you will remember, in those days. As I say, looking back, I really think that these are cases which, if we were handling them now, would be handled very differently. I think the Treasury would agree that with our new arrangements we would handle this very differently.

4772. Then there is a new hotel in South London where you spent £9,000 odd, and apparently the thing is full of dry rot. Has the dry rot occurred since the adaptation or was it found, and what is happening to the place now?—This one is one we never did like. As to this one, we started at the very beginning by saying it was too far from the hospital; it is ten miles away—it was meant to serve a mental hospital—and it will involve transport, but in the end we were persuaded that there was not anything at that time equally convenient, and so we rather reluctantly approved it. But the dry rot, of course, was discovered during the process, it was not known at the beginning, and in the end, ironically enough, the Board themselves decided that it was not suitable.

4773. What is happening to it now?—It is up for disposal at this moment.

4774. Now the hotel in the West of England; what town is this?—Bath.

4775. Is this also up for disposal or is it being used?—No, this one is, in fact, in use. The Board applied, right back in 1949, to get it for a nurses' home and the Treasury somewhat reluctantly agreed in 1950. This is all in the early years. The district valuer negotiated and a purchase was done in March, 1950. It was done on an estimate of 240 beds being available in the hotel. That was estimated when the hotel

was a going concern as a hotel, and it was impossible to go round from room to room looking into them, and it was done on information received plus a general assessment of walking round the place, apparently.

4776. Were there no plans?—Yes, on plans, of course.

4777. Were there no existing plans?—There were plans, yes.

4778. Surely any architect ought to be able to assess the number of beds you can get into a room?—Not necessarily the number of beds. Anyway, they did assess it wrongly and, in fact, we found that 40 fewer would, in fact, be available and there are, in fact, 201 available. At the moment 194, that is just seven less, are in occupation. We cannot, obviously, keep a full 100 per cent. occupation because there is always a change-over, but it is broadly full occupation, 194 out of 201, and that is how this is being used at the moment. But, compared with an estimate of 240, it is 201, in fact.

Mr. Blenkinsop.

4779. Would you agree that the new arrangements that you have made do impose a fairly meticulous control over the work of Regional Hospital Boards?—Yes. I do not want to get into generalities, though they are really relevant here. I think this is part of a typical dilemma we are in throughout the Health Service, if I may say so, and that is drawing the right course between absolutely detailed control from Whitehall and not. We think undoubtedly the new arrangements, I am perfectly sure, as long as we operate them successfully with the Treasury, will stop these bolt holes. They will undoubtedly be very unpopular.

4780. What is your general feeling about the effect of this on the willingness of the Hospital Board members to undertake the imaginative work, if you like, that is essential for effective planning?—If you ask me the effect of this particular new system we are adopting, I really could not tell, but there again you are harping on the one dilemma in administration which, Mr. Chairman, we have got throughout, and we have always had throughout the problem inherent in this Service, of finding the right *via media* between over-interference and under-interference.

4781. Would you agree with me in saying that one has to get some fair balance between the likelihood of these sort of problems arising if you leave a great deal to the local body to decide and the possibility of stifling initiative on the other hand?—I think you have to do that in most fields, but when it has the result that in these early years it has in these recorded cases, I have no doubt whatever that one should come down on the side of control.

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

4782. You would agree that where it has been proved necessary, as no doubt it has here, then those who are arguing very strongly in favour of greater liberty have got to make their own defence, as it were?—In cases of this sort I should have thought there was no doubt that stricter control is absolutely essential, but the wider issue you raise is an extremely difficult one running right through the administration of the whole Service.

4783. Would you feel that this particular problem, just dealing with this particular matter of unused premises, is difficult pretty generally throughout the country, or were these problems particularly acute in one or two Regional Board areas?—I do not think we have any reason to attribute any particular culpability to any individual Board on this. Probably some are worse than others, of course, but this kind of thing was to my mind rather liable to happen in those early years, and I think that there is really no legitimate excuse that could be made for the continuance of the possibility of it happening, and therefore we have, with the considerable help of the Treasury, entered into these new arrangements.

Sir John Mellor.

4784. With regard to the hotel at Bath, on what facts did you base the information which you gave to the Treasury that the hotel would accommodate 240 nurses?—It was made on plans and measurements supplied to us at the time.

4785. By the vendors?—Presumably from them originally, through the Regional Board.

4786. Was it a representation to you on which the purchase proceeded that there was a certain amount of space?—When the proposal was put to us, and we naturally wanted to know how much space, the figure of 240 was given and was based on the plans and measurements and drawings produced. In fact it proved to be wrong by 39 beds.

4787. But those plans were supplied, presumably, you say, by the vendors and therefore was not there misrepresentation in this case which caused the Board to enter into the contract?—It is very difficult for me to say in a case so long ago as this. There are other possible explanations. The assessment of the number of beds you can use a building for depends so much on what sort of purpose you want the beds for. There are differences between nurses' homes and hotels and so on. It was represented—I cannot answer without checking, but one assumes it can only have come from the vendors or their agents through the Regional Board—as being presumably capable of about 240 beds. Well, they were wrong by a not very big number, by 39.

4788. You say that was based on the plans. The plans were either correct or incorrect. Has not any examination been made into the correctness of the plans?—I think that, given the plans in front of them, the Regional Board must have made their estimate as to how many nurses they could conveniently and appropriately accommodate in such a building, and they assessed that at 240. Then, when they finally got in and went round, for detailed reasons, I suppose finding certain rooms not as useful as they thought, and so on, they had to reduce this by this figure of 39.

4789. Surely this matter having arisen it must have been investigated? Surely you must know, and know quite definitely, having investigated it, whether it was the fault of the Regional Hospital Board in misunderstanding the plans and the accommodation which would be available, or whether it was that faulty plans or misleading information were supplied by the vendors to the Board?—I will check this, but I would have no doubt—

4790. Have you not checked it already?—No, I mean I will check what I am about to say, but I have no doubt in my own mind that what would normally happen in such a case is this, that the Regional Board would obtain the plans and drawings.

4791. Excuse me, I am not asking you what normally happens, I am asking you what happened in this case?—I cannot tell you that for certain unless I check it, but I am perfectly sure that what would have happened in this case, as well as normally, is that they would get the plans, they would then say to themselves, "We are proposing to use this for a nurses' home", they would look at the plans and decide how many nurses they could get in.

4792. I want to know what happened in this case. Could the Treasury give me any information, because this involved a considerable disappointment in the accommodation available, and I should have thought that the Treasury would have insisted upon being very fully informed as to how the error came about. Can the Treasury assist me in this matter?—(Mr. *Figures.*) I am afraid not, Mr. Chairman. Our knowledge of this particular case is quite recent, and we know nothing about what happened in the past.

4793. Are you making inquiries into it?—We are still in correspondence with the Ministry on this particular case.

4794. Have you inquired of the Ministry on the particular point as to how the mistake arose? Was it simply a mistake on the part of the Hospital Board in interpreting the plans and in making their calculation of the amount of beds, or was there misrepresentation by the vendors at

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

the time of the purchase of the hotel?—We had assumed from what we have been told that it was a mistake on the part of the Regional Board. We certainly have not made the point which you have just been making.

4795. That is what you have been told by the Ministry?—That is what we have assumed from reading the papers. Whether we were told in terms, I do not know.

4796. It seems to me, Mr. Chairman, that both the Ministry and the Treasury are going on a lot of assumptions instead of ascertaining the precise facts which I should have thought ought to be ascertainable?—(Sir John Hawton.) May I intervene for a second and say that obviously the Committee should have every item of information they want on such a case as this. May I provide the Committee with the exact answer to your question by reference to our records? I am afraid I have not got it in my own head.

Sir John Mellor.] I think it is desirable that we should have it, but it is very much better that we should have it today and then we should be able to ask Sir John some questions about it, perhaps. As it is, we will get it as a paper coming in later, and I do not know whether there will be a further opportunity to ask questions upon it.

Chairman.

4797. Sir John will be before us on Thursday. Could you put this paper in for Sir John Mellor?—I was just ascertaining if we can. We will do that if it is humanly possible. If it means going to the Regional Board to ask them it may be a little difficult, but I do assure the Committee that we will do everything possible to get it. I think it is a gap in the information which we have given you, I quite agree, and we shall do it.*

* *Note by witness:* Enquiries show that the estimate was made by the Hospital Management Committee concerned. Since a room-by-room examination could not be made, the estimate was based on the number of bedrooms for guests with an addition made following an inspection of certain public rooms which could be converted into nurses' bedrooms. The estimate was made in good faith and accepted as such by the Regional Hospital Board. Since then the Board have taken steps to ensure that they themselves will arrange for professional inspections or examinations of plans in any similar case. The information given to the Committee that the estimate was based on plans and measurements was derived from information supplied by the Board which it has now been ascertained was erroneous. The error is much regretted.

Sir John Mellor.

4798. I feel, Mr. Chairman, that when things like this happen the Ministry and the Treasury should both fully inform themselves as to the precise facts and be able to give them to us. I turn now to the Southsea and Portsmouth case. Paragraph 45 of the Report deals with the case of the second hotel to be purchased, and in the middle of that paragraph I read: "This hotel was bought in June, 1950, for £46,500, and plans were drawn up for a scheme of adaptations; it was found necessary, on inspection of the building after it had been purchased, to carry out certain unexpected repairs and in March, 1951, the Treasury approved, with the utmost reluctance, expenditure estimated at £14,596 on repairs and adaptations". What inspection of the building took place before it had been purchased?—There had been a preliminary inspection which did not detect this, and the other did.

4799. Who was responsible for that inspection?—It would be the Regional Board.

4800. Whom do they employ? Do they employ professional surveyors?—They usually employ their own architects for this purpose.

4801. Their own architects. What has been said about this to the Regional Board?—What was said at that time I have not got in front of me. We received the revised reinspection figure, we then went back to the Treasury and pointed that out and they approved reluctantly the revised figure and the Board were allowed to proceed.

Chairman.

4802. The Regional Board are essentially voluntary workers, are they not?—The Regional Boards themselves are entirely composed of volunteers but, of course, they run offices with paid officers like architects and others.

4803. What power of sanction is there that you can take with regard to Regional Boards?—It is much stronger now than it was originally and we have tightened control year by year ever since, and have been under considerable criticism from other quarters for doing so.

Sir John Mellor.

4804. With regard to the necessity for purchasing these hotels, how were the nurses accommodated in Southsea and Portsmouth before these hotels were purchased?—Presumably by crowding in the hospitals and that is why they decided if they got nurses' homes they could make more room for hospital development. This was all at a time when hospital development was rather the policy.

4805. How are the nurses accommodated now?—I think now they must be in their

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

own homes because, of course, now, as you know there is the change with regard to nurses, that they are all paid on a different basis which does assume that they pay for their own accommodation. If they should be accommodated in a hospital they have to pay the hospital. There is a bigger tendency for nurses to live out now than there was.

4806. The purchase of the second hotel was made, as is described in paragraph 45 of the Report, as "an urgent and essential need". Do you agree that that was the case?—We thought at the time it was an essential need. The period that immediately followed it, roughly 1951, was a period of retrenchment in the control of capital expenditure and material and there was a general slowing up in all adaptations of new properties, and so on, and it was then when policy began to change.

4807. You are rather suggesting here that it was a question of policy as to whether it was essential or not. Whatever might have been the policy, here you had a case where two hotels were bought and neither of them used. Surely on any basis of policy, certainly both of those purchases could not be justified?—At the time we genuinely thought that both could be.

4808. You thought they were at the time, you say, but what did you think afterwards?—Looking back now, I think that one should not have approved the purchases but we are living in rather different times.

4809. Looking back now you agree that neither hotel should have been bought?—I think so, yes, myself.

4810. How much money was thrown away?—I am trying to do a sum as far as possible. The total cost of the one at Southsea—there was one at Southsea and one at Portsmouth—the Southsea one, that is the second one referred to in the Report, was £54,000 and the other one which is, I think, the first one, the one at Portsmouth, was taken over by us. It was not bought, it was there before the appointed day and was taken over by us and has now been sold. The one at Portsmouth was there and taken over automatically on appropriation on the appointed day as part of hospital property and that one we have sold for £11,500. What we spent on it, as far as one can see accurately, is just under that, £10,569.

4811. So, would you give me the total loss on both hotels?—The one I have just mentioned, the Portsmouth one, one took over as an automatic transfer by act, spent £10,500 on it and sold it for £11,500. But the other one seems much more serious, that is, the Southsea one. There is, I should say, a total loss of £54,000 odd. I am sorry, Sir, may I make one rider to that? I say, a total loss of £54,000; that is to the National Health Service, but as it has been

passed to the War Office without payment, as is customary in Departments, presumably it is of some value to them and to the Exchequer and there must be some set-off, but it is customary for Departments not to sell to each other. We lost to the Health Service £54,000 on it, and then handed it to the War Office and of what benefit it is as a set-off to them I am afraid I cannot answer.

4812. Can the Treasury say?—(Mr. *Figgures*.) I am afraid not. The point would not arise if it was a transfer between the Departments. That is one of the savings that is made by this sort of transaction.

Mr. *Steele*.

4813. Sir John, I think you told us that there might be other instances still to come to light. Is that so?—(Sir *John Hawton*.) Yes, I think so.

4814. There may be. So you are proceeding to make your full inquiries?—Yes, we are digging the whole thing out.

4815. Now, with regard to the new arrangements that have been entered into between your Department and the Regional Board, am I right in saying that this is more or less a report which comes from the office of the Regional Board to your Department as to the state and condition of these buildings, at each particular period?—What they have got to do in future would prevent exactly these things. What they have got to do in future is, if they put up a proposal for buying something and we do approve it, they have got to tell us within six months that in fact they have put it into use. If they have not we then inquire why and decide what to do and whether to get rid of it. If on the other hand they put it into use, but it is not the use they bought it for, then we again have to be informed and have to inform the Treasury, and also we make periodic reports in future to the Treasury about all these cases.

4816. So that, in fact, it is not really an interference with the Regional Boards, apart from ensuring that the approval they have got from you to do something is in fact being done, my point being that, in the first instance, whatever capital expenditure the Regional Board wish to incur must have your approval?—Yes, I would agree with you, Sir, whether it is regarded as an interference or not, that in any case it is a perfectly legitimate and proper requirement which we must insist on.

4817. I am not saying it is not. I am only trying to get just exactly what is, if any, the amount of interference that is involved, because, as I see it, there is, first of all, the Regional Board which is a policy board and decides matter of general policy, and then there is the day to day running of the machine, and I take it that the Board first of all asks the approval of the Ministry

18 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

for capital expenditure and if that is done it then becomes the responsibility of the ordinary administrative machine to inform you at each period what exactly is happening?—It does in future, it has not in the past.

4818. So, that is a question of reporting and not something that is coming before the actual Board of Management at the time. But only if the administration of the board departs from the purpose which you as a Department have agreed to, would it then become a matter for discussion?—Or if they failed to use it in six months.

4819. Yes, of course, which is quite understandable, and I am sure that the Boards would want to see that they used it in future?—I hope so.

4820. Mr. Smith, you have been very silent for some considerable time. Have you anything to say about any instance in Scotland of this kind?—(Mr. Smith.) We do not have any problems of this kind in Scotland at the moment.

4821. Do you mean to tell us you have had no problems of this kind?—We have one small property. I think the property was bought in 1950 by the Regional Board. They found that they could not make use of it for the purposes they had in mind and they have since been trying to sell it. It has been advertised on a number of occasions and has not so far been disposed of. I think the cost was £6,000. It was advertised just recently but they have not yet found a use for it.

Mr. David Jones.

4822. Do you think if you searched a bit more carefully you might find some other cases in Scotland?—I do not think so.

4823. I should hate to think that Mr. Steele and you would go from this room with haloes round your heads?—Scotland, of course, is a smaller country and we are in close touch with the Regional Boards, and I think if there were any problems like this we should certainly know of them.

4824. I want to come back to this Bath case, Sir John, because I cannot square my arithmetic. This hotel was bought to

accommodate 240 nurses and it was expected that they would then be able to dispose of eight private houses. The hotel in fact only provided accommodation for 201 nurses?—(Sir John Hawton.) Yes.

4825. But the Hospital Board still had to retain occupation of six houses?—Yes.

4826. If it takes six houses to accommodate 38 nurses, how was it possible to accommodate 240 nurses in eight houses?—It is true, we had to retain six houses with accommodation for 52 nurses in addition to our 201, but, of course, there had been some developments quietly going on, as there are all over the place, with some additional nursing staff, so I think that is where the discrepancy in arithmetic is.

Mr. Steele.

4827. Do the arrangements which have now come into operation in England apply to Scotland as well, Mr. Smith?—(Mr. Smith.) We have an arrangement with the Regional Boards by which they consult us about all projects which are going to cost over a certain figure, £10,000. Anything under that would not come to our notice unless some particular problem arose in connection with it. They do, of course, get a capital investment allocation, and that is controlled.

4828. All this clerical work which has now been introduced into the scheme in England and Wales, regarding reporting of use and misuse and further reports to the Treasury, has not yet been brought into being?—That is so, because it has not been found necessary so far.

Mr. Blenkinsop.

4829. It would be fair to say, would it not, Sir John, that in fact the proposal in each of these cases would have been put up first of all by the Hospital Management Committee even below the Regional Hospital Board level?—(Sir John Hawton.) It might or might not. Presumably, in the case of nurses' homes the Management Committee would be the people to point out to the Regional Board what they needed, but it is the Regional Board who have come to us and it is for our decision finally to approve.

The witnesses withdrew.

Adjourned till Thursday next, at 4 p.m.

THURSDAY, 20TH MAY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Mr. Godber.
Mr. Niall Macpherson.

Mr. Speir.
Mr. Steele.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

TREASURY MINUTE ON PARAGRAPHS 10-14 (continued), 27 AND 28, 29-31 AND 34-36, OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir JOHN HAWTON, K.C.B., Permanent Secretary, Ministry of Health, and Mr. H. R. SMITH, C.B., Secretary, Department of Health for Scotland, called in and examined.

Chairman.

4830. There was just one small matter on the Treasury Minute on paragraphs 10-14 of the Report which was overlooked on Tuesday, and I would like to revert to it. There are one or two questions I would like to ask you, Sir John. With regard to these manufacturers, you are taking rather a long time to get prices settled, are you not?—(Sir John Hawton.) I do not think so, Sir. It is an extraordinarily complicated process. It is not just ourselves; we must operate with the Board of Trade and the Treasury, and consequently one has to have preliminary inquiries as to the levels of profits—that is the big job—where an accountant goes in and has to get all this information. When we have got it, we then have to start discussions with the industry concerned, again keeping in close touch, because of the national interest, with the Board of Trade and others; and, frankly, I think it is bound to take a fair time to do this.

4831. Are you finding any obstruction on the part of the manufacturers? Are they spinning it out? Obviously, if you are going to reduce their prices, the further away you push the evil day, the better?—It varies slightly, but I would have said that, on the whole, we have got good co-operation, bearing in mind the nature of the inquiry. I would certainly answer "No" to the question whether or not we are generally getting obstruction.

4832. Do you feel that once you get down to brass tacks, the negotiations do not take too long?—It varies enormously according to the firm and the articles. Some firms may, in fact, be world-wide concerns whose production in this country is only one facet of a bigger problem, and then we really are up against a complicated thing. In the smaller, simpler things I do not think it should take too long. A good example of that, of course, is the three or four smaller ones we have already completed.

4833. You could, for example, regard existing prices as provisional and date back your payments if you found that there was any difficulty?—Apart from the reasonableness of it, that would depend whether, of course, Ministers were prepared to use on such a scale the power to fix prices and in such an arbitrary way, on which they certainly have not reached a decision yet. But, on the other hand, there have been one or two cases where manufacturers have proposed in the ordinary course of their business increased levels of prices, and have, in fact, been persuaded by us to hold them while we discussed.

Chairman.

4834. Will Members turn now to the Treasury Minute on paragraphs 27 and 28 of last year's Report? Sir John, what are unit costs?—I think, if we all knew the answer to that one, we would be able to solve this problem.

4835. Obviously the unit is not an ambulance unit?—As I understand these paragraphs, if you are taking them from 27, the problem really can be divided by us into ambulances on the one side, in which we are taking direct action, and other local authority health services under Part III of the original Act, in which we are co-operating with the Institute of Municipal Treasurers and Accountants in an endeavour to get at useful comparative costings. If I may leave the ambulances for the moment, so far on the second, which relates to the other services (such as health visits, district nursing, and so on) we have, quite frankly, failed—and so, I think, have the I.M.T.A., between us we have failed—to get at a really useful comparative form of costing. I would say one of the main reasons for that, and the I.M.T.A. are looking into this particular one, is the fact that local authorities have not yet got a uniform system of keeping their own accounts of these services. I do not want

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

to take too long, but to give a sort of example, I have in mind the extent to which they will apportion overheads between different services all done by the Public Health Department, and the extent to which common services in the town hall are attributed to the different departments.

4836. I know the sort of thing?—That is the kind of thing I mean. The I.M.T.A., if I may shorten it to that, are trying at this moment, both for their own purposes and in collaboration with us, to see if they cannot arrive at a system which will help local authorities to get that uniformity but, up to now, although we can get returns—that is easy—none of us have been able to get anything which is really useful; and on ambulances we have, as you know, had returns for two or three years. We have not found them frightfully useful, nor have the local authorities. We are going to get them and we intend to publish them not separately but in the annual report later on, because it is cheaper, but it comes to the same thing. They will be published once a year, but there we have decided—that is, where we act directly—that something can be done from the Ministry and we are sending out field survey people from the Ministry on a quite intensive campaign. In fact, I think it has already started—or else is starting this week or next week—and it is going on this summer picking out individual authorities, some for geographical reasons, and some because they appear to be most in need of attention, and on the spot seeing what they do about ambulances and whether there is any waste, rather than depending entirely on these paper comparative costings. We are doing that to twenty-five authorities to start with in industrial and urban and rural areas, and we are doing that as fast as we can this summer to see if that is another useful method of approach.

4837. Are you getting full co-operation?—Oh, yes, indeed. We have been invited by some of the authorities to send people to help them do this.

4838. The general effect of the Treasury Minute is rather depressing?—At the moment, if the object is comparative costing of all of these services, the position is depressing in the sense that neither we nor these associations have been able to achieve it. I ought to say, against the background of all this, that I do not think there is any particular reason to think that this branch of the Service is a particularly extravagant one. It is unique in that there is the big deterrent that the local authority meets half the cost.

4839. Is that quite as big a deterrent as the Treasury make out? Quite a number of the local authorities get quite a large proportion of their half back under the

Exchange Equalisation Grant, and it will mean little or nothing to them?—(Mr. *Figgures*.) In some cases that is undoubtedly true, Mr. Chairman.

4840. Again, one does not know that authorities are entirely efficient when they have to pay so much as half?—(Sir *John Hawton*.) No; I did not mean to give that impression, but obviously there is likely to be more deterrent if the body pays half than there is if it does not pay anything, which is true of the rest of the Service.

4841. However, you are getting co-operation?—Yes, certainly, and, indeed, have been invited by a number of authorities to help. Meanwhile, instead of resting entirely on that, we are sending out letters personally to the Finance Officers of a number of authorities, where it looks as though there is something to look into, to see if we can get into personal touch with them as to what is really happening in their areas, and we are also going to ask for rather more details than in the past, when local authorities put in their claims for grants, for each of the services concerned.

4842. Mr. Smith, what have you to say with regard to Scotland?—(Mr. *Smith*.) We have worked out unit costs for Scotland for the various local health authority services, but we find they are open to the same kind of objection as Sir John Hawton has just referred to. What we do when we see wide discrepancies between the costs of comparable authorities in the same general area is to go into the matter in greater detail with the local authorities concerned. The real difficulty, I think, is in finding a suitable basis for apportioning expenditure on common services. Different local authorities adopt different methods, and that tends to throw figures out and they are of less value than one would hope.

4843. Would you accept the general tenor of the Treasury Minute?—Yes, indeed.

Mr. *Niall Macpherson*.

4844. So far as ambulances in Scotland are concerned, I take it it is easier to arrive at unit costs than it is in England and Wales?—Well, we do not have unit costs for ambulances in Scotland, but we do work out costs. We know what the cost per mile is, and if we think any area Committee is getting too generous a mileage rate we take up the matter with them and reduce the rate. We have reviewed the position from time to time in various areas: that has generally resulted in a reduction of the mileage charge.

4845. You would take into account on each occasion, of course, the size of the area to be covered, and the other relative factors?—Oh yes, indeed.

4846. How far do you think that such comparisons are useful, then?—It is very difficult to compare costs in rural areas

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B

[Continued.]

with the costs in urban areas. In rural areas ambulances have to go longer distances; in the city areas, of course, they have got to have larger staffs and larger double shifts and that adds to the expense of the Service. It is rather difficult to compare the two.

4847. You have, I suppose, the difficulty of the division of control, the geographical complication, the units being kept at distant points, and so forth?—Yes.

4848. Does that add very considerably to the expenses?—That has added materially to the difficulties.

Mr. Blenkinsop.

4849. (Sir John, on the question of ambulance services, do you feel that a large part of the difference in costs may well be due to different standards of services, such as are referred to in the Minute?—(Sir John Hawton.) That certainly is a factor, Sir, and, of course, another factor is that use of the ambulances depends very largely not on the body providing them, but on the hospitals who are not responsible for meeting the costs. I am not suggesting that they are irresponsible bodies, but we have this curious situation that the body providing the services is not in charge of the use of it.

4850. You have had some discussions recently, have you, on the suggestion that the hospitals themselves should be responsible, rather than the local authorities?—That I would regard at the moment as a matter for the Guillebaud Committee.

4851. Your feeling is that, in so far as there are differences of standard, they are not so widespread to require you to feel that you need to impose some general standard?—I do not think you could impose a general standard, because it would be almost impossible to formulate it to suit all areas, areas with long country routes, and compact urban areas, and so forth. I think the best way is to go on the spot and see what is happening, in a case like this, where one cannot have a theoretical standard, and that is what our object is to do with these teams.

4852. I presume that if there are any wide discrepancies in standards thrown up by those investigations, then it would help you to decide whether either any further directions or further recommendations should be given to local authorities?—Oh, yes.

Mr. Speir.

4853. Could we hear what the Department of Health for Scotland feels would be a reasonable price per mile in the urban areas and in the rural areas?—(Mr. Smith.) Overall, I think that the cost per mile run is working out at something like 1s. 6d.

at the moment. One finds variations. For example, it is sometimes said that if a contract is placed with a local garage to provide an ambulance service, that turns out to be rather more costly. I do not think that has been our experience. We find in these cases that sometimes the rate is rather lower, but it is very difficult to compare a rate in a rural area with the rate in an urban area for the reasons I have mentioned earlier. In a rural area more miles are run, and in an urban area you may have double shifts for the staff and have to pay overtime, and so on.

Mr. Steele.

4854. The 1s. 6d. per mile, Mr. Smith, which you referred to, I take it, includes in the case of a contract with a local garage the maintenance of ambulances as well?—Yes; that includes everything. That is one type of contract, and the rate per mile includes it.

4855. I understand, Sir John, that you say that the hospital authorities determine how the ambulances shall be used. Am I right?—(Sir John Hawton.) You mean for England and Wales? Yes.

4856. Is that the position in Scotland?—(Mr. Smith.) No.

4857. Where does the local Board come in?—The ambulance service, generally, is under the control of a Joint Committee, as you know, consisting of the St. Andrews Ambulance Association, the British Red Cross and the representatives of the Department of Health. They have general control of the service. They arrange contracts, in some cases, with the local garages and, in other cases, with local ambulance committees. The demand comes, of course, locally. We have proposed recently that the local people might set up regional ambulance committees consisting of representatives of the Hospital Boards and general practitioners in the area, to keep an eye on the ambulance services and to make any suggestions that occur to them for more efficient use.

4858. Yes; but at the moment who decides whether an ambulance is necessary or not? Is it the local doctor, or the local Hospital Board?—If someone is to be conveyed to hospital, the doctor is primarily responsible for seeing whether an ambulance is required. (Sir John Hawton.) I wonder if I might intervene for a moment? Perhaps I gave a wrong impression. The hospitals, I meant, mainly govern it. The doctor, of course, can summon an ambulance. The point I was making there was that the local authority, the body paying the bill and providing the ambulance, is the one body that does not determine its use. But the doctor is in it as much as the hospital. I think I gave a wrong impression before.

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

4859. But in many cases, in rural areas, these ambulances make weekly visits to the hospitals?—(Mr. Smith.) I think, as I have said, if the patient has to be taken to hospital, the doctor is primarily responsible for saying whether an ambulance is required. Once a patient has been in hospital, the question whether an ambulance home is required is a matter for the hospital. If the patient has to go back to the hospital for further treatment, the hospital again would probably determine whether an ambulance is necessary.

Mr. Niall Macpherson.

4860. On the method of keeping unit costs, the unit cost you gave was, I take it, an overall cost for the whole of Scotland?—Yes. The figure of 1s. 6d. per mile is an average figure for the whole of Scotland.

4861. Is that kept per unit throughout Scotland?—Yes; we have information about the actual—

4862. Everything per unit, anyhow?—Yes, we have.

4863. How is the figure built up? Is it built up through Regions or through Boards of Management of the areas?—It is built up through the Area figures.

4864. Each Area has got a unit cost?—Well, cost per mile.

4865. Could you give us the largest and the smallest, the maximum and minimum? What is the spread?—It seems to vary between 9d. and 1s. 6d. It must be more than 1s. 6d. if the average is 1s. 6d., but it varies from 9d. upwards.

4866. You are satisfied such a variation is justified by the variations in circumstances?—I think so. We do, of course, look at the rates being paid by the various committees, from time to time. If we have any reason to think these are unduly generous, then we seek a reduction and, in point of fact, in many areas they have been reduced from time to time.

4867. I take it there is not the same variation in standard of service in Scotland as there is in England and Wales?—I would not know the answer to that.

4868. Let me put the question in another way: is there much variation in standard in service in Scotland, or is it more or less standardised?—I should not think there is much variation in standard. In the cities and in the urban areas, you have the ambulance available at short call, keeping double shifts: in the rural areas, it might take rather longer to get an ambulance provided. But in the service, I do not think there is much variation.

Mr. Steele.

4869. But is it true, Mr. Smith, following up this point regarding the standard of service, that the ambulance is not just used in an emergency, but that in certain rural districts where the hospital is rather difficult of access to the villagers, the ambulance is used for weekly visits, or even more than one day per week, for the purpose of taking patients from the villages to the hospital for treatment?—If the person requiring out-patient treatment really needs an ambulance, then an ambulance will be used for that purpose.

Mr. Steele.] That is the standard?

Mr. Niall Macpherson.

4870. There was a time when it was alleged that the occupancy of beds, to some extent, depended on the availability of ambulances. Is it still true? In other words, that sometimes beds could not be evacuated because an ambulance was not available?—I do not think that would be true today.

4871. There is an improvement there?—There is no actual shortage of ambulances at the moment.

4872. And the administration of them does not give rise to that kind of problem?—I do not think so.

Chairman.

4873. Will Members turn now to the Treasury Minute on paragraphs 29-31 of the Third Report of the Committee of Public Accounts, 1952-53, dealing with the Central Register? Sir John, have you come to any conclusion about this Central Register?—(Sir John Hawton.) I do not think so, Sir. It is still under discussion between us and the Treasury. Our own view is that the experiment with the Ministry of Pensions and National Insurance records as an alternative did not prove successful, but, in the light of that, whether it is necessary to have this Register or not is still, I think—I was going to say at issue, but, at any rate—under discussion in a perfectly friendly way between the Treasury and ourselves.

4874. Have you anything to say, Mr. Smith?—(Mr. Smith.) I have nothing to add to that, Sir.

4875. Is there any particular reason why the onus of filling in the cards could not be put on the doctor receiving the patient, and would that not cover the whole thing?—(Sir John Hawton.) I do not think so. The problem is where the patient dies, moves, or leaves the country, and so on.

4876. When the patient dies you have, obviously, your Registrar for Births and Deaths to provide that information?—Yes; you could, perhaps, link up with that, but

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

where a patient moves from, say, Bedfordshire to Devon, or decides to go to Canada—

4877. Let us confine ourselves to the transfer from Bedford to Devon. The receiving doctor is in Devon?—Yes.

4878. Do you make it a rule that the receiving doctor does not have a credit on his register of these patients until the card is forwarded with the name of the remitting doctor? I do not think you have much trouble in keeping your register up to date, do you?—I was trying to picture what happens. The patient turns up at the doctor's surgery. The doctor can ask him where he came from. He can hardly refuse to treat him until he has verified it.

4879. I did not suggest he should refuse to treat him. I suggested he should not be paid until he had turned up the card with the necessary information?—But he is not paid by attendances or treatments, you see.

4880. One moment, there is the casual patient?—I was not thinking of him.

4881. No; I was thinking of the patient who has moved his residence?—Yes.

4882. If he goes on to the doctor's panel, surely the doctor is in a position to say, "I must have the name of the doctor on whose panel you were." Is there any difficulty about that?—It would be awfully difficult, (a) to enforce and (b) to prove the accuracy of the statement, especially when you get, perhaps, thirty people with the same name in a Welsh village.

4883. That is true?—There is no Exchequer peril in this, of course, at all, I must admit that at once, because the size of the pool means it is safe. But we do feel, in decency to the doctors, that we ought to provide some kind of fairly fool-proof check against this. The man may legitimately go on to the Devon list, and the doctor may accept him on the Devon list. But then there is the problem of checking that he has come off the Bedford list.

4884. Surely, what you require is information?—Yes.

4885. The simplest source of information is the receiving doctor. As this is, as you have said, for the benefit of the doctors, in fairness to the doctors, is there any particular reason why you should not use the doctor for your source of information?—We do not think it would be a sufficient safeguard, and also, of course, there is the general position that the doctors feel, rightly or wrongly, that they are already required to do so many things other than medically attending the patients that this would be yet another piece of office work thrust upon them. What we feel here is, unless you have an absolute identity which no two people can share and that that is nation-

ally kept, you cannot be sure that somebody is not really appearing in two places at once. That is the problem. I am not at the moment before this Committee saying that the Central Register is necessarily the one and only possible way of doing it. As I say, the Treasury have views on that, and we feel it is only right to discuss that with them. I am not being doctrinaire on that, but I am fairly sure that unless you have a system on a national basis with reference from any district in the country to one place, and you can check with absolute certainty that one person is still one person and is still alive, we are liable to put the doctor in an embarrassing position. I would not say more than that, but that is what we are trying to discuss. I hope, when we come back to the Committee next year, we shall have solved that.

4886. Have you thought about using the machinery of the Ministry of Pensions and National Insurance?—Yes; that was, as I think the Report here says an experiment we tried. We do not feel it worked out for a number of rather detailed reasons, and I do not think the Treasury dispute that.

Mr. Speir.

4887. I see the estimated cost for maintaining this record has been reduced, apparently. Is it likely to go down still further?—I do not know. I do not think so. If we can get it down, we will, but I do not think so. Roughly speaking, the sort of expenditure with which your Committee is concerned is something like £150,000 a year for the numerical index, and if we were to have an alphabetical one as well, it would be another £20,000 or so. Those figures are for England and Wales.

Mr. Blenkinsop.

4888. Is not it true, Sir John, that you need some form of register, not only for the doctors, but also for dental and ophthalmic services, too?—Yes; that is a very good point, if I may say so, which I did not add. To put it in the simplest form, in order to prevent people obtaining dentures or pairs of glasses in their area and then moving into another area and obtaining a duplicate pair within a month, say, one must have some system of positive identification again, other than merely their name on a card.

4889. Would it be fair to say there that there is a field there of an actual loss to the Exchequer unlike the position with the doctors?—Yes, there, there is undoubtedly.

4890. It is true, is it not, that there have been quite a fair number of cases that were thrown up in the old days under the old Central Register?—Yes; we used to hear of quite a number of cases. But, of course, in the absence of some system—I do not

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

say this Register, but some efficient system—we do not know the extent, although we ought to know the extent.

4891. You say at the moment there is a gap because there is no register available?—There is a potential drain on the Exchequer there, which we cannot guarantee to stop unless we have either a register, or something equally efficient.

4892. We did know that in the past that did constitute quite a sizeable loss?—Well, as you say, Sir, that did at one time constitute a big amount. Presumably, it is less now that there are payments for these things, but it can still happen.

4893. The difficulty about the National Insurance Register is that it does not cover the whole population?—No, it does not.

4894. As the National Health Service does?—No.

Mr. Steele.

4895. Further to the point that has just been made, so far as the Ministry of Pensions and National Insurance are concerned, it certainly does not cover the whole population; it does not cover the wives nor the first child—there is the family allowance for the others—but, surely, it would be much cheaper to include in the National Register these people than to start another register which, obviously, cannot be complete?—That is what we explored, and we found that it would not serve the purpose.

4896. Why does not the Minister of National Insurance like it, or the Treasury?—I am afraid at this moment I am not in a position to give the technical reasons why it did not work. With the greatest of pleasure, we will put a note in on it; but everyone concerned, I think, was satisfied that it would not, for purely technical reasons, serve this purpose efficiently.*

4897. Well, they can pick out any individual in a minute and a half?—They are dealing, of course, only with the insured individual, not with the uninsured dependants of any kind, nor with children.

4898. All they have to do is to add these other groups to what they already have, whereas any register which is going to be compiled, has got to include everybody. It seems to me to be easier to add to a machine which you already have than to compile a new register for everybody. What has the Treasury got to say about this?—(Mr. Figures.) On the last point, Mr. Chairman, one of our main objectives is to avoid duplications of registers. On the immediate point of the Ministry of Pensions and National Insurance one of the major difficulties was that that register does not necessarily have an accurate

address, and the address is the critical part in the register for this purpose. The Ministry of Pensions and National Insurance is not interested in recording a man's address, unless he comes upon them for additional purposes, so that their address is not necessarily accurate.

4899. Does the address he has got matter to the register of the individual? The point seems to me that here you have a register with the name and number of the individual. Now, what you want to do is to record whether he has had dentures or teeth, or whatever it may be. It does not seem to me to matter where his address is, if those facts are registered. That is one point. Now the other, in connection with his address, all you are naturally interested in is that he is only with one doctor?—I would not be in a position—I do not know whether Sir John is—to answer the details on why we agreed. I can say, as the Committee knows we were looking on this experiment as a method of avoiding duplication, and we were convinced that this particular approach was wrong. We are now looking at alternative lines of criticism or attack.

[Mr. Steele.] It seems to me, Mr. Chairman, that first of all we have a register in which people are put when they are born, and then we have all sorts of registers now being created for different functions. We really ought to look at having one master register for everybody.

Mr. Blenkinsop.

4900. Could I put it to the Treasury that this does raise the point whether it would not have been better to retain one Central Register that was comprehensive, and to have suggested to the Ministry of Pensions and National Insurance that they might use that?—That clearly is one answer to it. There are two problems: the extent to which it is necessary to avoid this error; what is the magnitude of error which is created by the present situation, and how far it would be avoided by a register. That is one particular kind of inquiry which is separate from what the nature of the register would be, if you found in the end you had to have a register.

[Chairman.] Will Members turn now to the Treasury Minute on paragraphs 34 to 36? I have no questions.

Mr. Steele.

4901. Could you say something as to what the present position is and if the Boards are completing these schemes?—(Mr. Smith.) We have made some progress since the Committee considered the position last year. That is mainly due to the fact that we were able to set aside a capital allocation of £100,000 to help the Regional Boards to meet the costs of these

* Appendix 9.

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

works. At Ballochmyle Hospital, which I think was the hospital referred to particularly last year, the work is almost complete and will, in fact, be complete by the end of June. At two other hospitals the work is also well advanced and should finish between June and September of this year. At a fourth hospital tenders for the work have now been received and the actual work should begin very shortly. I think it was mentioned last year that the scheme had been dropped at one hospital, that was Raigmore in the Northern Region. The reason for that was that it was decided between the Regional Boards consulting engineer and our own consulting engineer that these boilers were not particularly suitable for the job in hand. They were, therefore, retrieved from the Regional Board and have been installed in the Department's new hospital which is at present building at Alexandria.

4902. I am not sure whether I have my arithmetic right here. In the Report it is said that one had been completed?—Yes.

4903. Is that included in the two?—No, could I just explain?

4904. Yes?—There were six hospitals altogether: at Bridge of Earn, the work was in fact completed when this matter was considered by the Committee last year. That left five hospitals. At three of them the work is almost finishing, at one it is just beginning.

Mr. Niall Macpherson.

4905. Where was that?—At Bridge of Earn the work was completed some considerable time ago. At Ballochmyle, at Law and at Killearn the work is well advanced and will be completed between June and September this year, and at Stracathro tenders for the work have been received and actual work should begin very shortly.

CIVIL APPROPRIATION ACCOUNTS 1952-53 (CLASSES I-VIII).

CLASS V.

VOTE 5.

NATIONAL HEALTH SERVICE, ENGLAND AND WALES.

VOTE 14.

NATIONAL HEALTH SERVICE, SCOTLAND.

Chairman.

4913. Now, will Members turn to the Civil Appropriations Accounts, page xiii, paragraphs 40 and 41 of the Comptroller and Auditor General's Report, and to the Accounts on page 271, Subheads B.2 and

Mr. Steele.

4906. One has been abandoned?—One has been abandoned, Raigmore. The reason for that, as I say, is that the boilers were not considered particularly suitable for the type of heating required at that hospital and I think there were certain technical difficulties. I believe the Inverness water supply would lead to a scaling up of those boilers. It is fair to say, I think, that the Northern Regional Board did introduce an efficient system of ward heating at Raigmore some time ago and that is working, according to our engineers, reasonably well.

4907. Could you tell me if any of those hospitals had any non-Exchequer funds which might have been used for this purpose?—I do not think so. You were thinking of endowment funds?

4908. Yes. Law Hospital obviously could not. I was thinking of that one in particular. Are the others of the same nature?—Yes, they were all departmental hospitals originally. I should say that the carrying out of these works will lead to considerable savings in fuel costs and wages and to a reduction in the number of stokers.

4909. Are you satisfied now that this work will be carried out expeditiously?—Yes, indeed. There has been very considerably activity, if I may say so, in this particular field since last year and the work is well advanced.

Mr. Niall Macpherson.

4910. Have you an estimate of the annual saving?—The total saving in the wage and fuel bill, I think—this is an estimate—is of the order of £32,000.

4911. That includes Stracathro and all of them?—That includes Stracathro, yes; and the total reduction in the number of stokers is estimated at 46.

4912. Is that included in the estimated saving?—Yes, the wages, that is so, but the actual reduction in manpower is 46.

B.4. Sir John, you appear to have saved £3,500,000 because salary and wage awards for which you had allowed did not mature?—(Sir John Hawton.) Yes.

4914. Is it customary to make allowances for possible expenses of which you are not

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

certain?—We try each year to make some assessment in our own minds of likely costs maturing during the year through wage increases and to agree those with the Treasury.

4915. Had you any reason to anticipate wage awards here?—Yes, there were a lot of claims in at the time. These things are necessarily a little bit speculative, but there were a large number of claims and this was, in fact, an over-allowance which of course, proved a saving.

4916. In fact, you are estimating for unforeseeable contingencies?—One does up to a point in these wage awards. Nowadays it is rather a smaller amount than this, but it is an amount which we always agree in the Estimates with the Treasury as a reasonable sort of provision, in case the thing happens, to avoid a Supplementary Estimate.

4917. Yes, but why do you wish to avoid a Supplementary Estimate in a case like this? Has the Comptroller and Auditor General anything to say?—(Sir Frank Tribe.) Yes, it seems to me to be contrary to the general policy which has been approved by previous Public Accounts Committees and, I thought, by the Treasury. For instance, in 1950 the Public Accounts Committee reported that they “were concerned lest the ban on Supplementary Estimates . . . should lead Departments to inflate their original demands for supplies and so possibly obtain funds which would become available for purposes of virement. They have, therefore, learned with satisfaction that the Treasury could never accept the view that Departments should be encouraged or permitted to provide in their Estimates for liabilities which might not become due for payment in the year of estimate”. In this case it certainly looks as if the Treasury have permitted the Department to do exactly what they told the Committee of 1950 they would never permit.

4918. Mr. Figgures, can you explain this away?—(Mr. Figgures.) Mr. Chairman, I think the position on which we are certainly working now and have been working towards for six years in the Health Service is to make provision for expenses which it is much more likely than not will be incurred. For example, there is in the current year's Estimate a sum of £1 million to provide for wage increases which we confidently expected at the time the Estimate was drawn up. In fact, by now, I understand, it has substantially taken up this particular £1 million. In this particular year of Account, 1952-53, it is clear that the amount which was put in to cover that was rather larger than turned out to be necessary. To that extent it was an erroneous estimate, but we would not regard this as being a provision for contin-

gency for things which might happen. We would aim in the Estimate at fixing an amount which was the probable, indeed, almost certain, cost of the Service during the year on the grounds, *inter alia*—there are other grounds in connection with the whole Service—but on the grounds, *inter alia*, that if that amount is almost certainly going to be required Parliament would be misled and the Chancellor will mislead himself in the preparation of his Budget if he does not make allowance for it. (Sir Frank Tribe.) The Public Accounts Committee were particularly concerned with this from the point of view of these surpluses being used for virement. It certainly looks on an examination of the Account before the Committee now as if the over-provision on Subhead B was in fact used for virement to meet excesses on other subheads.

4919. I will come to that later, Sir Frank. What I wanted to get from the Treasury was an explanation of why the Treasury policy had been reversed. That quotation that you gave us was from 1950?—The 1950 report.

4920. What was the Department concerned?—It was a general examination of Treasury policy in matters of financial control.

4921. Was not the matter raised on the Post Office Vote a couple of years ago?—A similar point arose.

4922. On this point of salaries?—Yes, a similar point arose when this Committee examined the Accounting Officer of the Post Office last year as to whether his Estimates for salaries ever included any provision for possible or even likely increases of salaries in the year to which the Estimate related. He said in effect that the Post Office would never agree to include a penny which was not an absolutely certain liability at the time the Estimate was presented. I might add that if any figures of that sort were included in Estimates, it would only encourage the Unions and the Staff Associations concerned to claim wage increases, backing up their claim by an argument before the Arbitration Board, if necessary: “See, our case is obviously a just one because if you look at the Estimate you will see the Department has already made provision for it”.

4923. Now, Mr. Figgures?—(Mr. Figgures.) That, I would say, Mr. Chairman, is a separate point. I would say, firstly, what we have done on this is not, I think, a reversal of the general policy to which Sir Frank drew attention first—making provision for something which might happen to avoid a Supplementary. Here we are making provision for something which is more likely to happen than not. The question of salaries is a separate

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

and distinct point. In the case of the Post Office, which is a Department dealing wholly with Civil Servants with whom it is negotiating pay claims, the Accounting Officer would maintain that it would be very unwise for him in a Department with a very large departmental class with which he is liable to be in negotiation, to make provision for salary claims since they could be comparatively clearly isolated by anybody examining his Estimates. That was a position which has been explained to the Committee and which has, I think, been approved, though there he might well get to the position of not making adequate provision in his Estimates. He might be quite sure he would have, in fact, to accept an award or to agree to a claim without going to arbitration and yet, none the less, he would not be making provision in the Estimates. Therefore, that is an exception to the normal doctrine that you ought to make provision for everything you expect to occur during the year. In this particular case where the Health Service is not dealing directly with Civil Servants the provision for the expected salary awards is not necessarily open to that same objection. There is, on the other hand, a specific objection arising out of the Health Service to having a Supplementary for expenditure which could be foreseen, since budgetary control of the Health Service does very largely depend upon enforcing the discipline that no money can be spent during the year beyond that which is provided from the beginning. That doctrine obviously cannot be applied if you do not from the beginning take provision for all the money which you may reasonably expect to spend during the year. So there is a different consideration in the Health Service working, I suggest, for the adoption of the more normal rule of taking provision for all you will need for the year. This outweighs the objection which arises on the Post Office vote against taking provision since by so doing, in that case, you might strengthen the hand of those with whom you were negotiating.

4924. You might also strengthen the hand of those with whom you were negotiating in the Health Service and you might very well point out: "Look here, we have not really got the money, you will have to wait until next year"?—If we were ever in negotiation to hold the doctrine that if supply has not been made available then salary claims cannot be awarded in the year, but must wait until new supply, if that doctrine had been accepted over a period of years it would be possible to say that in connection with the Health Service. Unfortunately, from the Treasury point of view that doctrine has not been accepted over the years and in consequence large salary awards almost

invariably lead to Supplementaries if no financial provision has been made from the beginning.

4925. Sir John, do you think the Hospital Boards, when you had made this provision, were aware of it?—(Sir John Hawton.) Yes.

4926. They were?—Yes, but not, of course, all the details of which it is made up. We do not give the staff side the information as to exactly what we have provided for.

4927. You obviously provided too much?—We did then.

4928. Sir Frank raised the question of virement. Do you assume that you can use money which has been allocated for salary increases for other purposes?—It would need Treasury approval if we did. In this particular year I think it is pretty safe to say we did not. On the figures given, as you will see, the surrendered surplus was £5,700,000 and this figure for saving on wage awards was £3,500,000.

4929. On the other hand your total surplus in Subheads B.2 and B.4 amounted to £14 million?—Yes, but we did have to provide for a number of other things which were increased, excesses on the cost of dentistry I think and other services, but the answer to your general question is that we would only use savings to meet excesses if the Treasury approved.

4930. But quite obviously you had excesses on two Subheads amounting to £14 million. Your total saving is about £7½ million, so that you have spent something like £7 million in excesses on other Subheads and apparently, according to the Comptroller and Auditor General, you cannot account for how the £7 million surplus arose?—We cannot account in detail on the present system for a surplus of that kind, a surplus mainly made up of maintenance in the hospital world. The reason for that is that on the present system, as you know, Sir, we decide at the beginning of each year the block amount of money that shall go to the Regional Boards and they decide the block amount which will go to each Management Committee and when they do the latter it is open to them to reserve sums regionally for all kinds of contingencies to be paid out to odd Management Committees which get into difficulties during the year, and so on. So it is almost impossible for us on the present system to say exactly where among these Management Committees that £7 million was saved. All we know is that there was in fact the total saving.

4931. In fact there was not that demand for that?—Yes, unless we alter the system fundamentally we should not be able to identify the items where the saving occurred exactly.

20216

Q

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

4932. On the other hand you are spending enormous sums and it is quite clear, I am not suggesting there is any blame attaching here at the present moment, that the whole accounting system of the Health Service, particularly the hospitals, is in a pretty woolly state. That may be inevitable, I am not imputing any blame, but the fact is that you have a saving of £7 million, and you cannot put your finger on how or where it has arisen. May it not be worth while to consider, shall we say, rather heavy expenditure on developing an accounting system, expenditure which would not be justified by the saving in any one particular year, but which would be justified over a period? Is not it worth while considering really tightening up the whole of your accounting system?—I am not quite sure what you have in mind, Sir, what kind of revision, and whether you are thinking of really detailed commercial accounting, or what.

4933. I have never studied a hospital account except those presented by you, so I really have no ideas. All I feel is, and all the evidence we have had is, that it is extremely difficult to estimate what is going on with any degree of accuracy or to make any costings of what is happening in the hundreds of hospitals scattered throughout the Country. Where you cannot do that you cannot check extravagance, and therefore I am suggesting it might be worth while to consider spending, as I say, a fairly considerable sum on getting your accounting and costing system right to begin with?—I think the first general comment on that, Sir, is that from all the evidence one has of the Regional Boards and Management Committees and everything, they almost universally regard the final result of our allocation nowadays—not at the beginning—as quite inadequate and threaten to cut services, and so on, and therefore I think to start with you are not dealing, and I feel quite sure of this myself, with a picture in which there is an excessive total of money made available to them. If anything, the thing is so tight that it is frightfully difficult for them to manage. So that in itself gives you your first safeguard. Then, with that you have got a choice. You can say “Now, there you are, we have cut your own requirements as we always do, we have cut you down and this is all you can have, the Treasury and we have now agreed this sum” and the Regions have got to apportion it as best they can. You can either let them do that and struggle on as best they can and leave it at that or you can demand an absolutely detailed scrutiny of every Management Committee in the Country which would involve a considerable amount of work, staff expenditure, and so on, which would all have to go on the total bill. It seems to me that the essence of the thing is to control the amount

which you hand out, and this fact that you get in this case the £7 million and, perhaps, in other years a £3 million surplus, certainly to get down to about £3 million, is almost an inevitable thing on a successful budgeting of that size. I feel you could not come out dead square, and if you are coming out just within a few million pounds on a sum as big as that you are doing, I should have thought, quite well. The fact remains that, after a rather uneasy start, we have over recent years run this hospital service on this basis, finishing with this little bit in hand and without any problems of Supplementaries. I should have thought that the criticism of the early years that the thing was, shall I use your own word, Sir, woolly, or the words then used, a bit out of control, and so on, is not really a fair criticism now, if I may say so.

Mr. Blenkinsop.

4934. Just one question, Sir John. In the Report it does say in paragraph 41: “About £2,300,000 of the saving is attributed to reduction on hospital stocks”. Is that felt to be desirable on general policy grounds, or do you feel that the reduction in hospital stocks might well be dangerous for the efficient running of the hospitals?—In this particular year this reduction was a voluntary act of the hospitals themselves resulting in this saving. It is true we have since required a reduction of the amount of stocks, but in this particular year it was not imposed upon them.

4935. Sir John, do you say it was a voluntary act of the hospitals to do that, because there is no other action they could take in order to keep within the Estimates?—Oh, they did, they kept £7 million within them in addition.

4936. So you feel this was merely a natural and proper action?—It seems to me to have been a normal and prudent act. Stocks were probably at a rather high level.

Mr. Niall Macpherson.

4937. I am not absolutely clear still about the justification for this over-budgeting. Am I right in this: it seems to me that if it is the case that the Regional Board make a saving which is due to their own good management, it is reasonable that they should to some extent be able to devote that in other directions, but if as appears to be the case in this instance the saving arises from something that was entirely outside their control, because I take it they were national negotiations, there seems to me to be less justification for any kind of virement. Is that an intelligent comment, or not?—Are you now talking of the £3,500,000 saved on the estimate of wage claims?

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

4938. Yes?—That was not used as far as one can tell in virement at all. It was in fact surrendered.

4939. So that did not arise on that side at all? Could it arise?—It could only arise with Treasury consent. The use of a sum of that kind saved on that heading would require the Treasury's agreement. That is the safeguard, I think.

4940. That is the safeguard, but on the other hand it would not have required a Supplementary Estimate and would not, therefore, come before the House. That is the disadvantage, is it not?—It is perhaps only half relevant as an answer, but the amount in these days which it is customary to allow for that kind of thing is much smaller, and this year, as the Treasury said, it is £1 million and the thing is much more tightly controlled now.

4941. Is not it a question of how near the negotiations are to completion? If it were the case that it was estimated that negotiations were about to start and some six months hence there would be an increase inevitably, which you estimated at such and such a figure, and it proved to be excessive, Parliament might think that that was not justifiable, whereas if the wage claim is to be settled within a month or so and you can see, so to speak, just over the hedge, then that might be justifiable. I wonder if you can tell us how close in this particular instance the wage claim was to being settled?—(Mr. *Figgures*.) In the current year, as I say, we have worked to a situation when we are making an allowance for something which is a foreseeable and well-nigh certain expenditure. It is clear that in 1952-53 the amount allowed was not so precisely definable since it was wrong as to 50 per cent. of the provision, I think. The figure, I think, was £7 million, was it not?—(Sir *John Hawton*.) £10 million. (Mr. *Figgures*.) So we were wrong as to 30 per cent. of the provision. We are getting better in the provision. I think on the whole your definition of the situation in which a provision of this kind was acceptable is very nearly the one on which we have been working, but we would prefer to use the test of reasonably foreseeable expenditure, not necessarily something which is going to arise in the next month. It might be reasonably foreseeable even if it was not going to arise in the next six months. It would seem to us to be reasonably on a par to making provision for expenditure which was almost certain to occur during the year.

4942. The phrase used by the Comptroller and Auditor General is "In the absence of a consolidated statement of the itemised estimates of the hospital authorities". Do I understand from that that a consolidated statement is never arrived at, so that it was not available at the time?—(Sir *John Hawton*.) The position on that is that a

20216

consolidated statement in the sense the Comptroller and Auditor General meant, which would have revealed all these things, is not under the present system ever prepared because of these regional reserves and other factors.

4943. So you never do know with any precision where the savings are occurring?—The Regional Boards, of course, when they come next year to the allocation of this somewhat truncated sum we give them each year, would know more about their own Management Committees than we do. It is their job to make the allocation to the Management Committees under the present system.

4944. I was wondering about the allocation for the following year, then? It might follow that an excessive estimate was carried on to the next year?—It is very unlikely. At the moment I should think that there is hardly a hospital authority in the country which would agree with you on that. The way we do it, roughly, is this, that when it comes to the Estimate the first thing we do is we take what is the actual outturn. We take what the actual cost of the year has been, the essential expenditure of the year. We then look at essential new developments to which they are committed anyway, as a result of having done some work during the previous year, for example, the taking on of additional nurses because they have opened a ward or something of that sort. Then we look not nearly as generously as we would like at the claim for new developments and those three are put together, and they are always invariably cut somewhat drastically compared with what the Regional Boards themselves think they need for the year. That is done Board by Board, usually in an interview with the Board in order to go into detail, and if I may say so, so seldom results in satisfaction that one must believe it is reasonably successful from your point of view.

4945. Have you any reason to believe that from one year to another surpluses tend to occur in the same items?—The surpluses occurring would be a factor to be taken into account when looking at the outturn of the year for that particular Board.

4946. I was rather thinking of the overall picture than the particular Board?—I think the Treasury would take great care, if a surplus occurred, that that would be taken into account in fixing next year's Estimate. At least it is our annual experience.

[Mr. *Niall Macpherson*.] The Treasury are quite satisfied on that one, are they?

Chairman.

4947. That surely is your first responsibility, is not it, not the Treasury's?—Yes, indeed, Sir, we do it jointly with the Treasury. It is the very essence in the

Q 2

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

fixing of the amount each year that we and the Treasury should do it absolutely jointly.

Mr. Godber.

4948. I am not quite sure whether I am clear on one or two of the answers Mr. Figgures gave to Mr. Macpherson. On this question of wage awards of £3½ million, did I understand you to say that the excess allowed for in that year was £10 million?—(Mr. Figgures.) Was £10 million, covering wages only.

4949. And in fact the award came to £7½ million?—I think £6½ million, because £3½ million is left.

4950. £6½ million. You told us you are getting better now, which I think encourages the Committee. You say you are anticipating a sum of £1 million or that you have come within £1 million of your target?—In the year 1954-55, in which we now are, we were able at Estimate time to agree that there was about £1 million of foreseeable expenditure and that is the sole margin which is in. In fact, the great part of that is obviously already committed by actual expenditures. Whether or not we shall at the end of the year turn out to have guessed right, we cannot tell until the 31st March.

4951. I quite understand that. Is that result in the form of allowance for wage awards?—Yes.

4952. Can you tell me who makes these wage awards, or would that be for Sir John?—I think Sir John can. (Sir John Hawton.) There is a Whitley Council system for the whole of the National Health Service, a Whitley Council broken into branches to deal with the different groups of employees. Claims are put in by the staff side of that in the usual Whitley Council way, negotiated, and either agreed or in certain cases referred to arbitration; and it is on our assessment with the Treasury of what the results of known claims are likely to be in the forthcoming year that we based our £1 million this year, for example, and as the Treasury have said already our guess has been proved not only accurate but it may even be an under-estimation, I think.

4953. When these awards are made I take it they are binding both on yourselves and on the Treasury?—If they are a Whitley agreement they have formally to be ratified by the Minister but I think it would be very unusual for a Minister not to ratify a Whitley agreement negotiated by the ordinary method of wage negotiation.

Chairman.

4954. Now, paragraphs 50 and 51 of the Report. How did you arrive at these fractions of ¾d. and ¼d. for the

loss of a shilling?—(Sir John Hawton.) We discussed with the chemists and made what is, quite frankly, a provisional estimate of what the cost was likely to be involved. The intention now is that this, so far as we are concerned, should be part of the full investigation into the chemist's remuneration which I described last Tuesday to the Committee, which we now propose to undertake and it ought to involve to our mind a check that this in fact is right and that is what we propose to do.

4955. It means in effect in the urban districts you anticipate that one prescription in 50 will be made up and abandoned and in rural districts one prescription in 32?—That is right, yes.

Chairman.] It seems rather heavy, does it not?

Mr. Steele.] I would have thought it would be the other way round.

Chairman.

4956. That is your calculation. Before you fixed this figure did you ask the chemists what their estimate was?—Oh, yes. This was done in collaboration with them. May I correct one point: it is not a question merely of a prescription being ordered and not collected or abandoned, this is to cover all ways of losing the shilling. A patient may come in the last thing at night for an urgent prescription and say: "I literally have not got a shilling now, and I will give it to you tomorrow" and the chemist good humouredly gives it to him and then he does not turn up. It is every kind of loss, and this is our estimate of the thing. There is bound to be, in a scheme of this kind, we feel, a fair element of non-payment of the shilling, for one reason or other and, of course, it is not the chemist's fault.

4957. When a shilling is lost you pay the chemist for the prescription, I presume?—Yes.

4958. Because it has been made up?—Yes.

4959. What if it is a proprietary drug and he can merely put it back in his bottle or wherever he keeps it? Supposing it is a bottle of aspirin, do you pay him for that because he has made it up?—No, whether it ever happens as an exception I do not know, but what we are agreeing to pay for and endeavour to pay for is prescriptions made up and delivered, and it is on the claim for those that we pay him. If he claimed for one he did not in fact deliver but put back on his shelf, of course he ought not to claim at all and if we found it out we should not pay.

4960. So you cut out the question of the prescriptions that have been abandoned?—I think it is much more a case of the

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

cases where, for one reason or another, the shilling was not available and the prescription was, in fact, taken.

4961. This Committee has always taken the line that it is very undesirable to fix these payments speculatively. Why was this done without inquiry?—If you will remember the circumstances, Sir, this shilling charge was introduced fairly speedily in the House and the system whereby it would operate and the shilling be duly deducted and credited to the Exchequer and so on had to be worked out in the Department with great speed. This was one of the factors which it would have been unfair to the chemist to have refused to look at and so we made what we thought was, and are now satisfied is, a very fair provisional estimate and we will check that more fully when we check the whole of the remuneration, but we have no reason so far to think that this is excessive. (Sir *Frank Tribe*.) Going back to your earlier question, Mr. Chairman, the Ministry told the Treasury in March, 1952, that they paid chemists in full for uncollected medicine and there was no reason why they should not continue to do so. If that uncollected medicine is going to be used to be put up in other prescriptions it is presumably going to be paid for twice. (Sir *John Hawton*.) By all means, may I check this in order not to misinform the Committee?

4962. Certainly?—But I think that meant medicine in the sense that where the chemist in fact made up something prescribed and therefore used the ingredients, mixed them, and so on, for an individual A, then the individual A does not collect it, we did not feel that the chemist should be the one to suffer. There is a little difference between that and taking a bottle of aspirin off the shelf and putting it back again.

4963. How do you sort all this out? You are entirely in the hands of the chemist, surely, are you not?—No, we are not entirely in the hands of the chemist. We have their claims for all their prescriptions. They all go through the costing houses; the usual practice is to go through in detail 20 per cent. of them and price those fully and then apply the resulting average to the remainder, except for those over 5s., and that is a fairly reasonable check. If, in fact, we found any reason to suspect something was going wrong we would go and inquire.

4964. Mr. *Figures*, does the Treasury approve of Departments fixing payments speculatively?—(Mr. *Figures*.) Put as a general proposition, no, Mr. Chairman. In this particular case we felt we had little choice but to agree on this, given the shortness of time, but we did make it a condition that it should be subject to early review,

20216

which condition is being complied with, we understand, by specific investigation in the course of the general review of the situation.

4965. Would you call it an early review?—No review of this kind ever seems to go quite as quickly as we would like, but it is not really too bad.

Mr. *Blenkinsop*.

4966. First, Sir John, would it be true to say that the chemists originally refused to work the prescription charge proposal and that, presumably, the agreement to offer these special allowances was one of the points that helped to persuade them to come in?—(Sir *John Hawton*.) My recollection is not that they refused to do so but definitely that they jibbed at doing so and pointed out that this would be one of the sources of loss which ought to be made right.

4967. Do I understand, in the inquiry what is now being carried out into the general question of chemists' remuneration, that you are trying to get first information on this point of this particular allowance for risk that the chemists run, and are you also trying to find out, though I frankly do not quite see how you can, are you thinking of ways of finding out just what quantity of medicine is, as the Comptroller and Auditor General suggests, being paid for twice to the chemists? Is that a factor to be kept in your mind?—The first definitely is true. The set-up of this payment we regard as one of the things which ought to be considered as part of the whole problem of paying the chemists which we are now undertaking. On the Comptroller and Auditor General's point about the other we would regard it, I think, as fair that where a chemist makes up something which he cannot use for anyone else, whether it is collected or not, he should be paid. If he simply takes a bottle of aspirin off a shelf and puts it back then he should not; I have not got it with me, but I think the form of his claim for the payment does include a statement of some kind that the medicine has in fact been delivered. It is true that there can be abuse of that, of course, but it is very difficult to know, when you are administering this through chemists working in their own shops, how far you can eliminate the last element of possibility of abuse there.

4968. As far as you are aware there is no way, really, in which you could fully satisfy yourself about that point, is there?—I should not have thought you could satisfy yourself absolutely to the last element that there was never any abuse unless, obviously, you had somebody watching exactly what happened in every case, which it is impossible to do if the scheme is administered as it is through the chemist in his shop.

Q 3

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

4969. Would it be fair to say that this matter could be brought to the attention of chemists in the general field of discussions that you have?—Yes, I think so, and I think it is also fair to say that we have no real reason to think that there is any widespread abuse of this kind.

Mr. Steele.

4970. You say you have no reason to believe there is any widespread abuse, but you will agree, Sir John, that you really have no means of telling?—We have no means of telling 100 per cent. but one pretty soon finds out from complaints and other ways what is going on, but we have no means of telling fully. I do not want to generalise too much, but the plain fact is that the dispensing of medicines under the Health Service has been put in the hands of all pharmacists taking part in their own premises not under direct personal supervision and that, it is quite obvious to see, contains the possibilities of some degree of abuse. I do not myself think it is a very big degree, but it is again exactly the kind of problem about this Health Service as a whole which I am sure the Guillebaud Committee will be going into in some detail.

4971. I take it that those who are negotiating with the chemists will have all this in the back of their mind when an agreement is being made?—Very much so.

Chairman.

4972. I was not suggesting, Sir John, that there was dishonesty on the part of the chemists, I was just wondering how far the agreement you entered into with them entitled them to do it? Agreements of this kind can have extraordinary loopholes in them?—No, the position under the arrangement properly operated is in the case of your bottle of aspirin that they put back; they should not charge. In the case of something they have taken the dispensing trouble to make up and is no more use, they may charge, and that is how they should operate it.

4973. Now, the Minute on paragraphs 52 to 55 of the Report, together with Sub-head D.4 of the Account, Remuneration of Scottish chemists. Sir Frank, you refer to rounding up of these adjustments. Could you just tell us what you had in mind?—(Sir Frank Tribe.) This is in paragraph 53?

4974. Yes?—There are two roundings-up in Scotland which are not applied in England and Wales. In the first place the tariff prices are worked out from wholesale list prices but are for smaller quantities; in working them out any fractions are rounded up to the nearest halfpenny. I will give you an illustration. The tariff price of tablets is usually per dozen calculated from the price per hundred and

rounded up to the nearest halfpenny. In England and Wales, on the other hand, the tariff price is per hundred and any rounding is up or down to the nearest halfpenny. Given a wholesale price of 5s. a pound it would be 4.1d. per ounce, which would become 4½d. in the Scottish tariff, and as will be seen from paragraph 54 the effect of that is to give a substantially higher price to the Scottish chemist on which he gets also the oncost rate of 25 per cent. In the second place, in pricing a prescription any ingredient coming out at less than the halfpenny is paid for at a halfpenny in Scotland, whereas in England and Wales it is priced to the nearest halfpenny, and if less than a farthing it is not paid for at all. Of course, individually, these are very small amounts but in fact they work out at quite a considerable figure which, as I say, is estimated to cost some £50,000 a year.

4975. Mr. Smith, it would appear that you are paying your Scottish chemists on general prescriptions, apart from some of these rather startling items quoted by the Comptroller and Auditor General, consistently more than the English chemists are receiving?—(Mr. Smith.) I think that is so on some items. The Comptroller and Auditor General gives some examples here and it is perfectly true, as he points out, that the Scottish chemist is paid 3d. for a bottle of six ounces.

4976. That is not the point. The point is the rounding up?—The rounding up, of course, is a very long-standing feature of the Scottish tariff which has been operating ever since the introduction of the National Health Insurance Act. It was in operation before the arbitration and was not made an issue by either party at the arbitration.

4977. Why was not it made an issue by the Department? Why should the Scottish chemists be getting more than the English chemists?—I do not think, Mr. Chairman, that it necessarily follows that they are being paid more. These items in the tariff, it is true, do give the Scottish chemist more, but I think it is fair to say that there are other items in the tariff for which the Scottish chemist gets precisely the same as the English chemist.

4978. Oh, yes?—And indeed it is fair to say too, that in some cases he may get less than the English chemist?—(Sir Frank Tribe.) There are very, very few.

4979. Does that mean you could possibly find some particular case in which he might get less, or are you suggesting that it averages out?—(Mr. Smith.) No, I think it is fair to say I have looked for cases in which he does get less.

4980. Have you found any?—We have, yes.

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

4981. You have found an odd case?—We have found some, yes. I would not like to maintain that these are substances frequently prescribed.

4982. Take, for instance, the question of Codeine referred to in paragraph 54, "For three dozen of which the Scottish chemists are paid 1s. and the English 10½d.", and chloroform water where he gets six times as much as the English chemist. What is the justification for it?—The chloroform water, that particular item, may seem on the face of it rather hard to justify. It arises very largely, I think, out of the fact that the tariff price in Scotland is calculated by reference to 500 millilitres of concentrated solution, whereas the English tariff price is calculated by reference to a gallon of diluted solution. I think, more particularly, it is due to this feature of rounding up to the nearest halfpenny.

4983. It looks like rounding up to the nearest 3d.?—It works out that one fluid ounce in Scotland comes out at 11225d. That is, rounded up to the nearest halfpenny an ounce and if you have six ounces it comes out at 3d. For the same amount in England the chemist gets a halfpenny.

4984. Is there any reason why the Scottish chemists' costs should not be adjusted downwards to the English chemists' costs? Is there any justification for a higher charge?—It is, as I say, in Scotland, a long-standing practice. We had this arbitration, as you recall, in 1951. This was not raised during the arbitration and if we had sought to abolish or modify any of these features of the Scottish tariff we should certainly have been accused by the chemists of trying to get round the arbitration award. The arbitration tribunal were aware of these features when they awarded the 25 per cent. oncost.

4985. I know, but why if aware of them did they ignore them?—The issue was not raised. I think that is all I can say.

4986. The issue ought to have been raised, surely? You were represented at the arbitration?—Yes.

4987. Why did not the Scottish Department raise it?—It had never been raised in previous discussions on Whitley.

4988. When was this arbitration?—1951.

4989. This question of Scottish chemists seems to go back a long way in Public Accounts Committees' Reports. It may have been raised after 1951, I do not know, but I seem to regard it as a hardy annual, almost?—(Sir Frank Tribe.) The Arbitration Board's award fixed the figure at 25 per cent. It seems to me that they are in fact getting more than 25 per cent. (Mr. Smith.) Could I just say this, that this practice of rounding-up and making allowances for small quantities obtained before

the arbitration, and before the arbitration the Scottish chemist got 33½ per cent. in the rounded-up figure subject to a limit on the more expensive drugs. After the arbitration he is getting 25 per cent. on the rounded-up figure and we were quite clear, Mr. Chairman, that if we had sought to abolish or modify these features of the tariff we would certainly have been accused of trying to get round the arbitration award.

4990. But I do not understand that. The arbitration award settled the tariff, did it not?—The arbitration award dealt merely with the oncost payment and on that they substituted a figure of 25 per cent. for an average figure of 33½ per cent.

4991. Is not it about time you took this matter up again and brought the level of Scottish remuneration down to English remuneration?—Well, on that I would say that, of course, we did make it plain to the Scottish chemists that we would like to see a uniform tariff for both countries, provided, of course, it was sufficiently flexible to take account of different circumstances in the two countries; but so far the chemists have not agreed to negotiate on that. We have, of course, dealt with some of the peculiar Scottish features. For example, the Comptroller and Auditor General referred a moment ago to the Scottish practice of pricing tablets by reference to 100, and so on, and fixing the basic tariff price by reference to a dozen tablets. In a number of cases we have succeeded in adjusting the tariff to fix the price by reference to 1,000 tablets and the basic price by reference to 100 tablets. That has brought down the tariff price in all these cases.

4992. Supposing you were to inform the Scottish chemists that you were not prepared to pay more than the English chemists would accept what would happen, anything?—Well, you may recall, Sir, that the Scottish chemists were very reluctant to come into the scheme at the start. I would not like to say what the reaction would be if one were to impose any arbitrary cut.

4993. The English doctors were very reluctant to come into the scheme, but they came in, surely?—There is, of course, the fact that this is a comparatively recent arbitration award.

4994. Well, it was a very bad one, apparently?—(Sir Frank Tribe.) I would just like to point out that the arbitration award did itself in fact upset some of the established features of the Scottish practice. It is not clear why it should not have been put to them that it should upset this rounding up too. I have to remind the Committee that the dispensing fee in Scotland is 1s. 6d. and in England it is only 1s. 1d.

20 May, 1954.]

SIR JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

4995. Sir John, what is your reaction to this?—(Sir John Hawton.) One of complacency, I think! But seriously, Sir, I do not really think I am in a position to comment on the position in Scotland. We have secured the arrangements we have in the negotiation with the chemists and I think our position—

4996. Do English chemists never attempt to get the higher average rates?—Oh, yes.

4997. Exactly, therefore your position cannot be complacency?—But on the other hand we are not faced with, shall I say, the tradition or history of practice which Mr. Smith has referred to.

4998. Would it be fair to put it this way: you are not as scared of your chemists as Mr. Smith is of his?—I would much prefer, with your permission, Sir, not to answer that!

4999. Mr. Figgures, what do you say?—(Mr. Figgures.) We hope that everybody, including the Committee, will be able to give assistance in bringing down these prices where the one is out of line with the other. The obvious danger is the levelling of the one up to the highest.

5000. Am I to interpret that to mean that you see no justification for the higher figures in Scotland?—I would not like to be led so far, Mr. Chairman. The problems of the relationship between the English body and the Scottish body are very difficult. What we would say is we hope that the Scottish figures can be brought down.

5001. The Treasury is an English body and a Scottish body?—Exactly.

Mr. Niall Macpherson.

5002. What was the original justification for the difference per prescription?—(Mr. Smith.) I could not say what the history of this was, but the method of calculating prices in the Scottish and English tariffs is very, very different indeed. All I can say is that this practice has obtained in Scotland ever since 1912. It continued right up to the arbitration. It was never made an issue at the arbitration although the arbitration tribunal were aware of these practices; and it has continued since.

5003. Is the oncost the same in both countries?—25 per cent. in both countries, yes.

5004. The question of the arriving at the unit and then rounding up seems to be a curious one. What is the justification for having 500 fluid ounces, then dividing by 500, and then multiplying by 6 after having rounded up?—The justification I cannot speak to. It is only the basic tariff quantity that is rounded up. Any multiple or sub-multiple of that, of course, is rounded up or down.

5005. So, just as you now have 1,000 tablets, in the case of the fluid ounces, you had the 500 fluid ounces of chloroform and the basic unit there is one fluid ounce, is it?—One fluid ounce in the case of the chloroform, yes.

5006. I should have thought that any basic units should be equated as nearly as possible to the nearest halfpenny?—If the price of the basic unit is .4d. in Scotland that is rounded up to a halfpenny.

5007. But the basic unit presumably is an arbitrary one, it does not need to be one c.c. or one fluid ounce?—That turns on the tariff. The tariff fixes the basic unit.

5008. Does the tariff date back to 1912?—This practice of rounding up and making allowance for small quantities, as I understand it, dates right back to 1912.

5009. Who fixed the tariff?—The tariff is fixed in negotiation between the Department and the chemists' representatives.

5010. It is related to general wholesale prices, is it?—Yes. You take the wholesale price and you break it down and in the case of Scotland you make allowance for small quantities and you bring out a basic price for a basic quantity.

5011. Do chemists in Scotland refer to this as cost plus, or what?—Naturally they are rather reluctant to see its traditional Scottish features abandoned.

Mr. Steele.

5012. Mr. Smith, this has always been the case, this difference between Scotland and England from 1912. Is it true that chemists in 1912 in Scotland made a better bargain with the approved societies?—I should not like to say what the history was, but at one time, of course, English doctors did more dispensing than Scottish doctors and therefore the Scottish chemists had probably more dispensing work to do than their English counterparts.

5013. Are you saying that the Scottish chemists were better organised in 1912?—I could not answer that.

5014. Have you ever said to the Scottish chemists: "Look here, we must have an investigation into this matter" or asked for the books, or have you had any examination of this kind at all?—That is the sort of thing we are doing now. We are having an investigation, a fact-finding investigation, into National Health Service dispensing costs. I do not want to say too much about this at this stage, but that may be helpful.

5015. That may be helpful? That is an understatement. I take it the chemists are co-operating?—They are co-operating in

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

this fact-finding investigation. This issue has not been raised, of course, in this connection.

5016. But it is in your mind and is a matter which will be raised, I take it?—

I find myself in a little difficulty in answering this because these negotiations with the chemists are going on.

5017. But in any case it is in the back of your mind?—Yes.

TREASURY MINUTE ON PARAGRAPHS 21 AND 22 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS 1952-53.

SUMMARISED ACCOUNTS OF REGIONAL HOSPITAL BOARDS, &c., FOR ENGLAND AND WALES, 1952-53.

SUMMARISED ACCOUNTS OF REGIONAL HOSPITAL BOARDS, &c., FOR SCOTLAND, 1952-53.

Chairman.

5018. I am afraid Members will have to turn now to quite a lot of papers, because the whole thing is interlinked. First, there is the Treasury Minute on paragraphs 21 and 22 of the Third Report of the Public Accounts Committee, paragraphs 9 and 10 of that Treasury Minute, then the two White Papers, the English Accounts and the Scottish Accounts, the Comptroller and Auditor General's Reports on those two, and the relative Accounts themselves. They are all so linked up that it is very difficult to separate them out. (Sir John, I see that you have been discussing a draft circular that you sent out with the hospital authorities. I presume that this draft circular was advice to the hospital authorities?—(Sir John Hawton.) Yes.

5019. Why do you discuss with the hospital authorities the advice that you are to give them?—It is our normal custom, in order to make sure that we are giving reasonably sensible advice to them, to discuss subjects of this kind with them to see what their real problems are and to see what between us we think is practicable before we issue a final thing to them saying: "This is what you should now do". We try to keep that degree of contact with them rather than just make our own minds up and impose it on them.

5020. Clearly you have to discuss their problems with them, but it is rather a curious way to discuss the final advice with them, is not it, before you send it, if that is what the Minute means?—It does not seem to me curious, Sir, with respect. Even with Chairmen of Regional Boards and others, when we are about to issue a new policy or new advice, we normally would say to them: "This is what we are proposing to advise you to do. If you have got any reason to say that it is either nonsense or that it will not work, or something, for Heaven's sake tell us now". It is better that way, we feel, than to be told afterwards.

5021. And these discussions apparently take some little time?—Yes, I am afraid they have taken some time, but the circular is about to go out this month.

5022. Mr. Smith, you seem to be having difficulties. How are you progressing in overcoming them?—(Mr. Smith.) We issued a memorandum on this subject in July, 1952. It was criticised on certain points of detail by the Boards of Management and the Regional Boards, and since then we have had discussions with them. We have proposed a new method of classifying articles held on inventory account that seems to be broadly acceptable to hospitals concerned, and that we shall be issuing shortly.

5023. Sir John, what about inventories? What do you do where you find that inventories are not being kept up to date?—(Sir John Hawton.) Inventories have always presented us with a problem, as I have explained to earlier Committees here. Ideally, one would have a system of inventories carried to the last detail in every hospital even of the smallest kind, so that we knew exactly where we were. But we took over a scheme in which that was very, very far from the case. We have been plugging away at getting more and more inventory work done but we have always got—I am sorry to stress this, but it is very real in administering the scheme—the problem of steering a course between the demands which so many people and this Committee very properly make upon us of cutting staff, curtailing staff, and keeping down the staff bill, and on the other hand of putting in masses of clerks and people to take detailed inventories of every kind in every hospital. It is a matter of steering the right course between them and we do try and do it. What we are trying to do now as our main activity is to follow up auditors' reports. That is a thing one can do without additional machinery or staff, to a great degree, and every time an auditor reports that there is carelessness or undue losses or there ought to be better inventories, and so on, we follow up. But we are trying to supplement that by laying down now some minimum requirements for inventories. We do it with some hesitation, quite frankly, because we know it will mean hospitals coming to us at once for additional staff and we shall have to look at

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

that on its merits, but we are trying to lay down minimum requirements and to give them 18 months—I know it sounds a long time—to carry out those requirements everywhere. These requirements do stress, in particular, linen and that kind of thing.

5024. Mr. Smith, are you having any problems here?—(Mr. *Smith*.) We have had these weaknesses thrown up on audit and in those cases we discuss the position with the hospitals. In most cases I think we have managed to remedy the weaknesses.

5025. You are satisfied with the progress you are making in inventories?—Yes, we are making progress.

5026. I am not quite sure of the area that was covered, but the Nuffield Trust made an investigation into hospital efficiency, did not it? It took some four hospitals?—(Sir *John Hawton*.) Covering inventories?

5027. No, I am not quite sure what area it did cover?—Costing, yes. It covered a number of selected hospitals. I cannot give you from memory the exact ones, but I think it was four or six, something like that.

5028. What actually was the investigation, was it into efficiency?—They were investigating possible methods of costing in hospitals, departmental and other costing, in place of the rather simple system which we have, but they were not, as far as I know, dealing with this rather separate problem of inventorying and preventing theft and losses.

5029. We are covering the whole of your Account at the moment?—Yes, I am sorry.

5030. Did they make a report to you, or was their report available to you?—Yes, the report was put in to the Minister and similarly a report was conducted by the King Edward Hospital Fund for London in other hospitals on independent lines; that also was put in to the Minister and we have appointed—I hate the phrase—a working party or committee, if you like, to look at both those.

Mr. *Steele*.

5031. An expert one?—To look at both of those reports and to see whether out of them there is any real practical use which can be made throughout the Service having regard to things like cost and personnel.

Chairman.

5032. Was the working party the Social Survey?—No, the working party—I prefer to call it a committee—is simply a body of people we have asked to look at the results derived from both the Nuffield and the King Edward Fund investigations and to see in the light of size of this Service of ours and the necessity for control of cost and devotion of resources, as far

as possible, to treatment and so on, what, if anything, can we get out of these reports and how can we improve costing as a general system and not an extraordinary one.

5033. Is Social Survey doing any research for you?—By the Social Survey, do you mean the sickness survey of people outside?

5034. No, the branch of C.O.I.?—I do not know; it is very difficult to say “No” definitely in case it is, but at the moment I cannot think of any specific job they are doing for us. If there is any I will let the Clerk to the Committee know, but talking from memory I cannot think of any.*

Mr. *Blenkinsop*.

5035. You did, in fact, terminate the sickness survey that was in operation earlier?—Yes, that was terminated as an act of ministerial decision.

Mr. *Steele*.

5036. Mr. Smith, the report says something about inventories here and the position is much more satisfactory. Did you engage any extra staff for this job?—(Mr. *Smith*.) No, our audit staff took the situation up with the individual hospitals concerned. All these weaknesses are generally thrown up on audit.

5037. In effect, you think the position in Scotland is much improved?—That is so.

5038. This was as a result of your memorandum which you sent out in July, 1952?—Yes, partly so.

5039. And the contacts and conversations with the hospital authorities?—That is so.

5040. This was thrown up by audit, you say?—Yes, one finds on audit that there are certain weaknesses at the hospitals and these points are taken up and the position is rectified.

5041. You say the position has improved without any increase of staff on the part of the hospitals for doing this work of getting proper inventories?—Yes, I have details here. I cannot see in any case any suggestion that they required an increase of staff. There is no suggestion of that.

5042. Sir John, you said in your case that you visualised a massive increase in staff for this purpose?—(Sir *John Hawton*.) If we were to do the job in a short time covering the whole of our much bigger hospital service.

* *Note by Witness*: During the current financial year they will be carrying out a job-analysis in selected hospitals to test the effect of suggestions made in the Nuffield Trust Report on the Work of Nurses in Hospital Wards.

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

5043. But the hospitals are not bigger?
—The total is.

5044. The total number of them is bigger?—The total number of them is bigger.

5045. The total number may be bigger but the individual hospitals cannot be much bigger?—The total number is bigger, the field for the work to be done is bigger and the other relative point is that we have, of course, been under pressure and we have been successfully cutting the kind of staff required, clerical and administrative staff. The figures I was giving the other day, which was the 6 per cent. cut (it is now, it is true, a 4 per cent. cut) but we are cutting and controlling all the time. This would mean a reversal of that process.

5046. But Mr. Smith tells me that all this was done in Scotland in this way and that in fact without any increase in staff and I take it that their supervision of staff is just as careful as it is in England?—(Mr. Smith.) Could I just say on this, that the original memorandum which we sent out to Management Boards in 1952, and indeed an earlier one in 1950, I am told, was criticised on the ground that this system, to be properly operated, would involve an increase in staff. Subsequently we discussed the position with Regional Boards and we agreed with them a revised procedure which would not involve additions to staff.

5047. But even so you are satisfied that the system in operation now is satisfactory?—Generally so.

5048. Then, in the statement of losses, Appendix B of the Account for England Wales, there is a sum of £188,000 stores losses, and the Comptroller and Auditor General in his Report says: "The statement of losses on page 19 includes about £71,000 for deficiencies revealed by checking of such inventories as existed". So, am I to assume that in effect the loss is greater than is revealed in this Report? Possibly it might be much greater than is revealed in this Report?—(Sir John Hawton.) I do not think the loss would be much greater. There may be some losses not revealed in this Report, of course, at any time, but I do not believe there is any reason to assume it would be much greater. There are some known losses which do not appear in the Report. I think they are mentioned by the Comptroller and Auditor General as in 20 hospitals, but these are due to the fact that since the auditors picked them up we have not got details of them in time for inclusion.

5049. What rather concerns me is the time factor here. In paragraph 9 of the Minute on paragraphs 15 to 22 the Treasury say: "The Ministry of Health have

now agreed with the Treasury the draft of a circular which is being discussed with the representatives of the hospital authorities". It would seem to me that some greater action was called for than the discussion with the Treasury of a draft of a circular which has not yet been sent out. Do you not agree that some more action was called for than that?—I quite agree on the face of it, but that is not the only action which has happened. There had been earlier advice given from time to time during this scheme. The circular, which appears in isolation in that statement, is another step in the advice and also, as I said before, I think myself even more important is the following up of the individual case revealed by the audit; but that does look as though it was an isolated thing and that we looked at it for the first time. It is not, of course.

5050. But, in general, it has revealed that in this hospital an inventory was not made at all?—Of course it varied enormously in the hospitals, but taking the vast number we have all over, certainly there was a very big number in which this kind of thing just had not been done at all and we had to start from scratch. Quite frankly, I am not pretending this is what one would like as a good Civil Servant. As a good Civil Servant one would like to clear the whole thing up in three months and have plenty of people to do it with, but we have got to steer some sort of course between cost and staff and doing this in short time. We are on this latest step giving them 18 months to get at least a reasonable system going to cover, particularly, bedding, linen and other things. I ought to point out that, of course, even if one achieved it, the mere existence of an inventory does not stop a loss. It only gives you a measure of how much you have lost. It is not entirely a remedy.

5051. It certainly might not stop the loss which has already occurred?—Or afterwards. It only gives you a measure of how much you are losing.

5052. It is an indication that some change is necessary?—I am not for one moment suggesting that one does not want inventories but I do want to try to emphasise that the creation of them is not in itself a means of complete stoppage of these losses. It is really more like the white line on the road, which shows you how much you are on the wrong side of it.

5053. You might want to find the driver who is on the wrong side of it?—Yes, indeed. I do assure the Committee we are very much alive to this and really are trying, as in so many of these fields, to do it by constant plugging rather than to find a solution which is instantaneous and will cost a lot of money.

20 May, 1954.]

Sir JOHN HAWTON, K.C.B.,
and Mr. H. R. SMITH, C.B.

[Continued.]

Mr. Blenkinsop.

5054. Do you feel that there is any possibility of differentiating between the physically larger items of equipment, and so on, for inventory purposes and the smaller items like crockery and cutlery which presumably you cannot keep anything like as tight a control on, and on which you could very well waste a great deal of skill in trying to keep a tight control?—We have in the past, and are in the proposed advice, differentiating to the extent of trying to concentrate their attention on the things which experience shows are most likely to get lost, for instance, linen and sheets and that kind of thing; we are trying to make priorities, knowing that they cannot make an inventory of literally everything.

5055. May I take it with regard to the actual medical and surgical equipment, and so on, of a hospital that you are reasonably satisfied that the control of that is satisfactory?—I should not have thought that the tendency for it to disappear in a petty way was anything like the tendency for the ordinary linen, cutlery and that kind of thing to disappear, because it obviously has not the same utilitarian value to the ordinary person.

5056. To what extent do you feel that you have got a tighter inventory control of the larger items? Presumably it is a good deal more accurate?—I do not really think we have a tighter inventory control on surgical equipment, nor do I think that that is one of the fields where we need the tighter control.

Chairman.

5057. There is one question which I would like to ask on the Comptroller and Auditor General's Report on the English Health Service Accounts, paragraph 4, with

regard to payment of salaries and wages. You will see here, Sir John, that the Comptroller and Auditor General drew attention to a fundamental defect in the method in some hospitals, that is, that the person who makes out the list also does the paying of the wages. How far are you eliminating that now?—We have been again plugging at this one continuously for a long time, for years, and I think we are getting a great deal of real improvement here in the methods adopted, some of which were very primitive when we took over. We get from our auditors on this a tremendous amount of material on which to base our action and we are now about to put out a sort of general code of advice as to what they ought to do universally in hospitals here, which will contain the points the Comptroller and Auditor makes, like the fact that the paying officer should be independent of the wages clerk, there should be independent sample checks of pay computation, there should be certification of pay sheets as to their correctness and to the effect that payments have been made, proper control of unpaid wages and arrangements for notification promptly to the Finance Department of any incident affecting pay, and that kind of thing. We are doing all we can in a general way, but again, and I myself attach quite as much importance to it, we are using the auditors to pick these up and I really do feel that we can say truthfully that recent years have shown a considerable improvement, but we are not anywhere near perfection yet.

5058. Have you had any losses and defalcations through this method of payment?—Yes, I think so. I do not know whether we have got separate figures here. It is difficult to identify them out of the figures there, but one would assume that there must be some, yes.

Sir John Hawton withdrew.

TREASURY MINUTE ON PARAGRAPHS 45-48 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Mr. J. CALLAN WILSON, Accountant-General, Department of Health for Scotland, called in and examined.

Chairman.

5059. Will Members now turn to the Treasury Minute on paragraphs 45-48 of the Third Report of the Committee of Public Accounts, dealing with the Scottish Special Housing Association? Mr. Smith, the Treasury Minute promises that you would regularise this position at the first appropriate occasion by legislation. Why did not you use the Scottish Housing Bill?—(Mr. Smith.) The Scottish Housing Bill, of course, was a very highly controversial measure. It might well have extended the range of controversy if one had sought to include in the Bill a provision limiting

the advances to the Association. The point was specifically considered, but it was decided that it was not really a convenient medium for taking this power. There is also the fact that we are still having discussions with the Treasury about the Association's future activities, and until those discussions have gone some way further it is a little difficult to know just what figure one would insert, if the appropriate legislation could be found.

5060. You have not yet decided with the Treasury what the appropriate figure is?—We are still discussing the actual building programme with the Treasury. Until

20 May, 1954.] Mr. H. R. SMITH, C.B., and Mr. J. CALLAN WILSON. [Continued.]

that is done I think it is fair to say it would be a little difficult to fix a limit to the advances made to the Association.

5061. When do you expect to be able to do this?—As regard legislation that, of course, depends on what comes along. The discussions about the future programme of the Association should, I think, be concluded reasonably soon.

5062. I take it that not much more than a small one-clause Bill is necessary, is it, to fix a limit to the cash expenditure?—I should think that would be a one-clause Bill, as you say, if there were room for a one-clause Bill in the programme. But we did consider whether it would have been appropriate to include a provision of this kind in the Scottish Housing Bill and it was decided that it would not be.

Mr. Niall Macpherson.

5063. I take it that the kind of Bill that you would have in mind would be the same kind of Bill that was brought in for the Hydro-Electric Board, would it?—Well, I am not familiar with that.

5064. There was an original borrowing power and then they increased the borrowing power?—(Sir Frank Tribe.) The difficulty is that there is no limit to the present borrowing power.

5065. I know. This would take the first step?—(Mr. Smith.) It is fixing a limit as was done, I think, in the case of the Development Corporations under the New Towns Act. (Mr. Figgures.) Yes.

5066. So it would only be Parliamentary control over so many years?—(Mr. Smith.) That is so.

5067. And in addition is it proposed that there would be any right of Parliament to have the Orders laid on the Table every time that a fresh loan was authorised, in the same way as the Hydro-Electric Board operates?—I cannot pretend to be familiar with the procedure. Perhaps the Treasury would care to answer? (Mr. Figgures.) I am sorry, I did not quite catch the question.

5068. I think I am right in saying that every time a fresh loan is authorised for the Hydro-Electric Board, Orders are laid on the Table?—That is a separate power, that is the Treasury guarantee when the public issue is made. It is made under Treasury guarantee and every Treasury guarantee is reported to the House in a Minute. This would be borrowing money from the Consolidated Fund, and that would be reported in the ordinary way as borrowings from the Consolidated Fund are.

Mr. Steele.

5069. You say, Mr. Smith, that the real difficulty is that you are negotiating with the Treasury at the moment. Did you say

on the future of the Scottish Housing Association?—On the programme. We have to decide with the Treasury from time to time just what the building programme of the Association should be, and it is on that that these discussions are taking place.

5070. Has it been necessary to discuss this with the Treasury in the past?—Yes, indeed.

5071. At the moment are you discussing with the Treasury the future programme or the future limitation of the programme?—The future programme, what the programme should be.

5072. Have you thought about using the special opportunities that you have in Scotland for putting a Bill of this kind through? It could be done through the Scottish Grand Committee without taking up any time in the House at all?—It is a case of fitting it into the legislative programme.

5073. Was not there a system adopted two or three years ago where the Secretary of State for Scotland on a non-controversial matter to introduce a Bill into the House itself, getting both the Second Reading and the Committee stages taken through the Scottish Grand Committee without using the time of the House at all, and if the Scottish Office were anxious that this Bill should be taken surely it could be done?—As I said, there were two steps in this, I think: the first step is to determine what the future building programme of the Association is to be over a given period.

5074. May I interrupt you, how can the future programme or the immediate future programme of the Scottish Special Housing Association interfere with the overall limit which you intend to put on the borrowing powers? Surely that is a long-term programme?—As I understood it, the intention was that there should be some limit fixed on the advances that could be made out of the Consolidated Fund to the Association for the purposes of their building activities; and what I was saying was that until you know what the scope of the Association's programme is, how many houses they are going to build over a given period, it is a little difficult to fix the limit of advances from the Consolidated Fund.

5075. I should have thought that would have been simple?—That was the first point. The second point was that this does require legislation and we did consider specifically whether it could be included in the Scottish Housing Bill, but it was decided that that was not an appropriate thing to do.

Mr. Steele.] I would have thought that was a simple proposition and I only hope that is the reason, and it is not a question of the limitations of the Scottish Special Housing Association.

20 May, 1954.] Mr. H. R. SMITH, C.B., and Mr. J. CALLAN WILSON. [Continued.]

Chairman.

5076. One point to the Treasury: what is the position with regard to the formal agreement between this Organisation and the Department?—(Mr. *Figgures*.) I think Mr. Smith can answer that, Mr. Chairman. (Mr. *Smith*.) We have in fact entered into a formal agreement with the Association defining the Secretary of State's control over them. I have a copy of the agreement and I could submit that, if necessary.

5077. I do not think so, if you can just summarise it?—Broadly speaking, it provides that the Association can only build houses after their proposals have been approved by the Secretary of State; that they cannot acquire land or dispose of land or lease land or otherwise part with their assets without the approval of the Secretary of State, and otherwise it includes provision about the staff of the Association, and so on. It generally incorporates the informal understandings that we have had with the Association in the past.

Mr. Niall Macpherson.

5078. Is there any possibility, in fact, of the Scottish Special Housing Association getting grants over and above what is provided under the Act, both Exchequer grant and local authority grant?—So far as possible the Association are expected to operate within the sums provided, being the Exchequer contribution and the equivalent of the rate contribution. How it is going to turn out I do not know, but, of course, so far as possible they should operate

within that figure. Whether they will be able to do so is another matter.

5079. And that being so, have they done so, so far?—There is a surplus at the moment, I am told, but whether that is a permanent one, I cannot say.

5080. Does Mr. *Figgures* not agree with that?—(Mr. *Figgures*.) I should not like the Committee to draw from the fact that there is a surplus at the moment, the conclusion that necessarily the Association is going to run level. (Mr. *Smith*.) I think it is the system of repaying advances. Perhaps Mr. *Callan Wilson* could explain this? (Mr. *Callan Wilson*.) I am not quite sure, Sir, whether we are talking just now about the advances from the Consolidated Fund or how the Association are working out on revenue. Their income comes from the usual sources of rents and the equivalent of the Exchequer and rate contribution, and over a period of years that will vary. Just now, the rents, owing to the rent restriction control, have remained at certain levels; it may be that the Association can increase revenue in the future from that source, and what the future will be as regards subsidy or the equivalent, well, I cannot say, so it is very difficult to say, looking to the future, just how they will turn out. That really is the difficulty.

5081. But that will not affect the borrowing powers and the one-clause Bill?—It does not affect the advances. I rather thought there was a little misunderstanding. It does not affect the advances from the Consolidated Fund; that is quite separate.

The witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 25TH MAY, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. Hoy.
Sir John Mellor.

Mr. Oliver.
Mr. Enoch Powell.
Mr. Speir.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASS IX).

VOTE 3.

MINISTRY OF SUPPLY (PURCHASING (REPAYMENT) SERVICES).

Sir JAMES HELMORE, K.C.B., K.C.M.G., Permanent Secretary, Ministry of Supply, called in and further examined.

Chairman.

5082. Will Members turn to the Civil Appropriation Accounts, Class IX, paragraphs 22 to 32 of the Comptroller and Auditor General's Report? Sir Frank, this is rather a complicated group of paragraphs. Perhaps you might like to say something about them?—(Sir Frank Tribe.) Yes, Sir. Now that the rearmament programme has reached a stage when expenditure comes under audit examination I thought I ought to make some report to Parliament and give the Public Accounts Committee the opportunity of considering some general principles involved in the fixing of prices. It has been commonly assumed by previous Committees that competitive tendering is the surest safeguard against excessive profits though not of course, an absolute guarantee. In paragraph 22 I report that 68 per cent. by value of all the contracts placed in 1951-52 by the Ministry of Supply were without competition. The method of fixing prices for non-competitive contracts came under very detailed investigation by the war-time Committees of Public Accounts. At that time the Government were, of course, the major purchaser of most engineering products and a formula was evolved, as explained in paragraph 24, to limit the rate of profit. When the war came to an end and the Government became only a marginal customer for many contracts, the Treasury decided that the war-time formula should continue to be applied as a guide, though they recognised that conditions were different. The essence of the formula is to relate the contractor's profit to the capital employed by him in carrying out the work. In order to give the Committee an opportunity of seeing how this works out in current conditions I have given some details in my Report of two different classes. The first, dealt with in paragraphs 24 and 25, is illustrated by the aircraft industry where the Government are often the main purchaser. Here a price is built up so that my auditors have no great difficulty from an examination of

the Ministry's papers in finding out what profit margin it is intended to provide. They have the Ministry's estimate of the reasonable cost made up of the technical cost officer's estimate of labour and material and the accountant's estimate of overheads. The difference between those and the agreed price is the profit margin, and as the firms concerned provide facilities for calculating the appropriate rate of turnover this margin can be checked against the profit formula. If the margin is quite out of line with the formula I can bring the matter to the notice of the Committee. In fact, I am able to report in paragraph 25 that the formula has been satisfactorily applied in this year in the case of the aircraft contracts. But it is the second class which presents much greater difficulties. Here the Ministry are often the purchasers of only a small part of the firm's output and the agreed price is not built up from estimates of cost. I illustrate this in paragraphs 27 to 32 by reference to two contracts for one-ton lorries, which do not differ materially from ordinary civilian products. Although the orders are costing the taxpayer nearly £12 million they represent only a small part of the total production of the large firms with whom they were placed. I thought the Committee would be interested to see how the final prices are arrived at. Quite shortly, firm A's price was arrived at by taking list price less a discount. Some information on the build-up of the price quoted by firm B was obtained and test-checked but the price finally settled was not built up from estimates of cost as it is in the case of air supplies. In neither case, therefore, neither in A nor in B, can I tell definitely what margin is included in the agreed price for profit and what return this would give on capital employed, and so I cannot make effective use of the profit formula. I do not imagine, Mr. Chairman, that the Committee will wish to examine the details of these very complicated settlements, but, as I have tried to explain, I have reported fully in order to show the

25 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

Committee the intricacies involved and to explain that I am unable in such cases to see that the profit formula is applied. The question on which I, for my part, would like guidance from the Committee is how far the Committee think that efforts should be made to enable the prices in contracts of this kind to be judged by reference to the formula and how far they want me in any future reports to bring to notices cases where I cannot assure Parliament that the formula has been applied.

5083. Sir James, have you any comments to make on the price formula and the use of it hitherto?—(Sir James Helmore.) I think I could, Mr. Chairman, if it would help the Committee. We certainly use the formula, as the Treasury said, as a guide. I do not think it can be used always, and, very broadly, the extent to which, in negotiations with a firm, one can see that the guide becomes a rule depends very much on how great a proportion of the output one is taking, in other words, on how powerful a buyer one is, and it comes out exactly as one would expect from that; in the case of the aircraft industry, as the Comptroller and Auditor General has said, it applies almost universally on contracts that are non-competitive. As you move through the various degrees of being a powerful buyer, as we are in the aircraft industry, to being a much less powerful buyer as we are, perhaps, in the case that the Comptroller and Auditor General mentioned, you will find people less and less willing to negotiate with you on that basis. The motor-car industry has always said that they do not accept the formula as a guide at all. They just reject it. They say that that is not the way that they build up their own prices in normal commercial activity and they very much prefer, and we have adopted, and I think rightly, the basis of buying on list price less discount; and we do get very substantial discounts from the motor-car industry, partly because we do our own servicing, and partly because we buy in large quantities.

* * * * *

Of course, there is one other point about this, that I think we would be wrong as buyers to be over-impressed by the question of profit. What matters is the price, and it would be a very wrong thing if in paying over much attention to the profit margin we totally ignored the other elements of the price, and there are certain inefficiencies which we could allow to creep in to our suppliers' methods of manufacture and business if we were just to be wooden about applying the guides. Suppose we were to say: "Well, he tells us his costs are £X. £X plus the Treasury formula, so to speak, is so much, nobody can catch us out on that one, there we go", that would be a very bad frame of mind for us to get into. So, as I say,

we take this as a guide but not as a rigid principle to apply. I would certainly agree with what I think is the spirit behind the Treasury view that this should be a guide, that if we know of cases where the profit margin is forecast as greater than 15 per cent. on capital employed, that should be a red light to us and we should look into it very carefully.

5084. You referred to the percentage of total output of a firm that you took in terms of power, and inferred that the more you took the more powerful you were in negotiation. That is quite obvious, but at a certain point does not another problem creep in? If you become a marginal buyer the problem of the profit on your order and its ratio to capital becomes much more complicated, does it not?—In the last resort it is a matter of the accountant's opinion.

5085. Take, for instance, these chassis to which the Comptroller and Auditor General refers. Were you in the position there, I will not say to enforce, but to calculate the profit rate on capital of that order?—Yes.

5086-8. Firms A and B?—There are two questions in this, Mr. Chairman. One is whether you can get any information, the other is whether in such a marginal case you can ever make a reasonable estimate of what is the capital employed on a particular job. We tried to do that in such cases by saying, "Well, it is X per cent. by value of the output of the factory as a whole, therefore the capital employed is X per cent. of the total capital of the place"; and the degree to which you can make any such calculation to check your own price, of course, depends on how much the firm are prepared to disclose to you.

* * * * *

5089. Were the two firms one entity when this occurred?—They were not one entity at this time, no. This was a tiny proportion of firm B's output and you have the first problem, how much of their capital is engaged.

5090. When you say a tiny proportion, there were about £6 million worth of contracts, were there not?—Yes.

5091. Have you any idea what their output is? I have not?—I have not it here.

5092. Is it £100 million a year? Are you 5 per cent., 10 per cent. or 15 per cent.?—Under 5. That is a guess, Mr. Chairman, and if it is wrong I will correct it.

5093. If it is very much wrong, yes?—It was quite small. There is a second very considerable problem in this that, of course, you have not only got in these cases, when you are dealing with the return

25 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

on capital employed, to try and dissect the direct costs from the others, you have also got to make some estimate of how much is the profit on turnover and how many times the capital turns over in the year.

5094. Quite?—And that is a thing which the motor-car industry, as a matter of principle, do not like to tell us.

5095. That is a point I was going to get at. Did you try in this case to apply your formula and did you fail because the two firms refused to disclose the requisite data?—No, in the case of firm A the one-ton lorry in question had been taken on by them as a commercial proposition and they were selling it in the open market in competition with all other lorries.

5096. You say it was taken on. Was it built to your design, or something of that sort?—Largely to our design.

5097. So you designed it?—No, it is not right to say that we designed it. It is a case of taking something which was in commercial production and saying "If you do this and this to it, it would suit us". Initially at the time we settled the price they were in commercial production with it, and we got list price minus percentage discounts for the bodies and for the chassis and cab.

5098. How far did they refuse to disclose data which you thought for the purpose necessary to make your calculation and apply the formula if you tried? Did you ask?—No. In buying a commercial article from the motor-car industry we think we do as well as anybody could do by buying on an open market at list price which, after all, is fixed in relation to competition for all other people, minus this discount.

5099. You say you get a certain discount off the list price. Is that the retail list or the wholesale list price?—Retail.

5100. Well, what do they allow their agents?—I do not know.

5101. 15 per cent. do they not? Surely that is a very relevant point. You say you struck a good bargain because you got a certain discount off?—We got more than anybody else.

5102. How much more? You say you do your own servicing and, therefore, that is one of the elements in getting a large discount. If you got 2 per cent. more or 3 or even 5 per cent. more than, say, a commercial agent who, instead of handling £6 million worth of business in a year is handling a couple of hundred thousand pounds, I do not think you have done very well?—Well, of course, we could have gone without the lorries.

5103. Of course, that is another point. You put up this discount as a distinct

gain. Now in effect you are saying: "This is all we could get". There are two very different points of view?—I am going on, Mr. Chairman, if I may. In the case of the firm B lorry, which was cheaper than the firm A's with chassis, body and cab altogether, we did manage to do a bit of a test check on that, and to the best of our information, as the Comptroller and Auditor General says, it came out at 15 per cent. The figure is, I think, 15 and a fraction or 14 and a fraction, according to which way you calculate it.

Mr. Hoy.

5104. Did the Comptroller and Auditor General say that?—Yes.

5105. In which paragraph?—At the end of paragraph 31.

Chairman.

5106. "Would yield a profit on capital employed of 15 per cent." You claim that you have made a good bargain when you got this discount off, or at least that is the impression I got?—We claimed we got a fair and reasonable price.

5107. You gave a very large order, £6 million for one particular lorry, that is, 6,000 vehicles. There are not many private firms of agents who will give an order for 6,000 vehicles off the cuff like that. If you are going to do that you are entitled, surely, to very preferential treatment, particularly if you are doing your own servicing?—Yes.

5108. What I want to know is what differential advantages did you get over ordinary agents? Did you enquire?—We got better treatment.

5109. I know, but how much better?—I could not say.

5110. I should have thought that would have been one of your first questions: "If we give you this order, how much better are you going to treat us than Messrs. Jones"?—The only answer we would get to that is "As well as or better".

5111. Then you really do not know know whether you did well or not?—(Sir Frank Tribe.) Presumably the discount for the large traders must allow for considerable costs incurred by the firm in selling and advertising. It is not necessary to advertise in the case of a Government purchase on a large scale.

Mr. Hoy.

5112. Sir Frank, do you have any information as to what would be the discount that the large commercial trader would get from either of these two firms?—I do not know for certain. I understand it is in the region of about 17 per cent. (Sir James Helmore.) If I might interrupt, Mr. Chairman, there are two very distinct things

25 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

here: one is a large fleet user who is buying things for his own purposes, the other is the distributor. Now, the distributor places large orders but he takes a very considerable risk in doing so and he has to finance the goods while they are in his hands. So I would entirely agree with the fairness of comparison between the Ministry of Supply and a large fleet user, but I would say there were other things to be taken into account in comparing us with a distributor.

Mr. Hoy.

5113. But, Sir James, my information, anyhow, is that in connection with this particular type of vehicle there was no risk at all and in fact the firm were turning away orders for it, so that whoever got them could sell all they got. Is that the case?—It probably was at the time.

5114. So there was no risk?—To us?

5115. No?—Or to the manufacturer?

5116. To the trader?—To the distributor.

5117. Yes, you said he had a trading risk?—Certainly, the distributor had a trading risk in these circumstances.

5118. If in fact the firms concerned were having to turn away orders, then, apparently, there can be no trading risk? Whoever had them would be able to dispose of them quite easily?—With great respect, I do not think that is true, because the distributor places an order for six months or a year and in those circumstances he is probably misled by the number of people who are asking him for the articles in question. He is taking the risk of a sudden drop in demand which, after all, happened only a year later.

Chairman.

5119. The position is that firm B gave you sufficient data to build up your picture of 15 per cent. on capital and firm A refused. Is that the situation?—We did not try to deal with firm A on that basis.

5120. You regarded the two vehicles as equivalent?—List price less best user terms we regarded as fair and reasonable. With regard to firm B by one means and another, I will not say we were given the necessary information, we acquired enough information to come out at this figure of 15 per cent. (Sir Frank Tribe.) I would just like to make it clear, Mr. Chairman, that this 15 per cent. to which the witness has referred as being in my Report is only based on information I received from the Ministry. I have not had any means of checking it.

5121. Certainly?—I believe they had only investigated the prime costs of the chassis and cab and did not have the chance of investigating the overhead rates: nor did they investigate the prime costs

of the cargo body or the profit margin or overheads. (Sir James Helmore.) And I would like to make it quite clear, Mr. Chairman, we certainly did not settle with firm B on the basis that we had done a calculation on the back of an envelope and it came out at about 15 per cent., so that was right. This calculation I am referring to was afterwards, to check what we had done.

5122. I gather where you are not the principal buyer you have abandoned the formula of 15 per cent.?—No, it depends whether you can apply it or not, and I was saying earlier it really depends on your power as a buyer and the willingness of the seller to accept that as a negotiating basis.

5123. You can always make your calculation as to whether you are within it or not, providing you can get the information from the seller. The real point is whether you can get the necessary information, is it not?—If the seller will not negotiate on that basis it does not help you very much to have the information.

5124. It might?—Except, of course, that afterwards, as in this case, we could say to ourselves, well, we were right, and one does the rough calculation one does in those cases. It did come out about right, so we thought, well, there is a cross-check on the negotiation we did.

Mr. Hoy.

5125-30. Look at paragraph 29, Sir James. You see the Report says: "This firm did not allow facilities for computing the current rate of turnover, but rough information in respect of the previous year, available to the Ministry's accountants, suggested that the profit margin on cost which had been included in the quotation would yield a return on capital employed considerably in excess of the 15 per cent. maximum under the formula." Then I am interested in what follows. It says: "The firm's quotation under their contract for cargo bodies was not investigated by the Ministry: it was 32 per cent. higher than the price quoted by firm A for similar bodies". In view of that are you satisfied that this particular firm did not make a much greater profit than was intended by your Ministry?—This is a perfectly true account of one stage in the negotiations. As I think the Report makes clear we then went on and said in effect to them: "This price is too high", not "This profit margin is too high". What we were interested in was the price the taxpayer was going to pay. We said "The price is too high" and there was a great deal of negotiation, and in the end we got them down to a price lower than firm A's which was accepted in discussion and which I think we did right to accept.

* * * * *

25 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

5131. I must ask you one general question about this, Sir James. The Comptroller and Auditor General says that 68 per cent. by value of the contracts placed by the Ministry were placed without competition?—Yes.

5132. I think you will agree that is an extremely high percentage which calls for extremely special care?—Yes, indeed.

5133. Do not you think that a little more competition for these things might mean a much more efficient use of your staff, because on the last occasion you were here you said you had always a great deal of difficulty in getting sufficient staff to check these prices?—It is a point of great anxiety to us that so high a proportion should require the services of technical cost officers and accountants. In fact, the Comptroller and Auditor General's figure of 68 per cent. by value refers to 1951-52. By 1952-53 it had dropped to 57 per cent. by value. It is partly a reflection of a rush rearmament programme when it is a matter of policy that you have got to get on and there is not time or opportunity to go out to tender, but I would be misleading the Committee if I thought that we could get this down much lower.

5134. Much lower than what?—Much lower than, say, 50 per cent. I think very nearly half our purchases by value will always be on a non-competitive basis. There are several reasons for that which, perhaps, it would be interesting to mention to the Committee. The three principal reasons are these: the typical aircraft case where you place the production order with the firm which has carried out the research and development and the design; there is the case where proprietary articles are specified; and there is the case, as in the case we were discussing last time I was here, where we have put Government plant into a factory in order to set up a source of supply or where, for reasons of policy, we feel that we must place an order with a particular firm because for war potential reasons the capacity must be kept in being. But the aircraft contracts, of course, which are the standard case for non-competitive contracts, of course, are expensive per unit, which I think puts the percentage up a little. The figure by numbers of contracts, if that is interesting, is 46 per cent. in the year which the Comptroller and Auditor General is mentioning and 42 per cent. in the subsequent year.

5135. I think one of the things which might give us a little trouble in this Committee is the fact that, if you take firm B, the price was accepted by the Ministry as competitive after the contract had been placed and half the vehicles delivered. It does not seem to me to put the Ministry in a very good position from the point of view of negotiating prices?—No, it does not.

5136. And that is the sort of thing we would like to avoid, I am sure?—I am sure we, as buyers, would like to avoid this, but there it was. These particular vehicles were being pressed for by the War Office. We had a date by which they must have them at all costs, all this took place about the time of Korea and there was nothing to do but select a firm to make the thing, tell them to get on with it and settle the price afterwards.

5137. Then were they only manufacturing this particular type of vehicle for your own purpose?—There were two types of vehicle in this field which were of interest at this time, the one-ton general service truck and the three-ton general service truck; what was done was to look at the firms who had capacity for making this sort of thing and were generally known, after all, to be efficient producers.

* * * * *

It was decided on availability of capacity grounds that firms A and B should take the one-ton and that three others should take the three-ton, because we were trying to do two things at the same time, to get the War Office the vehicles they desperately wanted at the time they said, and at the same time not to get in the way too much of exports. That was the reason why that was an allocated contract of that sort. I think in more peaceful times one would have a strong prejudice in favour of going to competitive contract on this type of store.

Mr. Speir.

5138. Reverting to these discounts off list prices were they accepted once and for all or did you try to negotiate still better terms?—On these orders?

5139. Yes?—They were accepted for this particular order.

5140. Straight away? There was no attempt at further negotiations?—I do not know the detailed steps, so to speak, by which we came out at the figures for this order, but do not think that they are necessarily standard figures in the motor-car industry, though they would be of that order. I am told that we did push them up a little bit from the firm's first offer in this case.

5141. Regarding these list prices, do you know how the list prices were made up? Can you tell the margin of profit? Have you no idea at all? So they are not really very helpful?—I do not like to say we have no idea at all because it is part of one's business to be as knowledgeable as one can about that sort of thing, but we have no specifically supplied information for that sort of thing.

5142. I thought you said something about having fixed information about the

25 May, 1954.]

Sir JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

list price?—The list price is the list price, after all. It is published, but we had no special information about the build-up of the list price.

5143. You cannot tell what the margin of profit is involved or the amount of capital?—We can sometimes. We pick up information here and there. Sometimes people will tell us, sometimes we get to know in the way one does get to know things, but to say that we could take this list price and dissect it from accurate and reliable knowledge, the answer must be No, we have not got it.

Mr. Blenkinsop.

5144. I gather you said you took the 15 per cent. on capital employed as the sort of general guide, but did not want to be too tightly fixed to it. Would it be fair to say that you feel there are many other matters of importance to be taken into account in the build-up of price, including the question of efficiency of the firm itself, for example, that you mentioned?—Oh, yes.

5145. I take it that where you do accept the 15 per cent. as, for example, in the aircraft industry, that does not prevent you from looking at these other factors which you mentioned?—No.

5146. The question of general efficiency of the firm?—Certainly.

5147. In the case of the aircraft industry where you are in a favourable position in relation to the seller you do have regard to that 15 per cent., but only as one of the factors?—Very much one of the factors, because if one takes 15 per cent. as a wooden guide then the inevitable tendency is that every contractor of this kind tries to get 15 per cent. allowed.

* * * * *

The danger of mentioning a specific figure is, of course, that the maximum becomes the minimum.

5148. And, presumably, it would be fair to say that this as a guide is of doubtful value in some industries, depending entirely on the amount of capital employed and the force of application of capital in a particular industry, so that really in some cases in some industries it may not be a particularly valuable guide?—One can think of extreme cases of industries which have no direct costs and all capital, or the other way about, where it becomes almost irrelevant. (Sir Frank Tribe.) I think these figures were made public in my Report for 1946-47. Perhaps I might just read this: "This formula aims at restricting profits within the limits of . . . 15 per cent. on capital employed for fixed price contracts, these limits being related to a basic allowance of 7½ per cent. on capital employed with additional allowances on cost of 2 per cent. for

efficiency and (in fixed price contracts) 2 per cent. for risk". (Sir James Helmore.) Yes, (Sir Frank Tribe.) And that is the formula which has been in use. (Sir James Helmore.)

* * * * *

Mr. Blenkinsop.

5149. I was merely trying to elucidate further the point that I thought was a perfectly fair one, that it would be wrong to attempt to administer this percentage, which seems to me to be of doubtful value in some cases, in any hard and fast way?—Yes.

5150. And it might indeed, as you suggest, be disadvantageous to wider interests to do so?—Yes. I was, I think, making that point in an earlier answer, that we take it as a guide and not as a rule.

Mr. Oliver.

5151. If you can get the contract down to prime cost and overheads, then it would not be a difficult matter to fix any percentage, whether it was in the Treasury formula or outside the formula?—No, it is not at all difficult to fix the percentage. What is difficult is to agree the price which includes that percentage with the supplier.

5152. Now, how can you get the percentage unless you can get some accurate figures from the manufacturers as to their costs?—Well, on the whole, in the case of the aircraft industry, they do give us the figures. They give us facilities for our technical cost people to go and look at what they are doing and for our accountants to have access to their books. But if anybody liked to say the door is not to be opened to your technical cost people or your accountants, life is not so easy.

5153. You have no difficulty in having access to their figures, though?—If you have access there is no overwhelming difficulty in finding out what the figures are, but we cannot just send people widespread to knock on a manufacturer's door and say "We have come to look at your books". The manufacturer is very apt to say: "Well, who are you?"

5154. I appreciate all that. The important point is, have you or have you not access to the cost? Whether it is inopportune to send anyone there or not, the question is have you that access?—In some cases, yes.

5155. And what about other cases?—In other cases, no.

5156. Then the 15 per cent. becomes just something of an unknown figure, unknown to the Ministry, I mean, not unknown to the people who put the order together?—Yes, there are certainly contracts in which we do not know the return on the capital employed, certainly.

25 May, 1954.]

SIR JAMES HELMORE, K.C.B., K.C.M.G.

[Continued.]

5157. Just another thing about the rate of capital employed; I can understand that being ascertainable if you are employing the whole of the factory, but when you are not employing the whole of the factory how is this based, on computation of a part of the factory on the capital employed?—What we do is to value the whole of the capital in the particular block, the establishment or the factory, whatever it may be, and say that the contract we are looking at is X per cent. of the total output—

5158. Over a period?—Certainly over a period, and, of course, one may in negotiation very well have to give an allowance upward or downward for factors such as setting the thing up specially or a special degree of difficulty or risk, and all those things.

5159. With regard to the places where you have access to the material figures, has the Comptroller and Auditor General had any adverse comment to make on that section?—(Sir Frank Tribe.) No, broadly not, I reported here that some of these investigations had been made and as a result certain reductions were secured. The adverse comment, if it is adverse, is rather directed to those cases in which there has been no such investigation largely because the firms had refused permission to investigate. I have great confidence in the Ministry's technical cost officers and accountants.

5160. But if, of course, those gentlemen cannot get inside firms they are not subject and cannot be subject to a certain amount of criticism, I take it. If you cannot get the material on which you know what you are paying your 15 per cent. or whatever may be the basis of profit, if you cannot get that basic figure then you are simply impotent to deal with the matter unless you can get another firm to do the job?—(Sir James Helmore.) Of course, another firm is the answer albeit you are the only person to whom the firm can sell. That is why we get the figures in the Ministry, because we are powerful buyers. I think, if I may say so, as I was saying earlier on, the 15 per cent. formula is only a guide, and in some cases the guide is not available to us. We therefore have to use such other methods as our wits can devise for arriving at a fair and reasonable price. One can sometimes compare a similar store and say: "Well, we know that for this thing we got a fair and reasonable price from a firm there, this other thing is rather like it, the price is comparable," so we can feel reasonably confident that we are not being done. I have already explained to the Committee the basis on which we deal with some industries that work on list prices, and for the rest one relies on hard bargaining on the basis of such common sense and knowledge as one has to help one.

Sir John Mellor.

5161. I quite recognise that we are in a seller's market where the manufacturer can say "take it or leave it", and all these questions of cost investigation are really rather academic, but where the manufacturer is not in quite such a happy position and he is anxious to persuade the Ministry that he is asking reasonable prices, are these manufacturers often willing to disclose, for instance, their sub-contracts?—Yes.

5162. Because I imagine, in the case of motor vehicles, and so on, a great many of the parts are obtained from sub-contractors? Now it would perhaps be a good indication if you could find out the detailed sub-contracts. Is that possible at all?—When the manufacturer is willing. He may very well say: "I am not prepared to discuss with you the profit on the capital employed basis, but what I can tell you is that my labour and material and profit in this case only amount to 10 per cent. of it anyway, and here are my sub-contract prices". I would not like the Committee to think that there is a general atmosphere of refusal to give information. Far from it. The relations between my contracts officers and the suppliers are, on the whole, good, and there is not a disposition at all on the part of industry to be obstructive about this, but there are certain parts of industry which for commercial reasons, which seem good to them, and which, at any rate, one can appreciate the weight of, take it as a matter of principle that they do not wish to negotiate on this basis at all. Whether they are right or wrong is perhaps irrelevant to us. They hold that view very strongly.

5163. May I ask you about your contract officers? Previously to coming into the Ministry have they had very much technical training, or do they acquire that as they go on? In the course of business do they acquire the knowledge?—The accountants and technical cost accountants are professionals. The contract officer is, as a rule, a regular executive Civil Servant.

5164. And, therefore, learns about these things as he goes along? When he comes in he has not had any previous experience of the manufacturing industries concerned, I suppose?—Normally not, no; he would be an examination entrant who goes through a rather rough mill before he is allowed to do any of this on his own.

Chairman.

5165. Mr. Figgures, have you any comment to make on what we have been discussing?—(Mr. Figgures.) I do not think so, Mr. Chairman. This is the situation as it exists and as we know it to exist. We share the view of the Committee that it is better to have competition, but we accept

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

the fact that over this large field it is impracticable; it is the responsibility of

the Ministry to decide when it is impracticable and to get the best terms.

Sir James Helmore withdrew.

TREASURY MINUTE ON PARAGRAPHS 122-126 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1952-53.

Sir GEOFFREY KING, K.C.B., K.B.E., M.C., Permanent Secretary, Ministry of Pensions and National Insurance, called in and examined.

Chairman.

5166. Will Members turn to the Treasury Minute on paragraphs 122-126 of the Third Report of the Committee of Public Accounts, 1952-53? You might tell us, Sir Geoffrey, anything further you have to say in regard to your investigations as to the amount of the total net loss involved in this matter?—(Sir Geoffrey King.) Yes, Sir. We have done a very extensive investigation into this question throughout the year and I can now give you very much more definite information about the position. May I just preface my remarks by two rather general points? One is that although the figures naturally appear in the discussions as so many millions, £5 million or £10 million, whatever it is, it is made up of a vast amount of very small or comparatively small sums, and it is the fact that in so many of these cases what we are trying to do is to collect a very small sum from the individual that makes it so expensive and makes it so necessary to be careful that we do not spend more money in trying to collect than we get back. Incidentally, to put one point out of the way, we have no power to deduct a missing contribution from any benefit that may be due. That is not allowed under the Act. There are, in fact, about 1,000 million contributions payable every year, or rather more than that, and when we first look at the cards there are probably about 17 million contributions about which some question might arise, shall I say, 17 million blank spaces. By the time we have done all we have been doing those blank spaces are reduced to rather less than half of 1 per cent. of 1,000 million. Those are the broad figures. The next point I want to make is that, if I may say so with respect, there has been a tendency to regard missing contributions as a dead loss to the Fund. That, of course, is not true because if a man does not pay contributions he will very quickly find that he does not get his benefit, or if he continuously pays a seriously deficient number of contributions he will get a reduced benefit, so the matter is to some extent a matter of business, and indeed, if one looks at it from the point of view of pensions, pensions are being granted at present to people coming up to pension age on such favourable terms that the Fund would be far better off if they did not pay the contributions and did not get the

pension. I am not suggesting that that is the right attitude, I am merely saying that this is not entirely a question of dead loss from the purely business point of view. Now, as to the results of the inquiry, first of all I want to make it clear that in view of the enormous numbers which we are dealing with, we have had to do it on a sample basis and we have had to do a number of rather complicated samples, but it has been done with the utmost care by people who are trained in these things and I have every reason to believe that the figures are reasonably accurate within the limits which samples provide. The first figure I want to give the Committee is that there are about 4½ million cases a year in which some apparent question arises of a deficient contribution record. These are broken up for the purpose of our work of administration into three main groups; first of all, there are about 850,000 serious cases. I think the Committee know what the figure is, what constitutes a serious case, and may I here, again, hope that the Committee will agree that we should not put the figure on record. That is what I mean by "serious". These are cases which we follow up to the fullest extent that experience officers think fit and, frankly, I have got nothing more to say about them. We collect what we can on them and I am not conscious that there is anything more we can do about it. At the other end of the scale there are about 2 million cases where the deficiency is of one or two contributions.

5167. How many cases?—2 million, with a deficiency of about one or two contributions only. Here I think we have our most difficult problem because the average amount due, and I do emphasise it is an average in the sense that in individual cases the amount varies because it may be a contribution of one kind or another, the average amount due in these cases is about 7s. 6d. per case. It does not require very much extra staff time and business to spend much more than 7s. 6d., certainly if you have to go to the extent of visiting a case. So, what we do in those cases at present, in the main, is just to send one notice to say they are due and hope for the best. We get a certain amount in, but at present we are not doing much more on that, though in fact we do pick up a certain

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

amount of them, as I may say, rather accidentally when a claim to benefit or something like that comes up, and we again draw the person's attention to it at that point. Now, one inquiry to which I personally attach great importance was made in connection with this group. I felt that it was one thing if the facts were that this group consisted of a large number of people who from time to time forgot or omitted to pay the odd contributions probably it would be a contribution due in respect of a week of unpaid holiday, or something of that kind. If that is so, this was an accidental affair, but it would, in my judgment, have been a very different matter if there was any indication that there was any large number of people who were taking advantage of the fact that full benefit rate is payable for 50 as opposed to 52 contributions, and deliberately stamping on that basis. So, we made a very special sample inquiry on that point and I think myself that the results are reassuring. We looked at the cases, of course, on sample basis, where there were one or two contributions missing in this year and we checked back to see whether in that case there were also one or two contributions missing in each of two preceding years; in other words we looked at three years of the account, and this is the result: we found that there were some 145,000 people who were deficient in three years running but, and this is a figure which I personally think is extraordinarily surprising, the number who were short by two contributions in each of the three years was only about 10,000 of whom some 7,000 were in Class I employment and 3,000 in Class II.

5168. What are Class I and Class II?—Self-employed.

5169. Class I is self-employed?—Class I is contract of service, Class II is self-employed. Why I think that is very significant is because the ordinary man who is working for an employer has no option whatever about paying only 50 contributions unless his employer connives with him. I would have expected that if there were any tendency to rely on the 50 rule you would find it noticeable in Class II where, after all, the man is self-employed and sticks his own stamps on. I do suggest that the fact that there were only 3,000 of such cases, apparently, against the 1½ million contributors in that Class does entitle one to reject any view that this was becoming a tendency or widespread. Now, I have given the details about the serious cases and the one and two contributions. Between those two limits there are, we estimate, some 1½ million where the missing contributions are between three and, may I say, "x"; we all know what "x" is, I am anxious not to get it on the record.

* * * * *

These we submitted to a very intense investigation. First of all, we came to the conclusion that if every contribution which appeared to be missing in this group were in fact due, then the sum of money would be of the order of £2½ million or, say, £2,600,000. But I do want to emphasise, and it is one of my difficulties in this subject, that the fact that a stamp is missing from a card is very little evidence that it is due. There are any number of things which may account for the missing stamp. The contributor might be entitled to credits for weeks of unemployment or sickness. She might be a married woman who failed to notify us of her marriage or her desire to opt out. In many cases the missing contributions may be what is known as Class III, that is, the person who has got no employment, because they may relate to people on strike, or something of that kind, who are for the time being out of employment; and some of those undoubtedly could claim exemption on grounds of low income. So, it is quite impossible to proceed from the point, well, there is a stamp missing, therefore the Fund is losing money. There are far too many things which can happen in between. Finally, we are, of course, always up against the fact, or frequently up against the fact, that even where we decide to proceed or put pressure on we just find the person is not worth powder and shot. You get your bankruptcies or liquidations and you get the persons who, when you get them, just cannot afford to pay, and it is not much good taking a person like that before the Court and incurring a lot of expense. So, for all these reasons we feel that this £2½ million is not at all a figure which represents the true loss to the Fund. Now, having arrived at that sort of figure we came to the conclusion that we would try and see whether we could get closer to the facts. We made a special investigation of some 160,000 cases where the number of contributions was just below the serious line. Now, in this group it looked at first sight as though there was an apparent deficiency of about £1 million. By taking the steps which we have normally been taking so far that is reduced to about £650,000, and we tried the effect of following up a sample of these cases intensively. The result of that was that we would have collected another £200,000. Here I want to give the sort of final figure. On the basis of this sample we have come to the conclusion, and this is the best estimate I can give you, that if every case where missing contributions which are below the serious line were followed up to the utmost an additional £1½ million might be got in, of which one-half would relate to the people deficient by one and two contributions. That, Sir, is the upshot of this inquiry. May I just make this further point—I have made it already—that to

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

follow up these cases intensively involves a lot of staff time. It would require a lot of extra staff, and I admit it is a matter of judgment, Sir, but on the whole we think that we were right in starting as we did and seeing what reception the scheme had from the population, relying on them thinking it was a matter of good business to pay rather than putting the screw on too tightly to start with. As a result of the inquiry we have gone intensively into the procedure and we are introducing modifications in some respects. There is, Sir, one further figure I would like to give you, or a figure in another way, to show why I think we are entitled to say that. In 1951 the proportion of cases on which no question of a deficiency arose was 73 per cent. of the total. By 1953 it had risen to 80 per cent.; that is to say, 80 per cent. of the population were automatically complying as opposed to 73 per cent. two years before, and we believe the process of education is bearing fruit. I am not going to say I am satisfied with the result, Sir, and we are going to keep the whole thing under review and make further inquiries.

5170. You said you had tightened up things as a result of this inquiry which, I presume, was taken as a result of the inquiry last year?—Yes, I think that is fair, Sir.

5171. What are the steps that you have taken in the meantime to tighten up?—As regards the serious cases, of course, there is no margin to take any further steps.

5172. What exactly do you mean by "serious cases"?—[A definition was given by the witness.]

5173. You go as far as you can?—Those we follow up to the limit. That is a figure which I hope will not be made public. So, I do not think there is anything more we can do there.

5174. It does so happen that I have a list of convictions in my pocket and I find that somebody got 28 days, and the offence is failing to pay National Insurance contributions. Is that as a result of your activity?—It might have been one of our prosecutions. In fact, we had about 5,000 last year, 5,204, to be exact, and civil proceedings in 1,300 cases.

5175. When you talk about the serious cases how do they arise? Are they deliberate evasion, or what?—That is difficult to say, Sir. The motive behind it I really would not know.

5176. You had 850,000 serious cases, you said, at least you estimated that?—Yes. I do not know whether there is a motive behind it. They just do not comply, but when you get to the motive for which they do not comply, I really do not know. We do occasionally get spectacular cases where people say that it is contrary to

their religious beliefs or something of that kind, but that is rather exceptional.

5177. I was just trying to visualise how 850,000 serious cases arose. They obviously cannot be employed persons because the employer is responsible?—Some of them are. The 850,000 are the potential cases. They are cases where at first sight there is a gap of more than "x". But, of course, a lot of them are explained away by people going abroad, people in prison, people dead, people married, all those things, but when you do some down to the hard core of cases where people ought to pay and do not, I am afraid I cannot tell the Committee what the motive may be.

5178. You gave 850,000 as the gross figure. What was what you might term the net figure of not only the serious cases but the bad cases, cases that you cannot explain away?—I have not got that split, I think. You are asking over the whole field, not only over the serious field?

5179. No, you gave us 850,000 serious cases?—The 850,000 is broken up into 685,000 where no card is returned in the first case and 165,000 where more than "x" contributions are missing. I am not quite sure whether I am meeting your point? I do not want to quibble on this.

5180. I am just trying to see if you have found out why there is this number of people with such a large number of contributions missing?—I do not think I can do more than say that this 850,000 is the number of cases in which, when we do our posting at Newcastle, that is at the end of the year, we find that there is a serious deficiency, either there is no card at all or there is a serious deficiency. When we look into those we find that the great majority of them are cases where there are no cards at all. Those are investigated, and the others are cases with missing contributions. The apparent deficiency still outstanding after the action on deficiency notices has been taken is of the order of 40,000.

5181. That is what I want to get?—I am sorry, I ought to have given you that figure before.

5182. The 40,000 are what you might term the bad cases?—The hard core.

5183. The hard core, people who ought to pay and have not any valid excuse for not paying?—Yes, apparently.*

5184. Have you, among other things, considered strengthening up the phraseology of your deficiency notification?—Yes, we have that under consideration now as a result of this inquiry.

* Note by witness: The number of cases *prima facie* falling within this description of "bad cases," or "hard core" is of course much larger, but most of them are cleared up.

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.R.E., M.C.

[Continued.]

Mr. Oliver.

5185. If there are no contributions or there is a deficiency of contributions that would affect the benefit of the contributor?—Yes.

5186. And whilst it is a deficiency in the Fund by reason of no benefit being paid as a result of no stamps, is there not a net gain into the Insurance Fund as a result of that?—That was the point that I did make, that there is a set-off against it. It would be very hard to equate the two but the fact that contributions are not paid in full does not mean a total loss to the Fund.

5187. No, but it could not be a gain, could it?—Well, it could be a gain in certain circumstances, especially for pensioners. If a person failed to pay in two or three years, and especially some of the classes who had to pay for a definite period, and failed to get a pension, well, obviously a pension is very much more valuable than the missing contributions. You see, pensions at the moment are being given on a basis which the Government Actuary has recently estimated as that only about 5 per cent. of them are covered by contributions from the man himself.

5188. You have no idea, really, where the person is an employed person, what view he takes, because when he comes for benefit he is refused no doubt by the Insurance Officer, whether it be unemployment or sickness benefit, on the ground either of no card or deficiency in contribution?—I notice you use the word "employed person". I do not want to give a false impression.

5189. I call it an employed person, I think you call it Class I?—A man under contract of service. I do not want the Committee to get the impression that there is anything really seriously wrong there. We are satisfied by very extensive inquiries that in Class I the employers are playing up very well indeed.

5190. The casual non-contributor would be then, either in the self-employed or the non-employed class?—Yes, plus a few small employers, a certain amount of what I would call marginal non-contribution, that is one and two people in the employed class, because there is no doubt about that, that the great bulk of the cases in sheer numbers, where one or two contributions are missing, is the unpaid holiday class, that is to say, the man takes a holiday for which he is not receiving wages and where he ought, strictly speaking, to put a Class III contribution, and, quite frankly, I think it is rather difficult to expect him to get hold of his card and do it. I think really there is a difficulty there which is very hard to surmount.

5191. In the case of the two million who fail to put on the one or two stamps

and yet they are in benefit, there is nothing really you can do to those people because they are within the law, are they not?—No, Sir, I do not want that doctrine, if I may say so, to go out. They are in default of the law. They ought to pay but I am bound to say that the sanctions I can apply to them are not very satisfactory.

Mr. Enoch Powell.

5192. You said that the employers were playing up well. I take it you mean the employers of persons who are known to you at all as employing persons, that is to say, of whom you have any record or card?—Yes.

5193. What do you mean your remark to imply, that there were very few employers who employ persons on behalf of whom they should be contributing but who are not known to you at all?—I think I am entitled to apply my remark to both. We have a very intensive system of investigation. We send inspectors out, and I do not know whether the Committee would like me to elaborate that, but we have just recently made it more selective. We now take types of employers where by experience we think there may be a risk of non-compliance and we turn the steam on them in a certain place for the time being and so we dodge from place to place. We have found that rather more selective method of survey more profitable. But taking, as far as one can, the figures which we get from the Government Actuary of the number of the potential Class I group, we are satisfied that there is very little wrong with compliance under both heads.

5194. Does that apply to married women who do not themselves pay but who are in, for example, domestic service? Are you satisfied that your check of employment in domestic service, for example, is adequate?—We do a certain amount of that. They are, of course, part of these figures. My difficulty, quite frankly, is that I do not know how much of the domestic service element there may be in the small amount of cases where compliance does not take place. We certainly have it in mind.

5195. If I might interrupt, surely these cases would not come within your statistics at all, because no contribution record would have been opened, *ex hypothesi*?—That is the group of cases where, as you say, no record exists. It is one of the most difficult ones to follow up simply because of the difficulty of finding the absolute number of contributors. I went into this at some length last year and pointed out that difficulty. But there is one thing which we do make a habit of doing which I think has some bearing on this and that is, when our inspector goes to a moderate sized employer—it applies to those cases more often—to look at the cards of his workmen, it is almost invariably the practice to say: "Now, we will look at your per-

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued,

sonal cards" and so on. We certainly do not overlook it but, of course, domiciliary visits to people's houses along the road would be difficult.

5196. Have you any contact in this matter with the Ministry of Labour who might, for example, maintain lists of married women available for employment?—We have a contact, but if they get through the Ministry of Labour—I am speaking, perhaps, without complete knowledge here—I find it very difficult to believe that the Ministry of Labour would place anybody without making certain that they have got a card. One of the tests we carried out was that some 8,000 names of men between the ages of 18 and 65 and single women between 18 and 60 were taken from National Health Service records and compared with the records at Newcastle, that is to say, we just picked them out of a bag, and as a result 19 registrations had to be effected and only one was actually liable to pay contributions. It does not answer your point.

5197. No, that excludes married women. It was with married women that I was concerned?—Of course, you see, with a married woman then you get the question of options.

5198. I am not concerned with the employee's contribution?—I see.

5199. But you do not believe that there is any considerable amount of evasion by employers of married women who have opted not to contribute?—I do not believe it is considerable but I am not going to say it does not exist. It is one of the difficulties with casual employment of married women, particularly among classes like boarding house keepers and that sort of thing, seasonal employment, we are not too happy about that, but it is one of the classes which we have very much got our eye on and we have these special surveys directed to this sort of thing. (Sir Frank Tribe.) Parliament in 1946 did specifically exclude private dwelling houses from the right of inspection by section 49, subsection (7).

5200. I take it, Sir Geoffrey, you have no contact with the Department of Inland Revenue?—(Sir Geoffrey King.) No.

Mr. Blenkinsop.

5201. With regard to Class II, self-employed persons, I assume from what you have said that there is no evidence of any increase in the number of cases there who are not paying their contributions?—None whatever, Sir.

5202. So far as the class "excused all contributions" is concerned, that is a little bit wider than this point about married women, in fact, but is there any evidence there of any increase in the number of cases?—People applying for exemption because of small incomes?

5203. Yes?—It was 190,000. It is now 200,000.

5204. A slight increase?—As they are samples I honestly do not think the difference is significant.

Colonel Crosthwaite-Eyre.

5205. Sir Geoffrey, I understood you to say that, in what I think you called the serious cases, there were 40,000 as a hard core. You only had, though, 5,000 prosecutions and 1,300 cases in the civil courts?—Yes.*

5206. Making, very roughly, one-seventh of your total hard core. Is it true to say that the other six-sevenths were not worth your powder and shot?—I really cannot claim that entirely. I can only say that all those hard core cases are considered very carefully and in the judgment of our lawyers, and so on, that was the number of cases in which it was worth pursuing, but as to exactly what the reasons are, I could not go on record as saying that that is merely a case of powder and shot.

5207. When you have taken all the various reasons that you have given this Committee for not proceeding, is it really, do you think, adequate that out of the remaining hard core only one-seventh should have been proceeded against?—I think one of our difficulties in these cases frequently is the question of getting the evidence to satisfy the Court. That is always difficult. We may know that there is a missing contribution, we may be completely convinced of that, but I accept your point and it is certainly one to which one has to give the most careful consideration. All I am afraid I can say is that the instructions are that these cases are to be followed up whenever in the judgment of experienced officers it is worth while following them up, either because of evidence or because of any other reason.

5208. What is the total number of officers that you have on this?—There is no answer to that because there is no specially earmarked staff. It is part of the general organisation of a local office that this work has to be done.

5209. Is there any estimate of what it costs you to do this particular job?—We have got an estimate of what it costs per case, and that is about 17s. 6d. The cost per case in which we follow up is somewhere between 17s. 6d. and 27s. 6d.

5210. That hardly answers my point, because you must spend a lot of time on cases in which you do not proceed?—Yes, quite.

5211. Have you any figures as to what that costs you?—No, I do not think we have, and quite frankly, when you say cases in which we do not proceed, after all it

* Note by witness: Many prosecutions cover several employees.

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

may merely be that a counter clerk may answer a question. I honestly do not see how we can get that figure because the case does not become identified as being one until you have taken it a very long way, which would not cover your question.

5212. Yes, but if I may say so, you were talking about 4½ million of your cases with a deficiency, of which 2 million had one or two stamps missing?—Yes.

5213. Usually, I think you told the Committee, the average loss per card was 7s. 6d. per case?—That is right.

5214. Whereas you have given the figures of 17s. 6d. to 27s. 6d. for pursuing the case?—Yes, for pursuing the case.

5215. Therefore, I think it would be your view that it would not be in those cases worth pursuing?—That is right.

5216. Whilst it may not be worth it do you think that is the right way of dealing with it?—Well, Sir, there I can only say that that is the view we have formed. I think myself that we must run this insurance scheme partly as a matter of business; and I think that the Estimates Committee at any rate, would be very justifiably annoyed if we had a large increase of staff for which the answer was: "We are going to spend £200,000 in order to collect £100,000."

5217. That is why I asked you about your staff, which you could not answer for the reason you have given?—We would have to have a lot more staff.

5218. Is it then a factor in your mind when considering whether to pursue a case or not as to whether the cost is going to outrun the revenue received by way of any action taken?—Not if there is any reason for thinking there is an element of fraud or criminal intent in it. I would not imply the same thing there. What I mean is that if a case is one, for example, of an unpaid

holiday, a man had just forgotten to pay. I would certainly say that element came into it, but if one was confronted with a case where we had reason to think that the man was deliberately refusing to stamp, then one might have, in fact one almost certainly would, to incur expense over and above what we would hope to recover.

5219. At what level is such a decision taken?—In the cases in which the legal proceedings are contemplated, they are taken by professional lawyers.

5220. Is there any sort of uniformity between the various districts or the various areas in which such decisions are taken?—The prosecution cases are all dealt with at headquarters.

5221. And no prosecution is initiated without the consent of headquarters?—Without headquarters knowing about it, that is right.

5222. Without the consent of headquarters?—They are done by our legal branch at London, yes.

5223. So there is uniformity there?—There is, I think, sufficient uniformity.

Mr. West.

5224. In those cases where there have been bankruptcies and liquidations and arrears of contributions have not been paid, what is the effect of that upon the insured person? Is the insured person deprived of benefit as a result of the failure of the employer to pay?—No, not unless we have reason to think that in some way or other the insured person had connived at the failure to stamp.

5225. And those cases would be extremely rare?—I imagine so. I have no figures for them. But the rule is that in other cases we give them the necessary credit.

ACCOUNTS OF THE NATIONAL INSURANCE FUND, THE NATIONAL INSURANCE (RESERVE) FUND, THE INDUSTRIAL INJURIES FUND AND THE NATIONAL INSURANCE (EXISTING PENSIONERS) FUND, 1952-53.

Chairman.

5226. Will Members now turn to the Accounts of the Insurance Funds, to the Comptroller and Auditor General's Report, paragraphs 5 and 6? This deals with the question of persons to whom an event occurs, either they get married or they become of pensionable age and they have unstamped cards or cards which are inadequately stamped. What steps do you take in those cases?—Well, Sir, the position there is that we automatically send out a notice which draws the attention of the person concerned to the fact that a deficiency occurs in his or her record. That is where a card has been returned but it is apparently deficient. We have not pursued

those cases any further so far for this reason, and I would like to make the position clear in this type of case, if I may for the moment take the married woman. You see, the position in the vast majority of that type of case is that a girl is in employment and she goes on working up to shortly before she marries. Now, most of them on marriage become housewives and to all intents and purposes pass out of insurance. If she turns in her card, as she should do at the end of the year, there will be a deficiency on the face of it, but in the vast majority of cases there is no question of liability because the moment she became married and gave up employment any liability to pay any kind of con-

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

tribution ceased. Then, there is the type of case where no card is turned in. Now here I have got to distinguish between the case where the missing card relates to the year in which the marriage took place and where it relates to a later year. So far as cards relating to years after the year of marriage are concerned there is, I am absolutely certain, nothing we can do about it or should do about it. We cannot possibly send out millions of notices to people who have no sort of liability. Hitherto we have not thought it worth while to send out a special notice even where the card related to the year in which the marriage took place, for the simple reason that again in the majority of cases up to the point of marriage they were perfectly ordinary employees and as such were covered by our normal inspection methods, and there is no earthly reason to assume because in the middle of a year a girl got married, that up to that point the employer was not stamping her card. It is a purely theoretical situation, we think, but we are trying the experiment now of sending out a notice in these no card cases and we are going to keep an eye on it and we are going to see what it produces. It will cost a certain amount but we think it is one of the things which we should do, but, frankly, I do not personally expect very much to come from it in the shape of actual money; and the same, of course, applies to people of pensionable age.

5227. There are cases where you do not get any card returned at all and then there are cases in which you get cards returned which are deficient from the beginning of the insurance year to the time when either they become married or of pensionable age?—Yes.

5228. You do send out notices, I take it?—We do send out notices in the second case and we are going to send out notices in both cases now.

5229. Hitherto if there has been no card returned you ignore it?—We have let it go because simply and solely the bulk of these people, from our point of view, are no different from any other contributor whilst they are working.

5230. Take the case of the girl who gets married and a card is returned. From what you said I gather that the unstamped period would be just for a few weeks prior to her marriage, is that correct?—That is quite likely, she may have left for a few weeks before marriage, in which case there is a theoretical liability for a Class III contribution, but quite frankly, Sir, I think one really must recognise that the payment of that has no bearing whatever on any conceivable benefit that woman can ever get. That does make it a little difficult to be too strict about it.

5231. On the other hand you do send notices; in effect you send a notice but

you do not attempt to enforce it?—We do not follow it up.

5232. You now propose to send a notice with regard to the non-return of cards?—That is right, in this type of case.

5233. But again not to follow up?—Not following up. We will see what it produces and see what happens.

5234. Have you formed any idea of what amount you lose on these two cases?—I am afraid I have not got that figure, Sir.

5235. But I gather you do not regard it as a very serious loss and you do not feel that you are called upon to do anything about it?—I think it would be an extremely difficult inquiry to make and looking at the facts of the situation I cannot see why it should be a serious point at all. As I say, after all, where these girls are in employment, if I may say so, why on earth should the employer fail to stamp just the card of the girl who happened to be going to be married in a month or two's time?

5236. There is no suggestion of that, but here again where the card is not returned it also means, presumably, that there are a certain number of girls who left their employment and did not have any stamps just as in the case of the card that is returned with some missing?—With some deficient. Of course, remember that a girl who leaves employment two or three weeks or months before she gets married almost certainly would qualify for small income exemption. I imagine there are very few girls who have got sufficient money of their own.

5237. In other words your case really is that they are not worth powder and shot?—I honestly do not feel that there is anything very much in this point.

Colonel *Crosthwaite-Eyre*.

5238. Do you at the moment send out notices where people have retired on pension warning them that if they take up further work they may be liable to further contribution?—We send out, of course, full details of what the position is and I think it will include that, but I have not got a copy of the notice.

5239. It includes that provision?—I think it must.

5240. Similarly with married people, of course?—With married people you have to be more careful because they have certain options. If a married woman comes in and asks what her position is she will have it explained to her, but I do not think we should necessarily send out a notice merely on receipt of a notification of marriage.

5241. Could I ask you about the last two lines of paragraph 6: "The Ministry added that general arrangements had been made for guarding against non-compliance by employers". That, I suppose, is covered

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

by your earlier remarks?—That is what I was talking about, particularly in answer to Mr. Oliver.

5242. And you have these sample teams that go to industries, particularly where you may think there may be something wrong?—That is right.

Mr. Speir.

5243. In the middle of paragraph 6 there is reference to the issue of a special contribution record. It says: "Instead, where a card is received, a special contribution record is issued". Does that include a request for payment of any contribution?—It is a statement of the amount paid but not a request for payment of any deficient, because the whole point of the difficulty is that we do not know whether they are liable or not, and that is precisely our problem. All we can do is, to draw attention to the existence of a deficiency, but we cannot say what is due.

Chairman.

5244. Now, paragraphs 7-9, "Allowances for destroyed or lost cards". What is your statutory position with regard to the allowances, Sir Geoffrey?—The position is simply this, Sir: the obligation of an insured person is to put a stamp on a card; just that and no more. If a person does that, he has complied with the law, and if that card is subsequently lost we are bound, as a matter of law, to listen to secondary evidence in support of his statement. We proceed on precisely the same kind of evidence as is received in the courts every day for proving things by statements, evidence of witnesses and surrounding circumstances, and so on.

Mr. West.

5245. Do you require a statutory declaration from them?—We might get a declaration. We have all sorts of things. We do not necessarily go to the extent of a statutory declaration. It is essentially a matter of believing or disbelieving what one is told.

Chairman.

5246. And that, I take it, is dealt with locally?—It is mainly at local offices.

5247. Your officer just has to make up his mind whether or not he believes him?—Yes.

5248. After he has produced all the evidence that can be wrung out of him?—All the relevant evidence, yes.

5249. Supposing you disbelieve him, then you prosecute?—We may pursue the thing.

5250. You may pursue the matter?—Yes.

5251. Roughly in what percentage of these cases do you disbelieve or do you take further steps?—This was the figure I

was trying to ask my people to give me. The fact of the matter is that what happens is that a man comes into an office with a story about a lost card. His first reception is extremely chilly. They say: "Well, you had better go and look for it and see if you can find it", and in a surprising number of cases we hear no more of that case. It turns up behind the teapot or turns up behind the clock. I do not want to be facetious but, quite honestly, the difficulty of answering your question is that so many of these things are extremely tentative and are not pursued beyond the mere across-the-counter conversation. But I had a talk, as I rather expected this point to come up, with the person in charge of it and, quite frankly, what he told me was that he was much more afraid that we should be criticised on the grounds of harshness than the other way round.

5252. With regard to cards lost by Government departments, can you tell me how many the Treasury loses?—Cards lost at Labour Exchanges with unemployment benefit and cards lost from insured persons who have joined the Forces are the two main headings of that.

5253. You have not got it by department?—No.

5254. It would be rather interesting, as I say, to know how many the Treasury loses?—Very largely, it is the War Office, and so on, on national call-up.

5255. With this question of lost cards and cards destroyed, it is difficult to get statistics, apart from the actual cards, and you have to rely on the judgment of your man?—I see no other way out of it, Sir. I do not want to go over the ground again. The legal position being what it is, we have to administer it.

5256. Does this table give the actual number of cards lost? For instance, in 1952, a total value of £268,000. Is that the total loss that you can estimate?—When you say "lost", I want to guard myself against something: you are not suggesting it is a loss to the Fund?

5257. No, that is the loss on stamps?—Yes.

5258. So there are £400 million collected, and your lost cards account for only £268,000; is that correct?—Yes.

Chairman.] It is not a very serious matter.

Mr. Oliver.

5259. With regard to the £268,703, I imagine, although the cards were lost, many of them would have been *bona fide* stamped?—Well, we hope so, Sir. That is the basis on which we make the allowance. It does not represent an amount lost to the Fund.

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

5260. In respect of employers, for instance, it would not be unreasonable to expect employers to insure against loss of a card, as they insure against the loss of other valuables, would it?—Well, I did ask that question of my people, as to whether they had ever come across it. I am not an expert in insurance, but my recollection of the days when I used to be a lawyer is that an insurance company will usually refuse to cover when there is a legal claim against somebody else. These people have a perfect right to come to us and say: "We have bought these stamps, and therefore you must give us the necessary credit for them". Now, I doubt whether an insurance company would be very keen to handle that risk. I do not know

5261. You said a few moments ago that you required to be satisfied by secondary evidence?—Yes.

5262. And I observe, in other cases, by corroborative evidence?—Yes.

5263. So surely that is an insurable interest of the employer?—My trouble is, where we are satisfied, what is the loss? There is nothing lost.

5264. I agree there is nothing valuable lost, so in that case the claim does not arise. Obviously, if you insure against a loss, you have to show you have in fact lost something?—Yes.

5265. And if you have not lost something, then the claim does not arise, and that shows quite clearly what a very small premium would be required for such a contingency?—Yes, but, with respect, I am not quite sure what it is you are thinking of. Are you suggesting that instead of the Department making the allowance to the employer, we should say: "No, we make no allowance to you; however *bona fide* your claim is, we make no allowance to you at all. You must look to your insurance company". If you do not say that, then I am not quite sure what the insurable interest is.

5266. The insurable interest is this, if they fail to satisfy you; and if they fail to satisfy you they will have to pay again?—Yes, but if they fail to satisfy us, it means on the face of it that they have not bought those stamps. Now, what is an insurance company going to do? Are they going to pay? I think it is a little difficult.

5267. I should think they may fail to satisfy you, but that does not say they would fail to satisfy the insurance company. They are two different tribunals?—(Might I suggest that you might care to take that up with Lloyd's?

Mr. Enoch Powell.

5268. Reverting to the table in paragraph 9, you did say in answer to the Chairman

that the figures of value shown are those of the total value of stamps on cards lost. I am wondering if that is correct, in view of the fact that the table is headed: "The cash value of allowances made". I would have thought from that that the figures shown are less than the total value of stamps on cards lost, unless you make an allowance in every case?—I am wondering where the title comes from?

5269. They are the words which introduce the table. I would wonder, therefore, whether in fact these figures are not the value of the allowances and are somewhat less than the total value of stamps on lost cards; otherwise it would appear that you always make an allowance whenever a card is lost?—No, Sir. What I suggest is that if we make any allowance for it at all, we make a full allowance.

5270. But there are still cards lost on which you make no allowance?—Yes.

5271. Therefore the figure shown here is less than the total value of cards lost, which was the question which the Chairman asked you?—I am just trying to follow this up, because if a person loses a card and does nothing about it and does not make a claim—

5272. The card is reported lost, then, shall we say?—That will simply emerge at a much later stage as a no-card case—the things we were talking about before. If he just loses it and does not send a card in, he is picked up that way, but I do not see how there can be any cases where a claim is allowed on a card and we do not allow the full amount claimed.

5273. I was putting to you that there would be cases where a card is reported lost and you decide not to make an allowance?—Oh, certainly.

5274. And the value of those cards on which you make no allowance is not included on the table?—Oh, no, because, if I may say so, from our point of view they are not lost.

5275. Quite so. Now, if you will look at the last line of the table, may I ask you in what circumstances allowances may be granted but withdrawn subsequently?—These were mainly caused where we were perfectly honestly convinced that a card had been lost, an allowance made, and then it subsequently turned up.

5276. In the case of Class I contributors, where you decide not to make an allowance for a card lost by the employer, what happens then to the benefit rights of the employee, which may be affected by the alleged stamps on that card?—I will take that in two stages. First of all, if we do not make an allowance, then the employer must stamp another card, and if he stamps another card, there is no question whatever. If he refuses to stamp a card, we will

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

almost certainly then follow it up, because it would be a deliberate refusal. Then it comes under the class of case which I have mentioned just now that, provided we are satisfied there was no connivance by the insured person, due credit is given.

Chairman.

5277. (Mr. Powell's question with regard to the table raises another question, what is the value of the cards which you do not accept as lost? Can you give us any indication of it? Is there any loss there?—I have not the slightest idea. As I have said, we get these stories told to us and we just send the person away again. We do not know at all.

5278. One assumes there that the card has turned up?—Yes, but it may or may not. If it does not turn up, if it is genuinely lost and the person for some reason or other does not pursue the thing, then it falls into this no-card group later on. We cannot follow it, you see.

5279. That is the only figure you can give?—Yes.

Mr. West.

5280. You may very well have a perfectly genuine case of a card that is lost but the evidence may not be sufficient to satisfy you that it has been genuinely lost. What remedy has the insured person or the employer in those circumstances? He says: "Well, I do not agree with your decision about this. I have paid this money; you do not believe me. Why should I pay a second time?" Has he any course open to him to try and convince somebody else that he has stamped the card?—I think the answer to your question is this: you are talking of the employer, are you? There is this type of case, which I think may include some of them, and that is supposing a man whose card was in this situation you have indicated claims a benefit; he would be told that there is a missing card, and therefore he cannot get it. He is entitled on the claim to benefit to have the question of whether the contribution condition was or was not satisfied in his case investigated, as a matter of fact, it is called by the Minister, but it is a special investigating officer and a semi-judicial decision is given in which this matter would come up again, but where the question is simply that of the employer who claims that it has been paid, frankly, I do not know what the remedy would be. I can tell you what the remedy would be if anyone liked to do it. You bring an action for a declaration that he has stamped the card. You can do that if you want to, but it would be a very expensive way.

5281. It is not so frightfully expensive, making a statutory declaration?—No, an action for a declaration in the court.

5282. Yes?—I was talking to some one just before I came in about this, and he said that from the legal point of view if a man comes along with a statutory declaration you have got to be very sure before you refuse it, because you are accusing him of perjury. That position would be reached at some point.

5283. Yes, but I understood from you that statutory declarations are not called for?—Not in the normal case. I am not saying that in the marginal case where the thing becomes a needle one we might not use that; but, taking an employer who is put in that position, he goes to his lawyer, probably; if the lawyer says, "The best thing for you to do is to furnish a statutory declaration claiming you have paid it". I think myself that we should almost certainly have to pay.

5284. I cannot see much difficulty with an employer, because, generally speaking, he buys his stamps. They have got their records. They usually do it by cheque, and they have got their records which can be easily proved?—Yes.

5285. But take the isolated case of the self-employed person, for that matter, who may genuinely have been obtaining the stamps week by week and may have lost the card?—Yes.

5286. There are no records available for such a person, and it may be that your officers would say: "We are not satisfied that this card was lost", but it may be a perfectly genuine case. Would a statutory declaration be sufficient in a case of that sort?—May I answer that by quoting one case which comes into my mind where just that situation arose, and eventually the thing came to the point where it was staged in the form of a claim to benefit. There we are talking about a self-employed person, and the issue then was whether he had in fact satisfied the contribution conditions, and that was examined before a lawyer specially appointed for the purpose, a semi-judicial inquiry was held, evidence of all sorts and kinds was produced. In that case, I remember very well, the man called the girl at the Post Office and tried to persuade her that she recognised him, and so on. Now, that is the procedure which would happen in those cases. I am not aware of any case in which a statutory declaration has been produced and rejected. I can only say there would have to be very, very serious reasons before we would dream of rejecting one.

Chairman.

5287. Now paragraph 12 of the Report, this question of the transfer of investments and the resulting loss, which I presume is largely a notional loss? Are you satisfied

25 May, 1954.]

Sir GEOFFREY KING, K.C.B., K.B.E., M.C.

[Continued.]

that these exchanges which have taken place have been desirable from the point of view of the Fund?—Yes.

5288. You were consulted?—We are consulted about the ratio of short and long and that sort of thing. We have had this before, of course. We are not responsible for the particular investments.

5289. No, I know that?—I would like rather to emphasise, I am not sure whether it is always appreciated, that the mere exchange from one type of investment to another within the gilt-edged range does not give rise to any loss.

Chairman.] That is why I described it as a notional loss.

The witnesses withdrew.

Adjourned till Thursday next at 4 p.m.

THURSDAY, 27TH MAY, 1954.

Members present:

Mr. Blenkinsop.
Colonel Crosthwaite-Eyre.
Mr. David Jones.

Mr. Oliver.
Mr. West.

In the absence of the Chairman, Mr. West was called to the Chair.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. F. E. FIGGURES and Mr. A. E. DRAKE, O.B.E., an Assistant Secretary, the Treasury, called in and examined

OVERSEAS RESOURCES DEVELOPMENT ACTS, 1948 to 1951,
ACCOUNTS, 1952-53.

Sir THOMAS LLOYD, G.C.M.G., K.C.B., Permanent Under Secretary of State for the Colonies, and Mr. W. RENDELL, A.C.A., General Manager, Colonial Development Corporation, called in and examined.

Mr. West.

5290. Will Members turn to the White Paper, the Overseas Resources Development Act Accounts for 1952-53, to the Comptroller and Auditor General's Report? I have a few questions to ask on this and then, perhaps, we can proceed to the Report of the Development Corporation, and any questions which may arise can be dealt with on either of the Reports thereafter. Sir Thomas, I have one or two questions to ask you on the Comptroller and Auditor General's Report. First of all, with regard to the interest rate for the new medium-term and long-term loans, could you tell us how those interest rates compare?—(Sir Thomas Lloyd.) The current interest rate on the long-term loans is 4 per cent., and on medium-term loans is 3½ per cent.

5291. So the application of the arrangements for medium-term loans retrospectively represents a concession to the Corporation?—As against which, of course, they are required to repay at a very much earlier date.

5292. What would you estimate, roughly, to be the annual value of the concession?—It is ½ per cent. per annum on the present

total of medium loans, which was, at the 31st March last, about £6½ million; that is, if my arithmetic is right, about £32,000 per annum.

5293. May I ask the Treasury: is it not rather unusual to alter the terms of a loan once they have been settled?—(Mr. Figgures.) Yes, it is rather unusual, Mr. Chairman. But in this particular case the arguments put forward by the Corporation, and supported by the Colonial Office, seemed to us to be fairly convincing. I think one ought to add that it was not £32,000 which results from the retrospection. The value of the retrospection is only the amount of interest on those of the loans existing which were transformed, and I think that was less than £6 million. (Sir Thomas Lloyd.) Oh, yes. (Sir Frank Tribe.) £3½ million.

5294. You said the arguments were convincing. Could you tell the Committee what the arguments were to justify it, very briefly, of course?—(Mr. Drake.) I think, Sir, the position was this: up to the time when the Corporation raised with us this question that there was some money which they would only need for ten years or so, there was no other way of giving them loans except the short-term accom-

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

modation, six months or so at the short-term rate, and the long-term loan of forty years. We were convinced that there was a group of projects for which the Corporation would not need money for as long as forty years. It therefore seemed to us reasonable to introduce a medium-term rate, and since this could not have been applied before, because the whole thing had not been thought of, to convert those loans which the Corporation already had at forty years, which were not really suitable for forty years, to a ten years' term and to this rate.

5295. It was anticipated the loans would be paid off within a period of less than forty years, within the period of ten years?—Yes, it was.

5296. Sir Thomas, on what basis do you decide whether or not a particular scheme should be financed by a medium-term loan?—(Sir Thomas Lloyd.) Perhaps the most important test is the length of the period at the end of which the Corporation expect the capital to return to it and therefore enable it to be in a position to repay that capital. If that period is of the order of ten years, then that particular item is judged to be suitable for a medium-term loan.

5297. Were those principles applied in allowing the old long-term loans to be converted into medium-term?—Yes, they have been applied. All the conversions are now on a basis of repayment in ten years, instead of repayment after forty years. That is what I meant when I said at the beginning, that as an offset to the saving which the Corporation had by way of reduced interest, one must take into account their liability to repay after a much shorter term.

5298. How do you propose to ensure that the new medium-term loans are not used by the Corporation for long-term investments?—I must say that such a possibility never entered my mind.

5299. Do you think it possible that that situation might arise?—(Mr. Rendell.) No, Mr. Chairman. The Corporation has to demonstrate that it has entered into an obligation to lend money for this period up to a certain amount, and it can only draw against that obligation; if we entered into an obligation to lend say £½ million, then we can only draw on medium-term up to £½ million. So, without putting a label on the money as it comes in and goes out, we have got to use some of our money for what we call a medium-term obligation.

Colonel Crosthwaite-Eyre.

5300. You have just answered, as I have understood it, that you can borrow money on a medium-term loan, that it is not earmarked, but some of it must be paid out for medium-term projects?—I think that is

putting a gloss on it which I certainly did not mean. We have this obligation, a definite obligation. We have got to find the money to make a loan of, say, £½ million, and we draw from the Colonial Office £½ million against that obligation, and we cannot draw £½ million plus on our medium-term.

Colonel Crosthwaite-Eyre.] The Chairman asked you, how did you know that on a project you would be able to repay in ten years? May I take one example then? I hope I am not going too far, Mr. Chairman?

Mr. West.] No.

Colonel Crosthwaite-Eyre.

5301. You have started a citrus company in this last year?—Yes.

5302. Would you say that was a medium-term loan?—No; we have not, I think, got any medium-term loans which represent part of the capital on what we would call direct loan.

5303. May I ask, what have you used money on recently for which you have obtained medium-term loans? I do not want an exhaustive reply, but give me one or two?—We have the Malayan Electricity Board loans, which are repayable to us, that is, the fixed one, in 10 years.

5304. Is it, then, rather that you only use these forms of loans for what one might call capital installations?—I think a better description is that we only use them, or up to date we have only used them, for lending to outside concerns, not projects which we are running ourselves but established concerns being run by somebody else; so that we are in the position that we may always have a bad debtor.

5305. I was just going to pursue this rather vigorously. You lend this money at 10 years to people whom you do not control at favourable rates of interest?—They are not particularly favourable rates of interest.

5306. Can you tell me of any other concern that can get this sort of money for this sort of project—you have quoted Malayan Electricity—at 3½ per cent.?—But our borrowers do not, in fact, pay 3½ per cent. They pay us a margin above that, and that margin is normally a minimum of at least 1 per cent., so they are paying 4½ per cent. plus.

5307. So that you are using those loans, if I may change the subject for a moment, and you are actually making money as a result of the advantageous conditions granted you by the Treasury?—Well, we are enabled to lend at rates of interest which the development project itself feels it can afford to pay.

R

20216

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

5308. Is the Treasury aware of this?—
(Mr. *Figgures*.) Yes, Sir.

5309. You lend the money to the Corporation at 3½ per cent. and allow them to charge extra for just putting that money on to some other project?—Yes, indeed, and we would be very disturbed if they were to lend it at £3½ per cent., because it would then seem to us they were making no provision whatever for overheads and bad debts.

5310. But, with great respect, Mr. Chairman, is not this a most remarkable situation in that you have a public Corporation borrowing money on advantageous terms and then lending it on terms which they themselves decide to companies they do not control?—(Mr. *Rendell*.) We do perform certain services, I would submit.

5311. May we stick to the word “control”?—Well, as a statement of fact, we do lend money to concerns which we do not control.

5312. May I put it this way to you? Is there any case where you have made a loan under these conditions, that is a medium-term loan—?—Yes.

5313. —to a company which you do control?—There is one doubtful case.

5314. So it would be true to say that, as far as the general principle, at any rate, is concerned, this is money lent to the companies which you do not control?—Certainly, but when I say “companies,” we have in fact the Electricity Corporation in Malaya which is a creature, if I may call it so, wholly owned by the Malayan Government themselves.

Mr. *West*.

5315. We shall probably have some questions to ask you about that later on in the meeting?—So we do not, in fact, lend this money, as it were, generally to all and sundry on the market.

Colonel *Crosthwaite-Eyre*.

5316. What I am trying to get at, Mr. Chairman—I am certain you see the point—is that it was money borrowed on very advantageous terms which was lent at the discretion, as I understand it, of the Corporation to other bodies. May I ask you this final question? Perhaps I should address this to you, Sir Thomas: where is the Parliamentary authority for doing this?—(Sir *Thomas Lloyd*.) I cannot see it is contrary to anything in the original Act. There is nothing in that Act preventing the Corporation from doing that. In fact, I think I should have said it is consonant with the purpose described in the Act, that it should assist colonial development in the way of lending money.

5317. If I may refer you to your foreword, you say: “The Corporation will generally provide for development which entails a commercial risk”?—There must be some commercial risk in this. There is no guarantee that the people in the corporations to whom they lend this money may not default at some time or other. There is a risk of it, is there not?

5318. I understood, if I may say this from my knowledge, that there was the normal access to the markets by many of these people, and that you were only entitled to use that phraseology where the normal market would not supply the money for those concerned and you felt an over-riding good would be established by so doing?—May I go back to your first point for the moment? Section 1 (2) (b) of the Act does expressly empower the Corporation, among other things, “to give assistance to such bodies or to other bodies or persons appearing to the Corporation to have facilities for the carrying on of any such activities, including financial assistance by the taking up of share or loan capital or by grant, loan or otherwise.” So they are expressly authorised by that Section of the Act to lend to corporations, or bodies in the colonial territories where they think that by so doing the various activities mentioned in this Section will be encouraged or advanced.

5319. I thought I did make that clear in the question to you?—You were asking me, I thought, what was the Parliamentary authority for loans by the Corporation?

5320. But only, as I understand it, where the ordinary resources of the normal market were not available. It was never intended that the Corporation should compete in the ordinary financial development, was it?—With all respect, I do not believe they are competing. Our main difficulty today—I am here speaking of the Colonies as a whole—is getting accommodation on the London market. There is not a large sum of money waiting on the London market for us to have access to it.

5321. I am talking about companies, not about you?—I am talking about Colonial Governments generally.

Colonel *Crosthwaite-Eyre*.] Perhaps that is going too wide, Mr. Chairman.

Mr. *Blenkinsop*.

5322. Just on that same point, I assume you feel there is nothing in the Act to restrict you in the exercise of your judgment in making funds available for whatever you think to be a suitable purpose, on general grounds, for the benefit of the area?—You are taking me back here to first principles which we have discussed before. You remember the Secretary of State’s limited responsibilities in this matter. He has merely to be satisfied that there is a *prima facie* case, and he has

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

stated to the House the criteria by which he guides himself in deciding on that. For the rest, of course, the commercial judgment is a matter for the Corporation and it is for them to decide whether or not a certain activity or enterprise is one which they wish to put forward, and the Secretary of State concerns himself only with the political, to some extent the social, and the governmental aspects, leaving commercial liability to the Corporation. Subject always to that, the answer to your question is yes.

5323. While you might be expected to have regard to the availability of finance on the general market, you are not specifically directed so to do?—No.

Colonel *Crossthwaite-Eyre*.

5321. If I may turn to the short-term loans, which I believe are for six months only?—Yes.

5325. May I ask you how it then comes about that there has been a repayment of only £½ million, in view of the fact that £350,000 was advanced prior to the 31st March, 1952, and £260,000 in the current year?—The Corporation did apply for extensions of the periods of two of the short-term advances and they were granted. In one case there were extensions up to eighteen months in all, and in another case up to two years, but they have now entirely extinguished the short-term debt. Today there is no short-term debt at all. They have repaid both the original advances and the interest.

5326. Would these requests for extensions have to go to the Treasury?—I could

not be certain, but I am sure we should have got Treasury consent and should have had to give good reasons for it. In both cases they were loans connected with their engineering branch and the Corporation had met difficulties in getting stocks of the particular materials which they wished to purchase with these loans.

5327. When you change a long-term loan into a medium-term loan under the conditions which you have mentioned, is the rate of interest made retrospective from the original date of the loan or only from the date of its conversion?—(Mr. *Rendell*.) Might I just interpose on that? I think there was only a question of changing the conditions on the initial launching of the medium-term loan scheme. That has not happened since, but there were some outstanding.

5328. So it is not possible to change it from long to medium?—We have not asked recently, or, should I say, during my time we have not asked, that I am aware. I should like, Mr. Chairman, possibly to correct a misunderstanding. I now have a list of medium-term loans and I now find that the two big ones, which are £8 million out of the total, are, in fact, the two public development boards; there are several smaller, £100,000 and £50,000, which are, in fact, to Corporation controlled companies.

5329. What is the total of these medium-term loans you have got there now?—(Sir *Thomas Lloyd*.) At the 31st March it was £6½ million.

ANNUAL REPORT AND STATEMENT OF ACCOUNTS OF THE COLONIAL DEVELOPMENT CORPORATION, 1953.

Mr. *West*.

5330. We will turn now to the Development Corporation Report and Accounts. Sir Thomas, have any further policy directions been issued to the Corporation since the Accounts for 1950 were considered by the Public Accounts Committee?—Not formal directions, but the Secretary of State laid down to the Corporation in informal fashion just those which I mentioned a moment ago and of which he informed the House on the 17th July, 1952. After saying that, while his responsibility was limited to being satisfied that there was a *prima facie* case, he then set out certain tests, on one of which he would require to be satisfied before he would accept that there was a *prima facie* case. They, briefly, were, either that the Colonial Government in the territory concerned should be willing to participate financially, or that local experts, where there were any, should be mobilised on to the board of the operating company, or that local capital other than Government capital should be offered and accept partici-

pation, or, fourthly, that the Corporation associated with itself some company in the United Kingdom elsewhere carrying on the same kind of business. That is not a formal direction, but it is a pretty precise statement of a series of alternatives, on one or other of which the Secretary of State would require to be satisfied before he would give new capital sanction.

5331. Can you tell the Committee if the policy of the Corporation has changed, in fact, since 1951, or is it still one of retrenchment and consolidation rather than one of starting new projects?—(Mr. *Rendell*.) We try to combine the two, Mr. Chairman. We are still quite extensively engaged in reorganising existing projects, but we did start projects last year and our doors are open and we are keen to start new ones. But we take a good deal of care before we do so these days.

5332. And you have been abandoning projects, too?—We have abandoned some projects, too.

20216

R 2

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

5333. How many have you abandoned to date?—It is a little difficult, as it were, to give the numbers, in that we have some argument as to part projects. I have a list here of 26 projects but those include what one may term considerable investigations, where we have spent a considerable amount of money in investigating and as a result of that have not continued. Of the number of major projects which we have here we have abandoned, we would say, 18.

5334. You have abandoned 18 major projects. Are others undergoing investigation for abandoning further?—Of course, there is not a cleanly defined line on what is a major project and a major investigation, but that, we would maintain, is approximately 18 projects.

5335. Did you have to get Colonial Office or Treasury sanction before abandoning any scheme?—That is a rather difficult one, in that on commercial grounds we may wish to act, but we do normally do it in consultation with the Colonial Office. There would, of course be consultation.

5336. You have consultation, but no sanction, is that it? You decide yourselves whether it is to be abandoned or not?—I think in the last resort my Board would feel that it is their decision on commercial grounds, but, of course, they would consult with the Colonial Office and, presumably, the Colonial Office would never dissent. (Sir Thomas Lloyd.) There never has been a case yet in which the Colonial Office have disagreed with the judgment of the Board. The only argument has been, I think, over disposal of assets, and things of that sort.

5337. Does the Colonial Office come into the picture to have the opportunity of disagreeing either before the decision to abandon has been taken or after it has been taken, and therefore do they have to approve or disapprove what step has been taken?—There is no rule about that. I cannot recall any case in which the Corporation have failed to consult us before reaching their decision, giving the Secretary of State and his officials the opportunity to comment.

5338. Can you estimate, Mr. Rendell, how much would have to be written off as a result of the abandoned schemes?—(Mr. Rendell.) We have in the Report a figure of £5 million but, there again, there is a question of what is an abandoned scheme; some schemes you can split up into two different projects, and we would regard it as being a real abandonment if we abandoned half. On the other hand, if that project has to be related to a capital sanction, supposing we keep on half of that project, there may be a difference of opinion as to whether the half we abandoned should be regarded as an abandoned project or partially an abandoned project, or a write-off of part of the original sanction.

5339. What do you do when you have to decide to write off certain sums of money in respect of the projects? How do you decide?—We take that on the normal commercial assessment of the situation. We do what is necessary.

5340. In those circumstances, have you considered how much you will have to write off?—I think, we should take the accounts as they stand. We made an assessment as at the 31st December, 1953. We knew certain amounts must be written off, and we felt that we might have to write off considerably more; but we would say that, on the assessment of the position as at 31st December, 1953, we show in the accounts the amount which it is necessary to write off, if one includes the provisions made against future losses.

5341. But you have stated that certain schemes have been abandoned. Surely it would be possible to say of those schemes which have been abandoned how much public money would have to be left over in respect of the abandoned schemes?—Yes, I think if we can look at the notes which form part of the accounts, on page 14, we show a breakdown of the accumulated losses and we show that there were losses on abandoned projects of just under £5 million; losses on abandoned assets and activities of continuing projects, £½ million, and amounts written off on continuing projects, £800,000, with a further figure which is made up, of course, of unrecovered administrative expenses and various other items, of £3½ million. I think that gives you the answer.

5342. Would you be able to give the Committee a statement of the abandoned projects, with figures of the total losses involved on each?—I have, in fact, a statement before me here.

5343. Would you be able to let the Committee have a copy of that?—Certainly.*

5344. You have in your Report given some reasons for the losses of public money in the way you have described. Would you care to amplify the reasons in any way?—Well, Mr. Chairman, I think that is a little difficult for me to do, because that means going back over past history of which, I am afraid, I am not personally aware beyond 1952.

5345. When you examined in your investigations the schemes which you decided to abandon, did you find any case where fraud was involved?—Fraud; I would say, no, Sir.

5346. No fraud? You have not been able to find any?—Not inside the Corporation, Sir. It appears from the Report on the Lobatsi Abattoir that the Corporation is taking proceedings against the consultant.

* Information supplied; not printed.

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

5347. Are those criminal or civil proceedings?—No; civil proceedings.

5348. In the course of your investigations if, of course, you have not been able to discover any cases of fraud then, of course, you would not be in a position to prosecute, but have you undertaken any prosecutions at all in respect of frauds on these abandoned projects?—Not on major items. There are, of course, in any big organisation's history minor prosecutions.

5349. On paragraph 6 of the Report, Sir Thomas, could you say what is the position regarding the promised legislation to permit the write-off of capital losses on these abandoned schemes?—(Sir Thomas Lloyd.) The Corporation, in sub-paragraph (3) of that paragraph state that they might prefer to deal with the matter in a certain way rather than by writing off under legislation, and I understand that that is now their definite preference, that they do not want the write-off to take place by legislation, but it is intended in legislation to be introduced later in the year to provide for a waiver of interest on capital losses; not a write-off of the capital losses, but a waiver of interest on the capital losses.

5350. Does that view find approval with you, or would you prefer to have the legislation for writing off? Is there any conflict between you and the Corporation on that?—No, we did not initiate the idea of writing off by legislation. The original move came from the Corporation, but when they found that there was, I think, a fairly wide difference of view about the figure which could be so written off, then they preferred not to have what they would regard as a partial writing off but to continue in the way which they have mentioned in this paragraph of their Report.

5351. Would that be in anticipation, perhaps, of some desire to write off schemes in the future?—I do not know what is in the Corporation's mind, but it would be a very unwise proceeding, would it not, to anticipate that Parliament would be willing to take another bite at this cherry at some later date?

5352. I was merely asking why they have changed their minds on the desire for legislation authorising the write-off and to have it in this alternative form?—I think that is right, is it not, that it was really because of the margin of difference between us about the amount to be written off? (Mr. Rendell.) Yes. Could I answer that, Mr. Chairman?

5353. Certainly?—I think our general view was that if we had a write-off by legislation everyone would say well, now, the Colonial Development Corporation have been given a new deal. Now, in fact, on the figure which was offered to us we should still show a very considerable

accumulated loss of the order of, say, £5 million, so that, with possibly the shortness of memory of the public, it would be likely that the people in the future would say: "Well, now, these people were given a fresh deal a year ago, they are showing £5 million or £6 million loss again."

5354. Paragraph 7 (3) of the Report states: "A substantial part of recent investment is in Government guaranteed loans." In what circumstances are such loans made and how do you justify them, having regard to the function of the Corporation?—The loans are made, Sir, when circumstances are such as not to justify an investment on purely commercial grounds, where we feel that the policy of the borrower may be affected by local governmental action and where they may not have full control over what is happening, in particular where we are dealing with public utilities.

Colonel Crosthwaite-Eyre.

5355. Is this the medium-term loans again to Malayan Electricity, and so on?—It is some of them, yes.

Mr. West.

5356. You did say in reply to Colonel Crosthwaite-Eyre that you got better terms for the loans than you pay for the advances from the Exchequer?—Yes.

5357. And you provide, as it were, at the expense of the Exchequer, without taking risk, do you not?—On a Government guaranteed loan we take, agreed, very little risk, but we do try and look at the proposition, we do not simply accept a Government guarantee and are prepared to lend anybody money supposing they produce a Government guarantee. We do normally look at the policy and the prospects and keep an eye on that investment.

5358. What is your policy about taking up share capital?—We will take up share capital in circumstances where it is commercially justified.

5359. Yes, but if you reject the uncredit-worthy schemes, is there any real difficulty, as Colonel Crosthwaite-Eyre pointed out, in getting the public to finance the type of scheme which you are now approving?—I think there is, because I think commercial concerns, even if they have sufficient money, tend in the Colonies today to feel that there is a limit to the amount of money that they want to put in any one basket, and development tends to be a very expensive thing these days, and they may think: "Well, we are prepared to venture £½ million in this Colony," which is quite a small figure, very often, for a development scheme, and then it is the additional money to enable that development to go forward which we provide, and that is one of the main services that we probably provide nowadays.

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

5360. Would you say that the main purpose of the Corporation now is concentrated on providing cheap finance for undertakings which would otherwise have to borrow at dearer rates?—If they could borrow at all, which I would not accept; but we are still involved in quite a number of big schemes where we are, in fact, putting up the major part of the money.

5361. Would the main purpose of the Corporation be concentrated on the provision of cheap finance?—I think that again depends on how schemes come forward. There is no conscious purpose to restrict our activities in that way, but as it happens now we have recently found that the openings have tended to be in the direction of providing this finance in conjunction with industrial concerns which, of course, is according to our terms of reference.

5362. So at the moment your main purpose is that?—I would rather like to know what you mean, Mr. Chairman, by "that"?

5363. My "that" is a reference to the question I have previously put to you, that is, that you are now concentrating in the main upon the provision of cheap money for undertakings which would otherwise have to borrow at dearer rates?—Yes, if they could borrow at all.

5364. Now may I refer you to page 11 and page 13 of the Report? You will see a heading there "Expenditure on Development including Revenue Expenditure Carried Forward." On page 11 it is £1,509,662 and on page 13 £2,532,680. Do you regard that expenditure as sound assets and are they assets on which the Corporation are likely to get their money back?—In so far as we have not made a provision on the other side of the balance sheet, if I can draw your attention to "provisions against continuing projects," we regard those as good assets which will earn their keep.

5365. Sir Thomas, according to the Table on page 3, over £6 million, or 23·7 of the capital employed, is on public utilities and works. Would you not expect such schemes to be assisted by the Colonial Development and Welfare Fund?—(Sir Thomas Lloyd.) Some of them, but there is, of course, a limit to what Colonial Development and Welfare can do because of the financial limit in the Act, and by the time you have distributed the £10 million or £12 million which we get each year over 36 administrations there is not very much for any of them to devote to this sort of purpose. The actual breakdown of the £6 million which was committed on Public Utility and Works is accounted for as to something over 80 per cent. of it by the one undertaking, the Electricity Board in Malaya. For the rest it is certainly beyond the scope of financing by Colonial Development and Welfare. Several of the others are hydro-electric projects as well.

5366. Are you satisfied that there is no overlapping between the Fund and the Corporation?—Yes, quite. They serve eventually quite different purposes.

5367. May I ask the Treasury, are they completely satisfied about that too?—(Mr. Drake.) Yes.

Mr. Oliver.

5368. There are just one or two small points, Mr. Rendell, that you mentioned, that I would like you to clear up for me. They are quite simple ones. You referred to major projects. Is there any significance in the word "major"? Are there some minor projects which are not included or are they all the projects which have been abandoned?—(Mr. Rendell.) No, I am afraid, Sir, I was trying to draw a distinction between a project and an investigation, and the word "major" did not mean there were major and minor projects, but there are what we term projects and there are investigations. Are you asking me to give you a definition between those two?

5369. The only point is that an abandoned project, to me, is easy to understand. It is some project that has been completely abandoned?—Yes.

5370. Not partially abandoned, which I heard you explaining. A completely abandoned project and an investigation appear to me to be another matter altogether. Am I right on that?—Not quite, because we tend to relate projects to capital sanctions and if you take the most complicated case, which is the case of the old Works Division, we had in fact a large sanction which was £1 million, I think, and that covered operations all over the world. It covered operations in West Africa, in Nyasaland, in British Honduras, in the Falkland Islands, anywhere; there may be some more. As it so happens, we have abandoned that part of the project which started up in Nyasaland and we regard that, which is geographically and in all respects really a separate project, as being an abandoned project.

5371. You made some comment, too, in answer to the Chairman about your principal function today being the providing of cheap capital. I think that was the question put to you. The point is, if you did not provide the capital, from the hurried glance I have had at this, would some of these projects have been started at all? Could they have borrowed at all on the private market?—I do not think they could, but I think you have given me the opportunity of making clear why I did query what the Chairman asked me, and that is that we are providing capital not only as loan capital on which we make our turn, whatever it is, 1 per cent., but we are providing it as risk capital in the form of equity shares in certain cases, too, and

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

what I wanted to make clear was that we still regard it as our function to take risks as well as to make a turn on lending money.

5372. Now, if you take risks it will necessitate a rather close investigation not only of the turn itself, but of the personnel who are going to manage and direct the function?—Certainly, that is one of the most, if not the most, important factor in investment almost anywhere, the management.

5373. There would appear in the course of the years, I do not say it appears in here, to have been a bit of bad luck on the element of some of their personnel?—Well, good management is very scarce in the world.

5374. I appreciate that. I know it is a very rare function. Now, paragraph 43, Borneo Abaca Ltd. I see the Corporation lost £158,098 in 1953. "Appreciable economies in operating were made in 1953, the need for which had only been recognised . . . after the fall in rubber prices". What control have you over the managing agents?—It is always a very delicate relationship, because if you employ managing agents you employ them to manage and you cannot go interfering at every turn, but it is, of course, our function to watch the progress of events, and if we feel that managing agents possibly require some stimulating, to do it.

5375. The point that strikes me—you must correct if I am putting the point unfairly—is this: did anyone inquire why it was necessary to wait until there was a fall in rubber prices before economies were put into force, searched for or applied?—I think it is a normal feature of life when things are booming that people are not as careful how they spend their money as when prices are dropping.

5376. Well, I expect that is a partially correct statement; I will not say it is wholly correct, because obviously in up-to-date management they are always searching for economies even when they are making very big profits. Modern industry is constantly combing to make economies. Apparently it did not apply in this particular organisation?—I think again you do have a rather peculiar position in the rubber industry where the price of rubber went up to fantastic heights and it may well over the short period have paid to produce your rubber at almost any cost. Now, directly the price of rubber falls it is always very difficult to cut your costs at the same pace as your revenue is dropping.

5377. As a general rule, you know, when trade is booming, if you want a maximum output you have got to have the maximum amount of modern equipment and investment. That is the modern approach to

industry. They do not wait for the prices of the commodities to fall. I am not saying it is applicable, but I have not the slightest doubt that there are some comparable steps you can take in this industry so that when trade is booming you get the quickest method of production in the normal market knowing full well there will be a fall?—Here the main factor in production is the local labourer who taps the trees, and labour is difficult and in order to get it very high prices were being paid for it.

5378. Now, will you just turn to paragraph 53, Tanganyika Roadways Ltd.? What steps are you taking to dispose of depots and vehicles and what is the estimated net loss on this project?—I can say that the depots have all been disposed of now, as I understand it. We still have some of the assets in hand. I have a figure here, an estimated loss of £180,000, approximately.

5379. That scheme has been abandoned, has it not?—Yes.

5380. Now, there is the Bechuanaland Cattle Ranch, paragraph 58. You say the capital and trading losses were £338,967, and this report attributes the 1953 trading losses of £102,760 to "the over-ambitious programme; cattle not available; conditions for rearing them not proved; cropping possibilities not investigated; organisation and expenditure on scale of a vast and successful activity". This is rather a reflection not only on current but on past management is it not?—I do not know that it is so much a reflection on the management as on the conception.

5381. You will have to expand that?—I think this is a case where it was assumed that you could do big things there without carrying out what would have been prudent investigations on a smaller scale first, and that an organisation was set up and assets were bought, large numbers of expensive machines, on the assumption that one could start straight in and operate on an extensive scale, and those expectations were not justified.

5382. Who is responsible for seeing that organisation and expenditure for each project is on an appropriate scale?—Those matters are normally looked into before the project is begun as a matter of approval of the project by the Corporation Board and then capital sanction has to be obtained through the normal channels from the Colonial Office.

5383. On these, you see, the programme was extremely ambitious?—It was.

Mr. Blenkinsop.

5384. I have a series of points on some of the particular projects. First of all, on paragraph 22, the British Honduras Fruit

R 4

20216

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.I.A.

[Continued.]

Co., I see it is stated here that there were some negotiations with regard to association with a private company, and they had to be broken off when it was found that here in Great Britain we were contemplating purchasing from America citrus fruit of the kind, presumably, which was expected to be produced in British Honduras. The question I want to put is, do you feel that there are satisfactory contacts between yourselves and Government Departments with regard to trading policy, and does this disclose any weakness of that kind?—I do not think that is the implication of the phrase in the Report that, as it were, something was happening which we had not known about. The implication is rather different.

5385. Is it not partly the implication that had they known rather more clearly what the possible trend of British purchasing might be, they would not have contemplated the proposal?—I think commercial and trade policy of the nature to which we are referring tends to change, and it had, in fact, changed in the atmosphere of recent economic developments as regards dollars.

5386. I understand that. You do not feel that there is any lack of contact with other Government Departments which may be responsible for general trading policy?—No, we try to keep in touch and I think, generally speaking, it is satisfactory.

5387. On paragraph 59, this Lobatsi abattoir, you did refer to this earlier this afternoon as a case where prosecution was, in fact, being carried forward. Now, could you give any fuller information about it, as to why the structural defects were not noticed earlier than, apparently, was the case?—I think it was a case—and I am afraid this again goes back beyond my personal experience—where the Corporation trusted to the people on the spot; and having, in fact, engaged someone who was employed by the Cold Storage Commission of Southern Rhodesia in a similar capacity, thought that it could rely on that person.

5388. This is a case where the work was done on some agency basis, was it?—We employed a consultant and the actual building was done by a firm of outside contractors.

5389. And, therefore, you would regard it as the failure of whoever you had on the spot to keep an eye on the development of the scheme that these defects were not noticed earlier?—Well, it was a technical matter as to whether walls of a certain strength were, in fact, strong enough to take the stress to which they would have been subjected, knowledge which our Regional Controller would not necessarily have.

5390. So you had to rely on the technical person on the spot and it was his failure that has prompted you to take action?

Would you like to say anything further about what action is pending? Has it actually been taken?—I would rather not deal with that point any further. Instructions have in fact been given to a firm of lawyers in Johannesburg to take action.

5391. Does this give you any information which may help you elsewhere? Does this encourage you to take further measures in other schemes to try and prevent something of the sort happening, or do you feel it is something you really could not have protected yourself against?—Well, I would hope that it will not happen again. I might just say that three weeks ago I was personally there and inspected the place.

5392. The scheme, I understand, is going forward?—That is so.

5393. Is it actually open or is it shortly to open?—No, I had an assurance from the main constructors that reconstruction work would be finished in July and then it is necessary to test the machinery again, to have a trial run, and thereafter it should open.

5394. And it is a scheme which you expect to be worth while and to repay the cost involved?—It is very definitely worth while and, subject to the Corporation having taken the decision this year to write off the excess cost which we have, in fact, put at £200,000 at the moment, we are satisfied that it should pay its way.

5395. Paragraph 72 deals with the Niger Agricultural Project. This is one of the projects, I think, which has been written off. I understand there is a fairly considerable deficit during the last year of some £41,000 due to a bad harvest, and due to unsatisfactory work by unsatisfactory settlers. First of all, who would be responsible for the selection and supervision of the settlers?—The settlers, subject to reference, are, I think, vetted by the Nigerian Government representative. The Nigerian Government are represented on the board. The supervision, of course, is a matter once they are on the ground for the general manager of the project.

5396. It would be in this type of project, presumably, the hope and expectation to hand this back to the Nigerian Government to run at some stage, presumably, would that be right?—The long-term idea was not to make money out of it in any way, but to establish a scheme which, in fact, would have been handed eventually to the settlers.

5397. Is there any provision for eviction of settlers who do not prove satisfactory?—Certainly unsatisfactory settlers were disposed of.

5398. And, presumably, there would have to be special provisions and guarantees to avoid hardship, and that sort of thing,

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

which the Nigerian Government, presumably, would have to satisfy itself about?—Certainly, the Nigerian Government had, in fact, I think, equal representation on the board so that the interests of the settlers were very definitely looked after.

5399. Presumably the loss will fall entirely upon the Corporation?—No, it is approximately a half-and-half venture with the Nigerian Government.

5400. That may in turn represent some charge upon the Exchequer at some point, might it not?—(Sir Thomas Lloyd.) No.

5401. It will be covered by their own resources?—Their own revenues, yes.

5402. The next paragraph concerns the Nigerian Fibre Industries. This is, I think, another scheme which had to be abandoned. Can you say anything about the history of this scheme? This is another which is presumably some while ago. I do not know quite the date of it?—(Mr. Rendell.) Yes, it never got very far. It never got beyond machinery being ordered and I think that the machinery, certainly the major part of it, never left the United Kingdom. There was a site which was either bought or rented.

5403. What year was this?—It was a very early project and there were long negotiations as to whether it should go on or should not go on. (Sir Frank Tribe.) It started in May, 1950.

5404. So this might almost be regarded as an investigation rather than a project?—(Mr. Rendell.) It might, yes, that is a fair comment.

5405. It says here that the estimated loss to be divided between parties is £145,000. What parties are involved and how much falls on the Corporation?—The Nigerian Cocoa Marketing Board are the other party and we have in this a 55 per cent. interest, I think. It is 55-45.

5406. Finally, one or two points on paragraph 76, which deals with the Works Division. I take it that this is what you were referring to when you mentioned that this Works Division operated in pretty well all parts of the world?—Yes.

5407. I gather that a sum of something like £461,000 has been written off on completed jobs. Are there any outstanding reasons for the losses here with regard to personnel or lack of control, or anything, any major factors here?—Well, I think public works contracting is no business for amateurs, even more so than most, and the Corporation did go into this rather light-heartedly and got badly let down.

5408. Would it be fair to say that this work links up with other projects, that work done by the Works Division was necessary for other projects that are included in this catalogue?—Yes, I men-

tioned that the Works Division operated in the Falkland Islands. They built the freezer there but, in fact, the whole cost of that has been charged to the freezer. They built the Fort George Hotel in Belize, British Honduras. There was a depot which was founded there to handle rather more work than just the hotel, but the Works Division was necessary to build the hotel; but in that case there was a considerable amount of loss which has been written off against the Works Vote which does represent the cost of the depot apart from what was necessary to build a hotel.

5409. I take it that it was thought at the time that this Division was necessary to get these various jobs carried out, that the labour was not available otherwise?—I think that is certainly part of the original conception.

5410. Was it locally recruited labour or labour recruited from various parts of the world and brought considerable distances?—There again, the skilled labour, in a case like building the freezer, all at vast expense had to be brought from the United Kingdom. The unskilled labour would normally be recruited in the territory.

5411. And this type of movement of labour over long distances is well recognised to be extremely costly, is it not?—It is extremely costly.

5412. This involved, presumably, provision of special accommodation and everything of that kind?—In these places you have to build your accommodation first before you start on the job, very often.

5413. And this would be comparable, presumably, to some of the Service Departments costs in building cantonments, and so on?—I imagine it would.

Colonel Crosthwaite-Eyre.

5414. Would it be true to say that in general for these schemes which, particularly, Mr. Blenkinsop has been mentioning, the real trouble was too much done too quickly without proper thought beforehand?—I think probably that is a fair summary.

5415. I think you said earlier on, when answering the Chairman, that your concern in lending money was to see that it went to people who probably otherwise would not be able to borrow at all, or am I putting a gloss on your statement?—Unable to borrow at all, or at anything like an economic rate.

5416. Why should that apply to public utilities?—I think it does when you get to very big amounts, and we are talking about hydro-electric schemes.

5417. Yes?—I think that does apply.

5418. Do you request the public utility concerned to give you any evidence that it

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

has tried to borrow through the normal channels before it comes to you?—We do not ask them to do what I am told some of the American organisations do, to provide themselves with a certificate that they have been to various places.

5419. You make no inquiries?—Oh, certainly we make inquiries, but we do not ask them for any certificate.

5420. Are you satisfied where you lend considerable sums that the public utility concerned has tried?—Normally we would ask and make inquiries.

5421. Does the Treasury ask in their turn for information on this matter before they approve the loan?—(Mr. Figgures.) Not normally, no, Sir.

5422. It is not our business to discuss Government policy, but it is known Government policy that the normal market should be used in preference to public money?—(Mr. Drake.) If I may interpose, I think the position is really this, that these particular public utilities required large sums of money. The Treasury know what the likely demands on the London market from Colonial borrowers, as a whole, are during the year, and a factor in giving agreement to a project like this for the Colonial Development Corporation would be the probability of there being difficulty in fitting in the demand with the likely supply of funds for this kind of loan in the London market.

5423. So, really, it is purely a matter of the opinion of the Treasury to give the loan?—(Mr. Figgures.) With the advice available to the Treasury.

5424. And the advice, yes?—(Sir Thomas Lloyd.) Might I add one thing to that? I think it is also a matter of knowledge based on experience. To go right outside the Colonial Development Corporation, the Owen Falls Dam was opened last month; the financing of that has had to be largely undertaken by the Uganda Government from its own reserves and resources because the money was not available. You could not have had the access to the London market to do that. The Uganda Government happens to be lucky enough to have had reserves and therefore financed a large amount of the work.

5425. What I am getting at is that this is another way, apparently, by which sources of public money can be used over which there is no real control except purely Departmental decisions. Is that fair?—(Mr. Drake.) That is true. (Mr. Figgures.) That is perfectly true.

5426. That is, I think, a grave point which should be noted by this Committee?—(Mr. Rendell.) Might I just make one comment? Normally the people who come to us to borrow do not regard the Colonial Development Corporation rates as cheap.

5427. That was not my point. The point was that this money is available, given purely on a Departmental decision as to whether it should be made available or not?—I am sorry.

5428. Could I ask you then about your current programme that I see you have set out. Why, for instance, in view of the most disappointing results—I do not think that is too strong a word—of the British Guiana Consolidated Goldfields, have you proceeded to lend more money for the Potaro Hydro-Electric Co.?—We are going to lend money to establish that scheme.

5429. You are, in conjunction with the British Guiana Consolidated Goldfields of which you are a very large shareholder?—That is so.

5430. Here you are lending money to a subsidiary in partnership with, if one may say so, the parent company of which you are a large shareholder, which is a very disappointing concern. Why do you do that?—Because it will, in fact, reduce the cost of power very substantially to the Gold Company. Could I just say that there has been a very interesting development on that scheme, in that it is likely that another of the very big concerns there may well come into the Potaro Hydro-Electric in order to get their power from them also.

5431. Would not it have been much better to get them in first?—It is justified, we came to the conclusion, on the Gold Company alone.

5432. The Gold Company has shown quite a pleasant loss?—It showed one last year.

5433. You are fully satisfied that you are really reinforcing success?—In the long run.

5434. I will not ask you whether it is medium- or long-term on that. That might be unfair. Might I then ask you about your Kenya housing? Surely of all things this should have been something to be done by ordinary Government finance. Why should the Colonial Development Corporation come into that?—We were asked to come into it.

5435. You might be asked to set up a fried fish shop in Dar-es-Salaam but you would not do it. Why go in for this? Surely it is absolutely outside your undertaking?—I should have said under certain circumstances housing was a very important development project.

5436. So are schools, but you would not build schools, would you?—We have not built any schools so far.

5437. Can you tell me what were the special considerations which made you go in for housing?—As I say, we considered that it was within our terms of reference

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

as a development project. We were asked by the Government concerned, the Kenya Government, to lend them money and we obtained the approval of the Colonial Office and the Treasury to undertake this project.

5438. All you have done is to make a loan in the same sense as a private banker might or indeed, the State, to the Kenya Government for a housing programme?—That again, with respect, is not quite all the service that we would propose to provide in this case. I think that we can probably provide help on the general management side.

5439. It does not say so here, it says this is a straight loan to the Kenya Government. You are not going to build the houses, are you?—No, we are not going to build the houses.

5440. Are you going to lay out the sites?—We are not going to lay out the sites.

5441. Have you any say in the amenities or the standards?—I understand that it is likely that our Regional Controller may represent us on the authority which will control the scheme.

5442. May I put my question, then, after those three questions I have put to you: really you are acting in no other position than that of a private banker, you are lending money which you have borrowed from the Treasury at one rate, you have lent it to the Kenya Government at a rate which will give you a return, but apart from that you are rendering no service whatsoever to Colonial development?—With respect, I think that our organisation there may be able to—

5443. You have told me that you may have a member on the Council that will plan this, but that is all?—It can be quite an important contribution.

5444. I think I have made my point on that?—(Sir Thomas Lloyd.) Could I say something on that? I think, indirectly, the Colonial Office has got some responsibility here. Even if we did not press the Corporation to take this on—the pressure came more from Kenya—we most certainly welcomed it because this housing is particularly needed to accommodate African employees who are, it is hoped, to undertake factory work and the like in the neighbourhood of Nairobi. If the money had not been found in this particular way it is quite probable that the money which Parliament was asked a few months ago to provide for Kenya for emergency purposes, including £½ million for agricultural development, would have had to be increased by £2 million for this purpose. It had to be found somehow.

5445. What I am suggesting is that the Colonial Office and the Treasury are using

these funds not for their proper purpose but purely to provide funds which otherwise might not be obtainable on the public markets or only at a prohibitive rate?—I am saying, that if the moneys had not been found in this way they might have had to be found in another way by Her Majesty's Government.

5446. Surely that would have been preferable rather than using funds which were deliberately designed for promoting the welfare of the Colonies by taking this capital, and under no circumstances can building houses in this way over which you have no control, I would have thought, be considered within that programme? But I have made my point. Could I ask one further question about No. 32, the Jamaica Public Service Co.? Here again you seem to have complete security by debenture under trust deed. There is no element of risk. It is repayable in ten years. Why should this again not have been the normal function of the money market? What was the special consideration which made the Colonial Development Corporation accept it?—(Mr. Rendell.) We were told that the money could not be raised, a considerable amount has been raised only recently for these purposes and in that case we quite definitely asked the question, could not it have been raised elsewhere and were told that it could not.

5447. But it is again, if I may put it to you, the function of a banker and not of Colonial development?—Well, I would maintain that it is development; the use this money is put to is quite definitely Colonial development. (Sir Frank Tribe.) Perhaps I could draw attention to paragraph 7 (3) on page 6, in which the Corporation themselves in their Report say "if Corporation is to fulfil its real function, most of the money deployed should surely continue to be risk capital".

5448. Yes, I had that very much in mind, Sir Frank?—(Sir Thomas Lloyd.) Of course it is. It is about 16 per cent. of the money at present deployed that is on loan or debenture. All the rest is at risk.

Colonel Crosthwaite-Eyre.] Mr. Chairman, I was carefully confining myself to this year's approved schemes because I thought, instead of going back into the past, let us see what they are doing this year, and these are half the schemes of the present year which I have asked questions about.

Mr. West.

5449. Would you agree, Mr. Rendell, that on the basis of the Report and the answers you have given to Members of the Committee, it would appear that the function of your Corporation has, in fact, changed considerably from that envisaged

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

when the Act was passed?—(Mr. Rendell.) Well, I am afraid that I cannot answer for what the intention was when the Act was passed.

5450. You know the Act of Parliament and what its object and purpose was?—To foster Colonial development.

5451. And you do it by becoming a finance house, really? That is the way in which you interpret the operation of the Act of Parliament?—May I disagree from that, Mr. Chairman? I think it is misleading to look only at the new schemes. We are investing a very considerable amount of money currently on existing schemes and we have big schemes like the Usutu forests which we are putting money into all the time with a programme which will cost in the long run, as appears in the Report, probably £10 million. That is going on the whole time and in terms the Act refers to the production of foodstuffs and raw materials. That is what it particularly directs our attention to. So, it is not quite true to say that, just because several of the new schemes have been in the last year or so, in fact, on a loan basis.

Mr. David Jones.

5452. On paragraph 22, would you say that the fate of that scheme finally depends upon what you say in sub-paragraph (4)? May I put it in this way: the change of policy in the intended markets for the Caribbean area has resulted in private enterprise withdrawing from participation which it would have made if the market had been a possibility?—As a statement of fact, it is true that the possibility of private participation was withdrawn on that specific ground. We have yet to see if the import of dollar produce does in fact destroy the market in this country, whether the infant project there, and it is still only a small one, will be commercially justified or not.

5453. Now on paragraph 25, can you tell us anything more as to why the expected Government road did not materialise in Dominica?—I am afraid I cannot.

5454. Sir Thomas, I wonder if you can tell us something about that?—(Sir Thomas Lloyd.) Lack of funds, I think. They hoped to be able to complete certain road programmes with the available Colonial Development and Welfare money, but costs rose. Dominica, as you know, is grant-aided. It cannot meet these things from its own resources and I imagine it was solely because of lack of funds.

5455. Would you agree that this is a case where Colonial Development and Welfare and the Colonial Development Corporation ought to work very closely together?—I do not know that that point directly arises. It is more the Dominican

Government as such and the Colonial Development Corporation working together rather than anything to do with Colonial Development and Welfare working together with them.

5456. I should have thought myself that the expected Government road would be an amenity which the island itself would enjoy and, therefore, would have been provided by Colonial Development and Welfare funds in order that the Colonial Development Corporation might have a reasonable chance of making this project pay?—If they had got the Colonial Development and Welfare money to do it it might have been that the Dominican Government would have done it.

5457. What I am asking is whether there is the closest possible co-operation between the Colonial Office, Colonial Development and Welfare and the Colonial Development Corporation, in order that the funds which are available for Colonial Development and Welfare might be diverted to those channels which would give Colonial Development Corporation a chance to survive?—I can say that almost the whole, I should think 90 per cent., of moneys which the Government of this country have been able to make available to Dominica from Colonial Development and Welfare resources have been in fact spent on roads. It is for the Dominican Government and for them alone to determine the priority between one road and another, which they have. It was a policy of the late administration and I think it is a policy of the present one, to concentrate practically the whole of their Colonial Development and Welfare expenditure in that island on road development.

5458. Mr. Rendell, on paragraph 33, could you tell us a bit more about sub-paragraph (2) (a)? It says: "Owing mainly to inadequate loading facilities . . ."? (Mr. Rendell.) That is one of the poorest and most unfortunate islands, I think, in the Caribbean, and, in fact, the exports of salt have almost entirely stopped for the reasons given.

5459. Their exports of salt have stopped, according to this, because there were inadequate loading facilities, but surely in a survey of this project with an anticipated production potential of 50,000 tons it ought to have occurred to somebody that they would have to have some shipping facilities in order to get it away from the island?—I think there again the original estimates were for quite an unrealistic amount of money, in relation to what was necessary in order to re-equip the local industry.

5460. Now, may we turn to paragraph 59? Have you any idea what the anticipated daily output of this Lobatsi Abattoir

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

is going to be when it is finalised?—The target throughput of cattle is 60,000 head a year.

5461. And the market for them is to be the Union?—No, there are three main markets, the Union, Northern Rhodesia and the Congo.

5462. How is it to be conveyed from Lobatsi to its final market?—In refrigerated trucks on the railway.

5463. Will the refrigerated trucks be available, or is this another case where we will be told when Lobatsi is ready: "Oh, we have overlooked the fact that we ought to have refrigerated wagons"?—That is a very pertinent question, because if the abattoir had opened last year there would not have been any refrigerated trucks.

5464. That is why I ask the question?—But I was told when I was out there that a large part of the refrigerated trucks had been delivered and the balance will be delivered by the time the abattoir is opened.

5465. You are satisfied from your personal observation that there will be no difficulty in conveying the production of this abattoir when it is ready to its market in properly refrigerated vans?—I would not do that because I should be underwriting the operation of the South African Railways, and you know that is a single line. It is operated with by-passes at intervals and it is very easy to have hold-ups.

5466. Yes?—We have done our best on normal working to ensure that there will be sufficient refrigerated trucks.

5467. If you have got properly refrigerated vans a hold-up of a couple of hours will not make any difference, but if you have not it will?—I agree, but those railways are very overloaded, of course, at the moment.

Colonel *Crosthwaite-Eyre*.

5468. You have no doubt heard of what is happening with big users of the South African Railways recently, there are difficulties in getting stuff moved. Have you got any undertaking from the South African Railways that they will move the amount which you want to at the times you want to?—We have got assurances that they will. We are in close touch with them.

Mr. *David Jones*.

5469. How far are the necessary ancillary services which you have had to provide on project sites hampering you in determining the commercial possibilities of some of your schemes? Have I made myself clear?—I think in no cases are they such a big proportion of the whole,

as it were, as to hamper the decision as to whether one goes forward or not, but they are in certain cases quite an expensive item.

5470. You do not think the fact that you have had to provide roads and houses and water and sewage, and all the rest of it, on some of your housing sites, and, as I understand it, meet the cost, has made the financial cost of the project so prohibitive that it has been a loss rather than a commercial proposition?—I was not thinking, Sir, of the items that you have mentioned because when you are launching a development project in the middle of Africa, whoever you are, you have to face putting down your own houses and your own roads inside your project. You hope to get roads to the edge of the project from the local government, but what I had more in mind was that in certain circumstances we have to provide our own hospitals, doctors, and so on.

5471. I was not thinking so much of the construction of the job as the permanent installations that you have had to put up in order to make it go and which under normal circumstances I should have thought in this country would have been provided by local authorities for private enterprise, and on any similar project in the Colonial territories I would have thought would have been the natural subject of examination by Colonial Development and Welfare?—I think, as I say, the answer is that on big development projects out in the middle of Africa you do have to provide your own housing and similar things.

5472. How far have the Colonial Governments invested funds in any of the projects you have established or begun during the last two years?—The Chilanga Cement Co. in which money is still being invested for the second unit; the Northern Rhodesian Government puts up its share, which is, in fact, one-quarter. In certain cases, of course, the local Government does not operate direct, it operates through local development corporations and in the case of Kilembe the Uganda Development Corporation have a quite substantial stake.

5473. How far has private capital in this country invested in any of your projects in the Colonial territories?—In certain cases it has. I suppose almost the most satisfactory one is that Unilever's have taken a half interest in the East Africa Industries concern.

5474. Can you think of any schemes in the Caribbean area where British capital has been invested?—Yes, there is the Trinidad Cement Works into which Rugby Cement is putting money together with us, which is shortly due to open.

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

Colonel *Crosthwaite-Eyre.*] And there is the case of Steele Brothers.

Mr. *David Jones.*] Yes.

Mr. *West.*

5475. Would you clear up one or two further points very briefly? The Report says that the post of chairman is now on a part-time basis. Is that to be regarded as an indication that the reorganisation of the Corporation has now been completed?—(Mr. *Rendell.*) Well, organisations are living organisms which are always developing, but I would say that the major reorganisation should be taken to be completed.

5476. You think that has been completed. I see also that the staff numbers and costs of administration have been further reduced?—Yes.

5477. What I would like to know is, are you satisfied that there is no avoidable duplication between head office and the regions?—Duplication of that kind is one of the things which we are looking for all the time. At any one point it is difficult to give an absolute Yes to that, but I would say that we are now down to a basis where there should be very little, if anything, wrong on that score.

5478. I notice that the head office costs are almost twice those of the overseas offices. Does that mean the Corporation retain their expert advisers at head office?—Generally speaking, where we have expert advisers they are kept in a central pool in head office and not attached to regional offices.

5479. A point that occurs to me on this is: Would not the expert advisers be able to render better service by being in the Colonies where their job is?—Normally, this is one of our difficulties, we have such a wide spread and we have not, in fact in any one region probably a full-time job, say, for a mining expert. It is more economic to keep him at head office and attach him temporarily to a regional office as the necessity arises.

5480. Then, could I ask you to refer to page 11, on the Balance Sheet? There is a sum of £406,852, which is the estimated realisable value of fixed assets of the abandoned projects. Could you say what arrangements have been made for disposal and how those arrangements are progressing?—Well, now, the major figure in that is the value of the assets of Eleuthera in the Bahamas, which in fact has been disposed of within the last month.

5481. How much has been received to date on account of the disposal of assets of the abandoned projects?—I am afraid that is a rather difficult figure to give to you offhand.

5482. Does it appear anywhere in the accounts?—It does not appear in the accounts.

5483. Why?—Because, you see, the amount received gets credited to the account and the asset value is reduced. The latter will be reduced both by realisations and also by losses written off. The figures in the published accounts are mixed up with losses and profits.

5484. So all that the account will reveal is ultimately the amount which is written off? We are not able to ascertain from the accounts what you actually realised on the disposal of the assets?—You would not be able from the accounts to see that figure, no.

5485. Could you give us any information about it? Could you send in a paper?—It can quite easily be ascertained. It is in the Corporation's books.

5486. Will you do that for the Committee?—Certainly.*

5487. One final point: have any of these assets been disposed of by way of gift to Colonial Governments or any other bodies?—I think we have disposed of some assets at what we consider to be almost a gift price in Gambia, but not as it were, of design.

5488. To any other bodies besides Governments?—We have had to dispose of assets at what might be called a knock-down value in places, that is certainly true.

5489. Would they be local concerns, or what?—Where we abandon we have to dispose, as it were, at best.

Mr. *Oliver.*

5490. May I just supplement the point you raised about the staffs you employ? When a project is in contemplation do you decide the issue from London or do you send some of your men over on the spot to make investigations and inquiries?—We would send men overseas to make an investigation on the site of a new project.

5491. And, of course, they would be experienced in that particular locality and in that particular country, and in that particular job, that is also very vital?—I think there are two angles on which one does have to investigate. One is the functional angle, involving an expert, say a mining expert; the other is somebody who knows the local conditions, and we would rely on our head office mining expert in conjunction with our local organisation. We have a regional controller whose business it is to know the local conditions, and if he does not know it he knows who to consult about the local conditions. So, that is dealt with from both angles.

* Information supplied; not printed.

27 May, 1954.]

Sir THOMAS LLOYD, G.C.M.G., K.C.B.,
and Mr. W. RENDELL, A.C.A.

[Continued.]

5492. Notwithstanding the losses which have been sustained and, perhaps, what is more important, the values which have been obtained, have you considered revising the system under which you accept advice or probe the possibilities and probabilities of the schemes?—There has been, as I am sure you are aware, a very considerable reorganisation of the whole Corporation from the point of view of delegating to local organisations to enable us to get the local information and also in the way that we employ experts at head office. Apart from that, I think that pure administration in its proper context is also an extremely

important matter, as, referring to the past, the impression that one gets from the papers, because I am afraid I was not there, is that there was so much coming in that it may have been difficult to give, possibly, some of these projects all the investigation which they might have warranted, and nowadays it is much easier to give the proper amount of attention to the projects as they arise.

5493. You think they can be better examined now, there is more time to examine them?—There is not the rush to get something done now. We take our time now.

The witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 1st JUNE, 1954.

Members present:

Mr. Benson in the Chair.

Mr. Blenkinsop.
Mr. Hoy.
Mr. Oliver.
Mr. Enoch Powell.

Mr. Speir.
Mr. Steele.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. G. P. HUMPHREY-DAVIES, C.B., and
Mr. F. E. FIGGURES called in and examined

NAVY APPROPRIATION ACCOUNTS, 1952-53.

PAPEIR BY THE ADMIRALTY ON HER MAJESTY'S YACHT "BRITANNIA".*

Sir JOHN LANG, K.C.B., Permanent Secretary, the Admiralty, called in and examined.

Chairman.

5494. Will Members turn to the Navy Appropriation Accounts, 1952-53, to paragraphs 8 to 12 of the Comptroller and Auditor General's Report, pages iv to v? Sir John, could you give us the cost of the aircraft carrier "Eagle" and of the "Daring" class ship?—(Sir John Lang.) I think the "Eagle" was declared at £16½ million. It was a year or two ago when she was finished. The "Daring" class, of course, have varied a good deal. They are now just about £2 million to £2½ million.

5495. Why was that?—Different builders, different times of building, in the sense of the length of time they took and therefore the extent to which they caught rising prices, and quite substantial differences in specifications. Of course, the whole class was an experimental flotilla and there were three variations in their engines. Some of them were alternating current and some of them were direct current electric and there were also two, if not three, variations in their boilers.

* Appendix 13 (I).

5496. So, in other words, these variations in price were not for comparable ships?—They are not strictly comparable, no.

5497. What rate of profit on cost did you allow, first of all on the "Eagle" and then on the "Daring" class?—With regard to the "Eagle," we have got an agreement with the firm on which we are paying a profit at the rate of x [rate given] per cent. on actual costs as established by the Admiralty accountants, provided that our Technical Department agree that those actual costs are also reasonable costs. We have not absolutely settled that bill, there is still a very small amount under argument with the firm, on queries that arise out of the accountants' report.

* * * * *

5498-500. And on the "Daring" class?—With regard to the "Daring" class, the rate of profit on which we are working is y [rate given] per cent., but there it is slightly different. Some of the ships are, admittedly, being paid for on the

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

basis of reasonable actual costs as ascertained by accountants and some of them are being paid for on the basis of agreed total prices. We made an agreement with the warship builders concerned, which was on a rather similar basis to the wartime heads of agreement system, under which we were going to aim at total prices agreed for all the ships framed on a certain rate of profit, but it was not going to be a straight cost plus that profit. Actually, as things have worked out, some of the ships were finished before we had reached the agreement and therefore we had to take actual reasonable costs. On one or two others we have not been prepared to accept as reasonable the firm's estimate of what the costs were going to be, and on those we are also taking out actual costs through the accountants.

5501. What was the wartime rate on which you worked?—7 per cent.

5502. Why the increase?—Inevitably, for several reasons. In the first place these ships have been built over a very long period and the general approach to profits throughout the industry has hardened a great deal. The rate of profit which the firms can earn on their commercial work is obviously a good deal in excess of even the percentage which we have adopted here. Secondly, we have been responsible to a large extent for this slow-motion building, partly by Government decision that we should give a preference to merchant ship building because of its export and related value, and partly because as time went on we were continually altering the specification, the new devices, and so on, that were worked into the ship.

* * * * *

5503. Do you manufacture them yourselves now?—No, we tend rather to buy them in bulk on a special contract from the engineering industry at large and then insist on providing them as built into our ships. Thus, of course, you get an absolutely standard item.

5504. Quite?—We did, particularly with the "Darings," succeed in getting the shipbuilders to accept a substantially lower rate of profit than they had had in mind when they first started negotiating with us on the prices for those ships.

5505. This is profit on cost?—Yes.

5506. Now with regard to profit on capital employed, what rate do you estimate these ships are earning?—There is a good deal of guesswork about it. In the first place we have not got facilities nowadays for establishing the ratio between capital and turnover. The shipbuilding firms are not prepared to accept that the capital-turnover ratio has any bearing on the profit that ought to be allowed for a job, and, therefore, the facilities that they will give us for establishing those figures are

quite limited. Based on the best shot that we have been able to make for the capital-turnover ratio we reckon that the "Darings" are going to produce something in the neighbourhood of about z [rate given] per cent. for the firms.

5507. How would you define that? Is time taken into consideration? Is that z per cent. per annum?—No, z per cent. on the cost.

5508. On the cost?—It is rather on this basis: we have taken the capital-turnover ratio as about 1 to 1.8 and allowing for the whole cost of the ship and applying the capital-turnover ratio to that, the figure will work out at about z per cent. Time does not come into it at all except, of course, as meaning that our capital-turnover ratio is itself something of an average because at one time the capital-turnover ratio was appreciably higher than 1 to 1.8.

5509. All your profit ratios, then, are higher than were allowed during the war?—Definitely, Sir.

5510. That is because in wartime you were practically the sole clients? Is that the point, or what? Why this increase?—The fact that in wartime we were almost the sole consumer of the products of the firms has got something to do with it, but still more to do with it is that the commercial world generally are far more independent. There is all the difference in the world between a shipbuilding firm that can get as many orders as it wants to from the commercial world, as the whole of these firms could from the end of the war onwards, and a shipbuilding firm that is drawing the whole of its resources as earnings from the Admiralty.

5511. Quite?—The rate of profit that the shipbuilders are getting on commercial work is appreciably higher than any figures that we have been paying.

5512. One sees that there are threats to the continuity of their work. From time to time one sees in the paper a hint that the demand for ships is likely to dry up?—The order books are much leaner now than they were twelve months ago.

5513. Has that increased your bargaining power, or do you try to use it to increase your bargaining power?—It will undoubtedly increase our bargaining power when it reaches the stage at which the shipyards have vacant berths. Just at the moment almost no shipyards are faced with a vacant berth, but assuming that the orders remain at anything like their present low level there will be a stage presently at which the shipyards will be pressing for orders, and they will be far more willing then to contemplate even things like prices quoted before the order.

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

Mr. Steele

5514. Paragraph 10 of the Report mentions that extensive alterations were embodied as the work on the "Eagle" proceeded and these made it difficult to estimate for the job. How much did those alterations cost?—I have not any idea, Sir. They were extraordinarily extensive. You remember, the "Eagle" had been building for something like ten years before she was completed and in that time speeds and weights of aircraft changed. The various gunnery devices changed, launching devices of the aircraft changed, even the arresting gear changed, and very naturally as some new device or improvement came about the Admiralty said: "Oh, this must be incorporated in the 'Eagle' otherwise when she is finished she will not be an up-to-date ship". Frankly, I think it would be almost impossible now to establish how much of the cost of that ship was due to changes which were made in the design. Certainly it was an appreciable figure. It was not a mere matter of £100,000 or £200,000; it was in the millions mark.

5515. Have you any effective means of ensuring that only essential modifications are made while ships are actually building?—The Admiralty undoubtedly has got a completely effective method of doing that because, in fact, the shipyard will not make changes in the drawings, and so on, without Admiralty approval; but in practice, of course, almost the whole, if not the whole, of these changes emanated from an Admiralty instruction. I think, if I may complete this answer, we have got at least nowadays an effective method of determining whether changes should be made or not, probably at the beginning of the ship's construction. In the war years there was a tendency for things to be done quickly off the cuff, as it were, but now that finance is of such very great importance, and particularly now that annual estimates are prepared and one has to keep within certain limits of expenditure, the Admiralty are particularly careful to see that everything except quite minor changes is properly approved inside the Admiralty before instructions are given to the designers or to the builders to go ahead with the change.

5516. You said that the "Eagle" cost you £16½ million. Is that the right figure?—Yes.

5517. Is she an up-to-date ship now?—She has been completed over two years, of course, and the aircraft world is moving very rapidly. In that sense she is not up to date. She has not, for instance, an angled deck, which is one of the features we regard as necessary in a really modern carrier. She has not got the steam catapult and she will have to come in hand in a few years' time to have fittings of that kind incorporated, but she is the most modern carrier in the world at the moment.

5518. What is the accommodation for the crew like?—Her peace-time crew is of the order of 2,000 officers and men; about 2,100, I think, actually. In war her complement would go up to about 2,500.

5519. What is the accommodation like? For instance, do the junior ratings have to sleep and eat in the same quarters?—Yes, because that is one of the customs on board the majority of Navy ships. In other words, we have what is called a mess deck which is the living space of a particular group like the seamen or the stokers, and in that mess deck the men eat their meals, they spend their leisure time out of meal times, and they also sling hammocks at night and go to sleep. But that has been one of the traditions of the Navy for a very, very long time, and although it is a subject on which there is a good deal of argument I am not sure how far the Navy as a whole would really want to change it. If they could have sleeping bunks and comfortable mess spaces and separate eating halls, well and good, but the space in the ship is particularly limited.

5520. You are carrying on some experiments, I understand?—In the newer carriers, the light fleet carriers—"Centaur" has just joined the Fleet, I think—we have fitted bunks for sleeping.

Chairman.

5521. For the whole 2,000?—It is not so large, Sir.

5522. For the whole complement?—I think the whole of the lower deck, yes.

Mr. Steele.

5523. So that you have this separate accommodation?—I am not sure that it is separate there. It is rather on the basis that the bunks are fitted to the sides of the ship; they fold out of the way in day-time and fold down at night-time.

5524. Is this a standard fitting now?—I do not think I can answer that in the affirmative. It almost certainly will not be the fitting in the frigates, and so on, which are being built today because they are appreciably smaller ships and there are not the bigger, as it were, more capacious spaces in which you could fit bunks, at least so easily. If we find that the bunks are popular in these light fleet carriers it stands to reason that we should endeavour to provide for that method of sleeping in all new construction ships, but these were the first ships in which we fitted bunks.

5525. In how many ships have you fitted bunks?—One is in service now, but all the four light fleet carriers, "Centaur," "Albion," "Bulwark" and "Hermes" will be bunk fitted.

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

Chairman.

5526. Will Members turn to paragraph 13? With that paragraph we will take the Secret Paper on the "Britannia." Sir John, my first question is, why is this headed "Secret"? I have not noticed anything that I would regard as particularly unsuitable for publication?—Almost certainly because it was asked for as an extension of a secret supplement, Sir, but I would agree with you that there is nothing in it which cannot be published.

5527. Of course, you realise, in view of a certain amount of interest that has been taken, that it is almost inevitable that the Committee will publish it?—I would just like to have a look at it after the meeting to confirm my first impressions that it is not secret.

5528. I am just warning you that it may be. It will be for the Committee to decide, but I am warning you that it may well be that the Committee will decide to publish it, so if there is anything of which you wish to suggest elimination perhaps you will let the Clerk have it?—That is what I would like to do, Sir, but by and large I cannot see anything that is objectionable.

5529. I do not say they will; that will be a matter for the Committee. What was the original estimate?—£1.75 million, was the first estimate we had.

5530. This raises a general question. The Secret Supplement does not show this figure and, normally, you have not published the original estimates of your ships, have you?—No.

5531. I understand, however, that you propose to do so next year, is that so?—We are proposing, really, to discuss with the Treasury, and, of course, subsequent to our discussion with the Treasury come to the Public Accounts Committee, the general issue of whether these figures should be published or not. We realise we are under a pledge to do so but we have got some degree of second thoughts about it. Although I do not want to prejudge at the moment the result of the discussions between the two Departments, what we want to do is to talk the matter over with the Treasury and then make whatever proposals come from those discussions to the Public Accounts Committee.

5532. In view of the fact that you are proposing to raise the matter yourself at a later date I will leave that point. According to the Supplement the £1,750,000 had increased about a year ago to £1,830,000 and it is now given as just over £2 million. What is the reason for the increase? It was started in 1951; next year the cost had only increased by £80,000, and in the last year it had jumped up by £200,000?—You realise, Sir, that it was not literally started in 1951.

5533. No; what is the estimated cost?—The keel was not laid until June, 1952. She was launched in April, 1953, and she was completed in January, 1954, so she was about 21 months in building. But in explanation of that increased cost, the steps of it were as you have described, with one intervening step, that we had a figure of £1.9 million quoted to us in September, 1953, and the current figure is £2.1 million, or almost £2.1 million, and that is based on some reports that are as recent as January-February, 1954. But the increase is almost entirely due to difficulties of one kind and another, mostly in material, but a very limited amount in labour, during shall we say, the first half of the period of building which led the builders to recognise in the latter part, the last quarter or the last third of this period, that if they were going to achieve their date for completion they had really got to do something pretty drastic. That date for completion was an absolutely essential date. The Queen's tour had been planned on the basis that she would leave this country in the latter part of 1953 and, her tour of Australia and New Zealand over, she would be coming back via Ceylon and the Mediterranean and we had got to get the yacht ready by then, which meant we had got to get her through trials, and all the rest of it, by the very beginning of this year in order that she could be worked up, as we call it; in other words, that her crew could get used to handling the ship before the Queen was ready to go on board. That factor led to a quite exceptional amount of overtime in the later stages of the construction.

5534. Am I to take it, then, that in order to get this ship ready merely to do one journey, that is, to bring the Queen back from Tobruk, we spent nearly £200,000 which otherwise would not have been spent?—Putting it in its most unkind form, yes, Sir.

5535. It is not a question of kindness or unkindness, it is a question of fact or not fact. The Queen could, presumably, have come back in the "Gothic" from Tobruk and merely in order that she might come back in this particular ship you spent a couple of hundred thousand pounds, which is 10 per cent. of the cost of the ship?—She could have come back in the "Gothic", I think that is perfectly true, provided that by that stage we had not pledged ourselves to the owners of the "Gothic" that we would release the "Gothic" to them. We would have had to have gone back on that particular pledge. I do not think it is quite reasonable, and that is why I used the phrase, putting it in its most unkind form, to take the line that that £1.9 million grew to £2.1 million purely due to overtime charges and so on. Admittedly, I said there was a good deal of overtime worked in order to keep the date, and that is true,

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

but some part of that overtime would almost inevitably have been necessary in order to maintain the balance of progress in the ship. When you get to the fitting out stages of a ship and one particular trade is behind another you have really got to work overtime if you can possibly manage it, in order to try and keep the various jobs moving along at the right rate.

5536. Are not you now rather shifting your ground, Sir John?—I do not think so, Sir.

5537. First of all, you said it was in order that the ship might be in commission by a given date. Now you are saying that you had to do this in order to keep the constructional balance on an even keel. They are two quite different things. You must keep the constructional balance on an even keel no matter what date you finish the ship by, surely?—That is perfectly true, but what I am trying to say now is that even if we had been prepared to accept the date going back for a month, two months or three months we should not have avoided the whole of that overtime because some portion of it would have been necessary to keep the balance of trades.

5538. That is why I say you are shifting your ground. You are now saying it was in order to get the ship out by a given date?—I am not trying to shift my ground. I am merely saying that within the main ground there is this subsidiary one that most of it would have been incurred anyhow.

5539. Much?—I cannot say. What I am in a position to say is that the builders have stated to us that, having regard to all the circumstances prevailing during the contract, the increase of approximately 20 per cent. in the likely final cost over the earlier estimate is most reasonable and compares very favourably with the results for any ship-building contracts carried out during the same period.

Mr. Steele.

5540. The builder says that?—What they are saying is that we have had no worse experience over the "Britannia" than the Cunard people have had with their ships or the P. & O. have had with their ships or any other commercial firm have had with theirs.

Chairman.

5541. I would say the evidence you have just given is very strong confirmation of the builders' claim that it was not the builders' fault but your insistence upon a given date for a given purpose that was the major factor in producing the increase of actual cost over estimated cost. However, we will leave that point. The contractor, I believe, got a fixed fee?—He did, Sir.

5542. Could you tell us what it was?—*[A figure was given.]*

5543. What does that work out at in percentages?—That fixed fee, of course, covered establishment charges and profit. It was not profit.

5544. What would his profit work out at?—His profit will work out now to something in the neighbourhood of a *[rate given]* per cent.

5545. That is reasonable compared with the other figures we have heard just recently?—Well, the chances are that the builder does not regard it as particularly reasonable.

Chairman.] Perhaps the Public Accounts Committee might?

Mr. Hoy.

5546. Does he think it is too much, Sir John?—I do not think he believes it is too much. Obviously, he thought he was going to get an appreciably higher rate than that when the fee was fixed, but it was fixed at a fairly early stage in the contract and it is because the cost has gone up quite appreciably that it has brought the profit rate down to a lower figure.

Chairman.

5547. You say his profit has dropped to one-half?—No, I did not tell you what the original profit was intended to be. In fact, I do not know.

5548. Anyhow, you estimated his profit was *a* per cent.?—*a* per cent.

5549. It cannot be due to the increased cost, because the increased cost is only a 10 per cent. increase?—No, you realise when the ship attracts these extra labour costs she also begins to attract extra overheads and the overheads bite into the fixed fee far more than they did before. It is only the residue that constitutes profit.

Mr. Hoy.

5550. I see that the Comptroller and Auditor General says in paragraph 13: "It was agreed in November, 1952, that Her Majesty's Yacht "Britannia" would be paid for on the basis of actual reasonable labour and material costs plus a fixed fee". What I would like to know is who decided what was reasonable?—The Admiralty.

5551. The Admiralty. By itself?—Yes.

5552. Without consultation?—Well, I am not sure what you mean by "without consultation". What happened is, of course, that the firm said: "We have spent so much on the labour for this ship, so much in this particular respect, so much in that respect. That is our claim for labour. We spent so much on material in the way of steel and engines and all the rest of it," and the Admiralty sat down with wet

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

towels and came to the conclusion that those figures were reasonable. There was nobody else we could consult.

5553. And the Admiralty did exactly the same with labour?—Yes

5554. Did you ever find any reason to differ from the claims made by the contractor?—I do not know, but I should think not.

5555. You should think not; so, in fact, you accepted what the contractor said?—Yes, because we were satisfied that the amount of labour put in this, and the other part of the ship was reasonable.

5556. You will have seen reports stating that far too many men were employed on this ship, that many of them had very little to do? Could you give us any assurance that that was not so?—I can give you a complete assurance that we, in spite of questioning, have found no evidence whatever that it was so, and the questioning, of course, includes the contractors and our own overseeing representatives up there.

5557. Does this last figure we have got of £2,098,000, that is supposed to be the total cost of the ship, include materials that might have been supplied from Admiralty sources and perhaps the cost of some dockyard labour and Admiralty overheads? Is that all included?—The latest figure that I have got now is £2,103,000; in other words, £5,000 more than the figure quoted when the Estimates were printed some time ago, and that includes materials supplied from Admiralty sources, and it also includes some expenditure at Portsmouth when the ship got round to Portsmouth for certain furnishings, and so on, which the contractors had not done.

5558. Does it include some dockyard labour that might have been taken over in order to have this yacht finished in time?—Oh, yes; if by that you mean, does it include any labour that was employed on the ship at Portsmouth, yes.

5559. And any Admiralty overheads would be included in that?—Yes.

5560. Is it right to call this a hospital ship? For instance, if war broke out is it likely that labour and materials would be spared for its conversion?—Certainly, yes. If war broke out we should be converting quite a lot of ships for many different naval purposes and we should certainly reckon to convert this.

5561. Have you made any estimate of what the conversion would be likely to cost?—£150,000 to £200,000.

5562. May I ask you this question: has any estimate ever been made of how many weeks this ship is likely to be used by Her Majesty?—No, Sir, it has not.

5563. None at all?—Nor in fact could the Admiralty reasonably do so. You will remember that the ship was in fact started as a project, although admittedly not laid down, in the lifetime of His late Majesty who certainly intended to make considerable use of the ship.

5564. Oh, yes, I know that this was thought of prior to the outbreak of war?—No, I am not claiming that. There was a project to build a hospital ship-cum-Royal yacht before the outbreak of war. That particular project came to nothing and the revival of the scheme in 1951 was not the 1939 ship at all. This is quite different from the 1939 ship. It is a bit smaller, to start with.

5565. How does the cost of this ship per ton compare with an ordinary passenger ship of similar type?—We do not know. We have been trying to get some information but we have not succeeded.

5566. You do not know?—We frankly would believe that she compares quite favourably, allowing for the fact that she is a dual-purpose ship.

5567. Were there any substantial alterations made in the furnishings of this ship?—No.

5568. Are you sure of that?—Quite sure.

Mr. Hoy.] May I ask you one or two questions about its running and maintenance cost?

Chairman.

5569. Might I just intervene here, Mr. Hoy? Mr. Hoy used the word "furnishings". Does that include also what might be described as décor, the decorations?—I was including that in my answer. There were no substantial alterations made in the ship in any form whatever during construction.

Chairman.] Thank you.

Mr. Hoy.

5570. If I might just finish with this part of it, there were, of course, some other furnishings which were taken from the old yacht and put in?—Oh, yes.

5571. Which, of course, are not included in this cost?—No.

5572. Which is, as you say, £2,100,000. They are not included in that?—No.

5573. May I ask you just one or two questions about the running and maintenance cost? It is said that this ship will require to be manned by 20 officers and 222 men, is that right?—Yes, when she is in service.

5574. When she is in service. How many men do you estimate it will take to keep it on a care and maintenance basis?—Something in the order of 180 to 200 men, but I give that figure with the qualification that

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

that is the first attempt we have been able to make at the figure. The intention is to keep that figure under review after the yacht has been in maintenance for a few months with an intent to reduce it, and we have every expectation that we shall be able to get it down a bit.

5575. I think you are being rather conservative when you say it requires 220 men to man it while it is in use and you want 200 to man it while it is on a care and maintenance basis?—No, Sir.

5576. That is what you have just said, Sir John?—Not quite. The 180 to 200 which I have just given you is officers and men. The figure you have quoted of 222 is men only.

5577. Two hundred and twenty and 20 officers, that is 240, and you think it will take 200 to keep it on a care and maintenance basis. I just want to go to your figures, you see. You say in this paper that in commission it will cost £145,000. I ask you first of all how long you estimated that it was going to be in use. Surely before you could give us this estimate of its cost you must have made some estimate of the time it was going to be used?—No, Sir. These figures (a) and (b) are per annum; in other words, if the yacht is in commission for a whole year it is at the rate of £145,000. If she is in care and maintenance for a whole year it is at the rate of £100,000, so that if she spends, shall we say, two months of the year in commission and ten months in care and maintenance, the actual cost to the Admiralty will be a compound of those two figures, which would work out at something like £110,000.

5578. So if she is in commission for a couple of months it is going to cost approximately £22,500 per month in addition to the normal maintenance figures, is that right?—No, not £22,500 per month, that is per two months. You divide each figure by 12 to get the monthly figure.

5579. Yes. You say, first of all, if it is in care and maintenance it is £100,000, is that right?—Yes, that is right.

5580. And if she is in use for a couple of months it would cost £145,000. Am I right in saying that?—No, Sir.

5581. Then what is it?

Chairman.] The difference is about £4,000 a month, is it not?—That is right.

Mr. Hoy.

5582. I know, if you work it out. I am asking the actual time it is going to be used. Do you mean if it is only used for two months the addition will be approximately £4,000 per month?—£8,000 for the two months, yes.

5583. I see. If it is going to be used as a hospital ship in commission I see it is

only going to cost approximately £10,000 more than its care and maintenance basis. How do you work that figure out?—Of course, the whole basis of manning is different. You go over to a Merchant Service crew which runs the ship and you then have a comparatively small medical party on board, because the greater part of your space, and so on, is given up to the patients and you have not got anything like the same number of communications ratings and the other people who are manning the yacht as a yacht.

5584. So it is much cheaper as a hospital ship than a yacht?—That is perfectly true.

5585. I read a report in the Press that when this was built no separate messing quarters were provided for the crew. Is that correct? Have they just a mess-deck, following up the question Mr. Steele asked you about another ship? Is it true to say that is the only provision that has been made for the seamen of this ship?—That was answered, I think, in the House the other day.

5586. I do not know that; I read it in the Press?—When the reply was that only the junior ratings are accommodated in broadside messes and sleep in hammocks, in other words, sleep in the same place as they eat.

5587. What do you mean by "junior ratings", how many men?—Leading ratings and below.

5588. How many out of that total complement?—About 150.

5589. With all due respect, Sir John, it seems to me that is nearly three-quarters of the complement?—It is.

5590. When you say only the junior ratings, it seems to be creating quite the wrong impression; in fact it is 150 men out of 200 on a care and maintenance basis or 150 out of a total complement of 220 men and 20 officers. I want to find out if that is correct or not?—It is 150 out of the 222 ratings that are wanted when the ship is in commission. It would be a slightly smaller number out of the 180 or 200 which are wanted when the ship is in care and maintenance.

5591. Could we take it that that figure you have just given us will be a final figure and there will be no further additions to that?—The £2.1 million; as far as we can calculate, yes.

Mr. West.

5592. I see that the contract was entered into, the ship was ordered, on the 5th February, 1952. Was there a date for the completion of the work and the handing over to the Admiralty?—Not an exact date then. The understanding was that the ship would be wanted for service by the end of 1953.

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

5593. It was accepted at the beginning of 1954?—Yes.

5594. Was it necessary, then, to have the overtime of which you have spoken if they had estimated originally that it would be completed about the time and handed over about the time it was in fact done?—Yes, because in fact they suffered quite a fair number of delays in those early months of construction.

5595. Whose fault would the delays have been?—Very largely nobody's. The delays quoted are labour difficulties, inter-trade demarcation disputes, handicap of inadequate steel deliveries, particularly over plates of certain thickness. They were difficulties that were not within the control of the firm or the control of the Admiralty.

5596. Is it the case then that it is these difficulties which account for that additional cost?—The greater part of it, yes, but of course there were certain items like wage increases which happened in the meantime.

Mr. Steele.

5597. Sir John, when the Britannia went out to Tobruk was she properly furnished then?—Yes.

5598. She was?—Yes.

5599. When you are looking over this paper here I think you had better be careful about paragraph 15, because in it you say: "In the interests of economy, use has been made as far as possible of furniture from the 'Victoria and Albert' and of new pieces supplied for use in s.s. 'Gothic' for the Commonwealth tour." Was the furniture transferred from the "Gothic" to the "Britannia" during the tour, or what happened?—I would have to find out the answer to that. I do not know. Certainly I do know that some of the furniture in "Gothic" was earmarked for transfer to the Royal yacht. Whether it was actually transferred for the journey home or whether it is merely the intention to transfer it later I am not quite sure.

5600. Perhaps you will have a look at that, anyhow?—Yes, I will find out the answer. My colleague has just reminded me that the contracting firm that undertook a large portion of the furnishings had not in fact finished the whole of the furnishings when the ship went to Tobruk and they have still got to do that and I was wrong, therefore, in telling you that she was completely furnished when she went to Tobruk. But you will see from the photographs that I supplied your Chairman with that she was furnished enough to be usable

Mr. Hoy.

5601. May I interpolate a question here? I asked Sir John if the figure which he had just given us today was a final figure and he said, as far as he could say, yes. Does it include this work which is to be

done, too?—Yes, that is within their contract price.

5602. And including the cost of the fittings that are going to be transferred?—No.

5603. It does not include that?—It does not include anything which was in the possession of the Admiralty either because it was in "Victoria and Albert" or because it was in "Gothic".

Mr. Steele.] From these photographs it looks as if it was completely furnished as far as I can see.

Chairman.] You have a very low standard, Mr. Steele, obviously!

Mr. Steele.

5604. There is not very much room for anything else to go in. I am not talking of the standard of furniture, I am talking of the fact that there is very little room for anything else. I am rather intrigued by this figure of £100,000 for care and maintenance and the fact that there are roughly 200 ratings employed on the ship for care and maintenance. What kind of care and maintenance is involved? What is envisaged, to be ready to steam at a moment's notice?—Not literally a moment's notice, no. She would take, probably, a day or even two days in order to prepare for sea, but she has got to be ready, in a state in which she will not want any dockyard work done on her, when she is required for service and in particular she has got to be kept in a state which will be a credit to the Royal Family when they use her. It is no use having a Royal yacht and visiting a Commonwealth country or a foreign country if, when she gets out there, she is not going to be a credit to the country.

5605. So you are saying in effect that you want 200 people here employed in spit and polish?—It is more than that, Sir, engine-maintenance is not spit and polish, it is in fact keeping the engines in good condition, turning over, refitting them periodically, and so on.

5606. Can you assure this Committee that it requires 200 men and £100,000 a year purely for care and maintenance?—I did try to say to the Committee that this was the first shot that the Admiralty have been able to make at what was likely to be wanted because we have not had this particular ship to look after in care and maintenance at all. We obviously would make that estimate on a safe basis and we have every intention of trying to get the number down, and something of a hope that we shall succeed in getting the number down.

5607. You did indicate to the Chairman when he put that very pertinent question about the "Gothic", that the "Gothic"

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

might have been used to bring the Queen home from Tobruk, that you had given a pledge to the owners to give it back by a certain date. Is that right?—We had told the owners, before the “Gothic” left the country in November, or thereabouts, of 1953, that we should be using the “Britannia” to fetch the Queen back from the Mediterranean, and they therefore knew that when the Queen left the “Gothic” in Colombo that they were free to bring their ship home and reconvert her back to commercial purposes without any interference from us.

5608. But that was not actually a pledge to the owners, as was rather the impression I received when you replied to the Chairman. What was the difference in time involved, after all? When did the “Gothic” leave Colombo?—I do not know exactly. I think the Queen was in Colombo at about the beginning of April and the “Gothic” would have left Colombo . . . I am sorry, I am a bit wrong there. The “Gothic” in fact disembarked the Queen at Aden. From there the Queen flew to Uganda, flew from Uganda to Tobruk, was picked up at Tobruk in the “Britannia” and came home in the “Britannia”. So, the “Gothic” left the Queen at Aden and made her own way through the Red Sea and home. There would not be a tremendous difference.

5609. Would there be any more than a week in it?—Oh, yes, ten days or a fortnight.

5610. The “Gothic” had to come home anyhow, and when you say ten days to a fortnight, are you bearing in mind the journey that the “Gothic” had to make herself?—Oh, definitely, yes. Had she gone with the Queen she would have had to get to Tobruk before the Queen did—incidentally that would have been fairly difficult—she would then have had to wait at Malta while the Queen was at Malta, she would have waited at Gibraltar while the Queen was at Gibraltar.

5611. In any case, the Admiralty must have known some considerable time ago that John Brown & Company were getting into these difficulties about the “Britannia”. Was any consideration given at that time to arranging for the “Gothic” to continue the journey in view of the fact that there were only two weeks in it, and the fact that the owners of the “Gothic” would surely appreciate the honour of carrying the Queen and the value that it would be to them as a firm and for the popularity of the “Gothic” of having done this job?—On your last point, Sir, I do not think that has got any value whatever. The value to the firm of the “Gothic” having been a Royal yacht for the greater part of the tour is not appreciably increased by the fact that the “Gothic” might have brought the Queen back to this country. Undoubtedly there is tremendous benefit to the firm, tremendous reputation to the shipping line

to have had the “Gothic” used, but I do not think it would have been increased one iota had the “Gothic” completed the whole of the tour.

5612. I accept that latter point, but I am only making the point in view of the honour which had been done the firm in the first instance in having the “Gothic” selected. The general tour was such that it would bring them good value for what they did, but answer my first point, Sir John, which is the important one: was any consideration given in the Admiralty in the early stages to this being done?—I do not know. For what my impressions are worth, we did not realise that the extent of the delay was anything like so serious as it turned out to be. At the time we had gone so far in committing ourselves that it would have been decidedly embarrassing to have changed.

5613. To go on to another point, and this is my final comment, did you read an article in the “Sunday Express” by a Mr. John Gordon?—Some time ago.

5614. Who said: “This is the most magnificent yacht ever built and certainly by far the most fantastically expensive.” He goes on to say: “The local whisper is that even John Brown’s have never known anything like the chopping and changing of plans that has gone on in the past few months. Who is responsible? Nobody will say, but hordes of Admiralty officials have made endless trips to the ship in recent months and after each visit more costly alterations were ordered”?—I did not read the article but I did read my Hansard when it was quoted in the House of Commons. We would say that Mr. Gordon had had a very bad meal indeed when he wrote that. It just is not true that there were countless alterations made. It just is not true that there were visits of countless hordes of officials from the Admiralty, and I believe the Parliamentary Secretary or the First Lord dealt with that quite adequately.

5615. He only dealt with it in one line?—He may have dealt with it in one line and he dealt with it subsequently when Mr. Bence and Mr. Emrys Hughes asked question after question.

5616. So you can give this Committee your assurance that this is not substantiated in any form whatsoever?—No, in fact if you look at those pictures you will find that the standard of decoration and furnishing, and so on, is not extravagant. It is not nearly so good as in luxury liners.

5617. I do not think that is all the point, although I agree on that point that that is quite true, but it is the question of chopping and changing?—We did not chop and change. I am not saying there were no alterations whatever, there were

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

alterations, but they were quite insignificant in relation to the cost of the yacht; and I did answer Mr. Hoy, who said, were there any substantial alterations in fittings, furnishings and decorations, the Chairman having expanded it, with a categorical "No."

5618. Who decided that this gold leaf should be put on?—The Admiralty.

5619. That cost £150?—It did.

5620. Is it still on?—It is still on. In fact, one of the purposes was that it should be still on. If we had painted a gold line on it it might not have been on there, but your gold leaf will be there for a long time.

5621. Now, the last comment I have to make is with regard to an article which appeared in "The Times." The Navy Correspondent of "The Times" said "It is a pity, perhaps, that in this ship, which embodies so many innovations, neither the new bunks nor the new system of cafeteria messing had been included." That is why I asked you the questions earlier about the "Eagle." Can you tell us why you have not brought the accommodation up to date for the crew of this ship?—I do not know what was the view that led to the non-provision of bunks, because undoubtedly we have been thinking about possibilities of that kind for the last two years or so. Almost certainly, the absence of cafeteria messing is that it is not by any means all that popular in the Navy. We have got a few ships completely fitted with cafeteria messing.

5622. But they are still sleeping in hammocks?—Yes, except the chief petty officers and petty officers.

5623. Do the men like it?—Well, I have been on board "Britannia" and I have talked to a fair number of the men, both juniors and seniors, and I have not heard a single grouse as to conditions of life on the ship.

Mr. Hoy.] Did you ask them?

Chairman.

5624. Do they grouse to you, Sir John?—I have been on board a lot of ships.

Mr. Steele.

5625. You are not a Member of the Consultative Committee for the "Britannia", Sir John?—No. I have been on board lots and lots of ships in my life. I make it a normal practice to talk to the odd rating here or two or three ratings there, and I have had quite a lot of grouses of one kind or another expressed to me on different occasions. I can only say that the "Britannia" people did not grouse. Admittedly they had just come home, they had had a most interesting journey, they were undoubtedly very proud to be mem-

bers of the ship, and it may be that they would not grouse at that stage.

Chairman.

5626. That sounds more likely?—But I was only giving you a candid answer, Sir.

Mr. Speir.

5627. The crew are all volunteers, in fact are not they?—Very much so.

5628. And the job is very much sought after?—It is.

5629. Is it not true to say that the messing arrangements are similar in "Britannia" to those in any other ship in the Royal Navy of similar size?—Of a similar size, yes.

5630. And the cafeteria system is very much experimental still, is not it?—Very experimental, and so far only in the bigger ships.

5631. Reverting to paragraph 12, you referred to labour difficulties during the last few months of construction and also to inter-trade disputes. Did those hold up the work on the "Britannia" and did they add to the final cost?—They held up the work, undoubtedly, and they added to the final cost in the sense that when we got to the finishing stages when the finishing trades were on, the electricians, joiners, and so on, we had both this time limit against which we were working and also the necessity of keeping the work moving in the right order of priority so that you had not got any wasted labour, and in that sense they did add to the cost.

5632. I did not quite understand what form these inter-trade disputes and the labour difficulties took?—The inter-trade disputes were quite definitely demarcation disputes; in other words one particular craftsman's union complaining that such and such a kind of work ought to be carried out by their people and not by somebody else. You get them in the shipbuilding world, not perhaps more than in other fields, but you do get them in the shipbuilding world quite a lot. There are rivalries between some unions which are continually coming out in that form.

5633. In general, if a shipping company wants to order a new ship and places a contract, can they get a specific price for the total cost today?—At the present moment, no.

5634. They can only get an estimated cost?—They usually get an estimated cost, and the contract would be on the basis that the firm will pay very much as we do, the reasonable costs and something for profit. We do not know a tremendous amount about the commercial contracts, but we do know that there have been very few fixed price contracts in the commercial world since the war. The few that

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

did occur were in the days of about 1949 when it looked as though there was going to be a recession in shipbuilding and some firms did offer fixed prices before the work was started. But their experience was a decidedly unhappy one and there have been no fixed prices for quite a long time now in the shipbuilding world.

5635. You cannot say then how the rise in total cost of the "Britannia" compares with the common trend in ordinary shipbuilding practice today?—Only the paragraph which I read out from John Brown's letter, where they stated that the "increase of approximately 20 per cent. in the likely final cost over the earlier estimate is most reasonable and compares very favourably with the results for any shipbuilding contracts carried out during the same period".

Mr. Oliver.

5636. The actual date on which you were endeavouring to get the possession of this vessel has been a major contribution to the increase in the cost?—Undoubtedly it has, yes.

5637. Whether the different trades were out of line or not they would have adjusted themselves if date had not been material?—Not without some degree of overtime on this trade or that trade in order to keep the progress going smoothly. Once you do get delays in the early part of a ship they inevitably lead to complications over the order in which the finishing trades would come into operation and then some degree of extra cost, either in the form of overtime or in the form of wasted labour while people are hanging about for other people to do their work, will ensue.

5638. I appreciate that some trades cannot get too far behind because obviously other trades could not proceed, but it is not necessary for them all to keep in step with the many jobs which are taking place in the building of the ship?—It is in the concluding stages, and it is in the concluding stages that this piled up.

Mr. Oliver.] I am rather in favour of the criticism which has already been levelled about the number of alterations which must have taken place, because we are dealing with £350,000 on a £1½ million contract and it would take a mighty lot of overtime to absorb that sum of money.

Mr. Hoy.

5639. Before you reply to Mr. Oliver, Sir John, you might also direct your attention to paragraph 12 of your own Paper which does not talk about the early part but says that the delay took place during the last few months of construction?—I am not sure that that paragraph will not need looking at. The labour difficulties in the form of trade disputes were certainly as much in the earlier period as in the later one. Certainly, the delay in steel

deliveries, which is mentioned in the next line, was almost wholly in the earlier part. The labour difficulty that occurred in the last few months was primarily this balance of trades business that I mentioned, in other words, difficulties in managing the labour, not difficulties in disputes with labour. I would like to make the point that this £350,000 is not wholly wages, and I have never pretended that it was. There were rises in price levels during the whole of this period. Prices were going up at the rate of something like 1 per cent. per month, at the time when the ship was under construction, for a total of 21 months; and although the firm would probably have allowed for something of that at the time they made their £1.75 million estimate they clearly had not allowed for the last twelve months or so.

Mr. Oliver.

5640. I appreciate that it could not all be absorbed in that, but you know, Sir John, you do refer to these inter-trade disputes. In those themselves, whilst they would be a delaying factor once the dispute is on, people are not being paid if it is a demarcation question, there is a terrific amount of tradition and experience to guide on a reasonably early settlement on those irritating disputes which do occur on ships?—It is perfectly true that the men in dispute are not being paid but all the rest of the men are, and there is bound to be some slowing up in the rate of progress of the labour force as a whole except to some extent that you might in a long dispute be able to move people right off that job on to some entirely different job.

5641. What is the ship doing now, it is fastened up somewhere, is it not?—It is at Portsmouth at the moment.

5642. I take it it is not likely to be used now for some considerable time until the Queen should require its use?—It will be used for Cowes, is the next understanding we have got, and the Duke of Edinburgh, I think, is going to Dartmouth in it, either just before Cowes week or just after Cowes week.

Mr. Enoch Powell.

5643. For the record, Sir, and in regard to the query which has arisen over paragraph 12 of your note, Sir John, you would, I think, agree that the words "during the last few months of construction" both by grammar and punctuation relate only to the words "labour difficulties"?—Yes, that is true.

5644. So, I think you would also agree that there is no contradiction between what is here and what you have said previously?—Weil, I am that bit hesitant because I cannot help believing that there were some elements of labour difficulties at the beginning, that is why I want to look at it.

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

Chairman.

5645. If the thing is important, Sir John, perhaps you might let us have an expansion of that?—Could I either have a look at it and confirm or alternatively give you a correction?

5646. Yes, if you would? Now, paragraphs 14 to 22. Sir John, I see that here your costs are very much higher, sometimes almost 50 per cent. higher, in private shipyards than in Admiralty yards. Prior to the war the situation was reversed, was it not, it was more expensive to do work in an Admiralty dockyard than in a shipyard?—I do not think that we should ever have accepted that statement for work of this kind. We do agree that it is more expensive to build ships in the Royal dockyards than it is to build ships in private yards, but we have always regarded ourselves as truly competitive and, we would claim, rather cheaper than the private yards in relation to either warship repair work or conversions, and so on, which are a compound of new construction and repair.

5647. As paragraph 18 says the materials are not the cause, obviously it must be that labour is the cause. Why is labour so much more costly in the contractors' yards?—Can I start by saying that it is not due to the fact that the contractors pay higher rates of wages. There is a common rate for shipyards whether they are dockyards or private yards, at any rate within very, very small limits indeed. The extra labour cost which these conversion jobs in private yards have suffered is due to a lot of factors and not all of them are applicable in every yard. They vary from yard to yard. The analysis that we have conducted of costs in this contracts of conversion field does not apply to the whole of the ships in contractors' yards, partly because we have not got complete information about the costs of some of the ships, we have only been able to estimate them, but more particularly because it is a tremendously big job to break this problem down to its smallest possible factors. But in the work which we have done with the representatives of the shipyard firms—and I want to take this opportunity of saying that they put no obstacle in our way of getting to the bottom of this thing—we have established quite a number of reasons which I will proceed to tell you about. The first one, and undoubtedly a very material difference, is the one mentioned in the Comptroller and Auditor General's Report, that in general the contract conversions took place appreciably later than the dockyard conversions and they therefore encountered the wage increases of 1950, 1951 and 1952 to a greater extent than did the Royal dockyard jobs. The Committee will appreciate that these jobs were placed in yards where we could get the work undertaken. The shipyard industry as a whole

had quite big order books at the time we were trying to get them to take this work and we had to put them where we could. Even in the places where we did put them they were in competition with commercial work of one kind and another and the Government was not prepared to agree that our work in this field should have any priority over work for commercial purposes which was regarded as of high export importance. The net result was that our ships suffered quite appreciably from uneven manning. The contractors' shipyards very naturally, and not at all improperly, tended to give a preference to the commercial jobs because usually the ships which came in to them for repair were wanted, sometimes against the programme date when they had got to take a cargo, and, in any event, wanted in order to keep the commercial services as fully employed as was possible. Inevitably, those jobs got the labour that they wanted for their proper progressing and our jobs tended to suffer from uneven manning.

5648. What exactly does "uneven manning" mean? Does it mean that you were left alone on weekdays, and when they were not working on the contract jobs on Sundays at double time they put them on to your Admiralty ships?—If I may I will come to the overtime and Sunday factor presently. It does not mean that. It means that in one week you might have 200 men working on one of our ships and in another week you might have 50, in a third week you would go up to 100 and in the fourth week you might come down to even none at all; and inevitably that does mean an erratic progress which is apt to be a costly progress, particularly if you get some particular trade hanging about waiting for the tradesmen of another trade, who have been whisked away to a certain job, to come back. There was a good deal of wasted time to a far greater extent than we suffer in the Royal dockyards due to the distance between the repair shops in which engines are being repaired and overhauled and the berths in which these ships were lying. Some of these firms had to use the commercial facilities at the port, the berths and so on, belonging to harbour and dock authorities and those berths lay at a long way from the places where the repair work was done in the repair shops of the firms. Not only that, but if you have to use the berths of these harbour and dock authorities you cannot rely even on being at the same berth for the whole period of the job, and you are quite likely to be moved from one place to another according to the way in which the harbour and dock authorities reckon to make the best use of their space. It is no uncommon feature to find that a ship may lie a mile, or even two miles away from the repair shop; and that inevitably means transport costs for men and material and a good deal of wasted time

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

in moving between shop and ship. Another factor was that there was considerably heavier overtime on the contractors' ships than in the Royal dockyards. To some extent this heavier overtime was inevitable in order to offset the unbalance of labour that I mentioned before and also a similar unbalance that you were apt to get in these private contractors' yards because their natural balance was one for merchant ship work and not one for warship work. But a good deal of the excess overtime, and particularly the Sunday attendance, was due to the routine working of general overtime in some ports and that, we presume, was due to the general pressure of commercial work in those ports. Clearly if we were going to get our work progressed at all we had got to accept the general practice of ship repair firms in the ports in which the work was being carried out. A further factor was that in some of the places there are special labour procedures or understandings not to be found in the Royal dockyards, but perfectly normal to the commercial practice of the port. The procedures I have in mind are the conventions by which certain teams of workers are composed in a certain way and, on the whole, contain larger numbers of men than is the practice in the Royal dockyards. I am not claiming for a moment that all the areas suffered from this particular disability because it would not be true, but it is a factor in some places. We would believe that many of these procedures that I have referred to are due to the casual employment basis of labour in ports in which they are to be found; and, clearly, when shipyard workers are liable to be casually employed, and therefore not very certain how long their jobs are likely to last, it is not unnatural that there should be some of these special understandings relating to the way in which labour is employed. Another factor is that a good deal of the special fitting work, particularly electrical work, is done in the private yards by sub-contracting. In other words the private yards have not in general got the same big teams of specialist electrical workers and they turn over the electrical work to a sub-contractor. Frequently those sub-contractors have to come from a distance and therefore you get extra subsistence charges to pay for and to some extent even extra overtime charges to pay for. Some part of the extra labour cost is due to the Admiralty's own fault when we did not get drawings, or, perhaps, fittings which the repairers wanted, along to the ships at the right time and we were conscious that, certainly in the early ships, there was some measure of delay in giving the firms the appropriate details for their work. Then, their labour force which they had allocated to the ship, if they were not able to employ it on other work, was inevitably charged to our account. The last element in this is that the contractors pay

a higher rate of ship repair allowance than is paid in the Royal dockyards. The average rate in industry is about 3s. a week. The rate in the dockyards is 1s. 6d. a week. It is not really an indication of the contractors paying their workers better than we do. The explanation is that the contractors pay this 3s. only for repair work in ships, but then they pay it to everybody in the ship. We in the dockyards pay it to every man on the dockyard strength, irrespective of whether he is doing repair work in a ship, whether he is doing new work which does not attract the allowance in private yards, or whether he is doing work in the shops, and we chose deliberately to pay a rate which is one-half of the rate in industry for simplicity. It inevitably means that when you are taking out dockyard costs those costs include only 1s. 6d. a week for ship repair allowance for each man employed whereas, when you are taking out the parallel costs in the private contractors' yards, the rate is twice as much. Those are the factors which led to the appreciable extra labour cost which is involved.

5649. Have you been in negotiation with them as to whether they can make a better showing on later conversions?—Not in that direct form, Sir, but in the case of one or two firms which have got repeat orders we are certainly expecting them to achieve a lower price for the second order, and in at least one example where we have got a quotation from the second order it is at a figure which is lower than that of the first ship which the firm did.

5650. But how does it compare with the dockyard price?—Oh, it is still appreciably higher than that.

5651. You are quite satisfied that they are not unduly overloading you with overtime work for the benefit of their commercial work?—We do not think so, Sir.

5652. You have your own inspectors, or whatever you call them?—Yes, we have our own overseers at all these firms and I think in all these cases we have our own recorders watching the amount of time and material which goes into the ship.

5653. You are quite satisfied you are getting a square deal whether it is a costly deal or not?—Yes, and I would like to take this opportunity of saying, having regard to what is said in the Comptroller and Auditor General's Report, though it is perfectly proper, and what I have said, too, in explaining the extra labour costs that one would not regard the higher cost of the work which the contractors have done as involving any reflection at all on the efficiency of their firms or the economy of their working. In this particular thing we have got to have regard to the conditions in commercial repair yards and those conditions are really the explanation of the fact that our jobs in these yards are costing more than in the Royal dockyards.

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

Mr. Oliver.

5654. The most effective thing for meeting the point which was raised by the Chairman as to seeing that overtime is not done on your ships, if I may use the term as opposed to ships for private contracting, would be to see if you could get some sort of an estimate at an early stage?—Well, we may be able to get estimates from firms who do these conversions in the future, but it was quite impossible to ask the firms to produce estimates in the nine cases which are mentioned in this Report. In seven, out of the nine it was the first time the firms had taken on one of those jobs at all. When they were offered the jobs we could only give them a very broad description of what was involved. We were not at all ready to give them anything like a specification and complete drawings and we could not have had an estimate out of them that was at all reliable.

5655. I see, according to paragraph 21, that contract prices or fixed fees for these conversions were not agreed with the contractors until the work was nearly done, or even actually completed. Certainly, up to that point there could be no incentive at all to economy? They could do as they liked for as long as they liked, employ any form of organisation they liked up to that stage because there was nothing to induce them to exercise economy in labour or in any other form?—Well, there was, Sir, because the understanding was that the price would be fixed at a reasonable figure. The less they could satisfy our technical officers that the figures which they eventually produced for the labour content and the material content and so on of the job were reasonable, the more difficulty would they find in satisfying the Admiralty that we ought to pay even the vouched costs of the job; and certainly, when we came to fix the fee for their overhead expenses and their profit, we should have a very careful eye indeed to any reports which our technical officers made to us that this firm had been slack or overloading the ship with labour or unfairly treating the job. Certainly it is true that in the fixing of the prices that has already taken place the fees for overheads and profit which have eventually been agreed have been almost in inverse ratio to the total cost of the job; in other words there has been a rather higher rate of profit allowed where the job has been fairly close to the dockyard cost and not quite such a high rate of profit for the jobs where the cost has been notably above the dockyard cost. In other words, we have managed to get something of a corrective to any tendency which the firm might have to extravagance in their handling of the job.

5656. Of course you will appreciate, I am sure, Sir John, that it is as well to get

over some form of a price at the earliest possible moment?—Oh, completely.

5657. What are you doing in that direction at the present time? Are you making any attempt to get the price and fees fixed at an early stage?—We have reported to the Comptroller and Auditor General, and he has repeated it in paragraph 22 of his Report, that we have been pressing the contractors to put estimates in at an earlier date and frame them on a more realistic basis.

5658. What results are you getting? Are you getting any better and earlier quotations now?—We are getting earlier quotations, but I must not give you the impression that we are getting them at, say one-quarter or one-third through the job, we are not. We are not getting them at one-third or one-quarter through the job, we are getting them in the later part of the job.

5659. I believe in some earlier evidence you gave this afternoon you said the time was coming when prices might be obtained before the event. I take it you mean before the job is started, when you used those words?—I was talking then about new ships.

5660. Not these repair or these conversion jobs?—You might reach a stage at which you could get a price for a conversion or repair, but we never did in pre-war days.

Mr. Steele.

5661. You have been giving us a fairly lengthy explanation as to the difficulties involved in the problems of the contractors vis-à-vis the Admiralty dockyards and why their charges were more excessive. I think the explanation in paragraph 22 is a bit difficult to understand, having read paragraph 22, because there there is a clear indication that you have still no faith in the contractors at all?—No, Sir.

Mr. Steele.] Because you say there—

Chairman.

5662. This is what the Comptroller and Auditor General says. You cannot put the responsibility on to Sir John?—We told him that.

Mr. Steele.

5663. It is because of that, and the Comptroller and Auditor General is only reporting what he has been told in this paragraph, and he has been told in this paragraph that the hope is that the contractors will submit their estimates and frame them on a realistic basis. Obviously, they have not been framed on a realistic basis in the past and the Admiralty hope that in the future estimates will be more realistic. Could we have some explanation?—No, I think you are reading that

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

in a rather strained way, if I may put it so. Obviously, a contractor who is going to put in an estimate really early in the job will tend to load it with contingencies. You will get a figure which the Admiralty will obviously reject out of hand by saying: "Oh, no, there is too much water in this" although it may be a perfectly fair thing for the contractor to do if he is putting in a price to which he would be held, and he just does not know what is going to happen in the magnitude of the job when he begins to open up the ship, and still less does he know what is going to happen in the way of price changes and wage changes. What we have been pressing contractors to do is this: we have been saying: "Now that you know what these jobs look like and know something about them, give us your estimate on which we can arrange a price at as early a stage as you can, but do be realistic in it and do not load it with contingency after contingency, because if you do we shall merely recognise that your estimate is not a very close one and we shall obviously not accept it as a valid one."

5664. Do they ever send in an estimate which in your opinion is not sufficient?—I do not think we have had that, but we have certainly had one or two examples in this particular field where we have been more than satisfied that, when you allow for changes in rates of wages, which have happened in the years during which the ship was building, the comparison between the shipyard price and the dockyard price is a pretty fair one.

Mr. Hoy.

5665. I would just like to ask the Comptroller and Auditor General one question: was that the understanding you had, Sir Frank, exactly as Sir John has said, that contingencies were really the main thing with regard to a more realistic estimate?—(Sir Frank Tribe.) Yes, "realistic" was the word used by the Admiralty. It interpreted it in the way in which Sir John has now interpreted it.

5666. So it does refer to those items which are put in for contingencies that both Sir John and you take exception to; is that right?—I think a "realistic" estimate is one which you really expect to come out near the truth.

5667. And it is contingencies which disturb your Department, Sir John?—(Sir John Lang.) It is the contingencies which it is perfectly natural for a contractor to put in if he has got to ask for a price at a very early stage, because of the uncertain future. We very naturally cannot agree to look at contingencies in the same way as he would, and we inevitably say, "Oh, no, this estimate is too high". We go on arguing and arguing about that, but we want the shipyards, now that they know

something about these jobs, not to be so frightened about contingencies.

5668. In fact you want the final price to approximate much more closely to the estimate than we have had since the war?—Definitely, yes.

Chairman.

5669. So that, when you refer to an estimate, it is not a binding contract on the shipyard?—No, it is not, in that form. It depends, too, how the estimate is going to be used. Sometimes it is going to be used in order to settle a fee for overheads and profit which will be paid, in addition to whatever the reasonable costs of a ship turn out to be. Sometimes it will be used for the purpose of fixing an overall price. Obviously, if it is going to be used for the fixing of an overall price, once that price has been fixed, taking account of the estimate which the firm put in, then it does become a binding figure.

5670. What percentage did you get of binding figures as against a price which appears to be used as a yardstick?—Out of those nine ships which have been completed, where the Comptroller and Auditor General says that the contract is completed, "the majority have been settled on the basis of actual costs and an agreed fixed fee". Six have been on that basis, and three have been on prices.

5671. Six have been on what basis?—On the basis of an actual cost plus a fixed fee; and three have been on the basis of a binding price.

5672. At what point in the job was that binding price fixed?—Oh, very late; within the last three months or so.

5673. So, in effect, it really was not very much different from the others?—It was. A price fixed three months before the end still contains a good deal of hit and miss.

5674. Of risk, yes. Now, paragraphs 23-26, Cancellation of Contracts. Do you usually place substantial orders for aircraft without getting a prototype?—It depends entirely on the circumstances. If we are really uncertain about the potential qualities of the aircraft and if the urgency for the aircraft is relatively low, then, clearly, we go in for prototypes; but, if the circumstances are such that you believe that the disadvantages which an aircraft may have shown in its early stages are likely to be overcome and the urgency of having the aircraft is really great, then it is quite common to place production orders without prototypes.

5675. What went wrong with these 'planes?—In the light of jobbing backwards, if I may use the phrase, we were trying to develop the aeroplane beyond the stage that it could fly. Most new types of aircraft have got some capacity for development in the way of increasing their

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

speed or increasing their carrying capacity or increasing the equipment with which they can be fitted, but there comes a stage where you are overloading the aircraft and you begin to find that it stalls or it will not fly properly because various forces bring it out of trim, and so on, and that is what happened over this particular one.

5676. You have given various suggestions. What exactly did happen to this one?—We had three factors in the mock-up machine that flew. There was a lack of what is called stall warning—in other words, no indication that the aircraft was going to stall, which they did—you got excessive rudder bar forces which led to the aircraft diving out of trim, and you got a tightening in turn at altitude; in other words, when you wanted to turn, the aircraft just did not want to do it, it resisted the operation of the rudder bar. At the time at which we placed the production order, we, in the sense of the Admiralty and the other people concerned, thought that these disabilities could be eliminated by further adjustments in the aircraft, but eventually we were not successful, and we had to abandon.

5677. You did not cancel the whole order; you took some for training and other purposes?—We could adapt the machines for that purpose, and we were quite prepared to minimise our losses by using this order for training purposes.

5678. With all their disabilities of stalling problems and turning problems?—No, but you could modify a great deal of the fittings that went into the aircraft, and you just eliminated this overweight or overdevelopment.

5679. I see; you overweighted it. Was it intended to carry a larger crew?—Yes, it was to be made a three-seater, instead of a two-seater.

5680. Was it the addition of one man that did it?—Not merely the one man, but the equipment he was going to operate, and the fact that it meant a larger fuselage, and the engine coming a bit further forward.

5681. But, apart from these other things, it was quite satisfactory apart from its flying capacity?—Once we had abandoned the idea of an operational aircraft for it, and we were then prepared to use it only for training, we could cut down quite appreciably on the changes that had to be made.

Mr. Enoch Powell.

5682. Was the hospital ship referred to in paragraph 25 of a size comparable with the "Britannia"?—No; twice as big.

5683. Although the initial estimate of cost was the same?—At a much earlier stage.

5684. 11 months earlier?—It is earlier. I do not think the two were comparable. It is perfectly true there was an estimate there that was not all that much bigger; in fact, it was the same as the "Britannia"; but it was a particularly rough estimate, and the estimate which was put forward early in 1952, which was still before the ship had really been started at all, was £3 million.

5685. Why is there so great a disparity between those two estimates, even before one got started, as compared with the relatively much smaller disparity in the original and finished costs of the "Britannia"?—I do not think there is a disparity; I think you are comparing two estimates which are not comparable. The estimate of £1.75 million for the "Britannia" was made at a stage when the ship—I am not sure whether she had been laid down or not; but at any rate she was very nearly on the point of being laid down. The estimate of £1½ million for the hospital ship which was cancelled was made well before she was laid down, and the figure was put up to £3 million before she was laid down, so, really, you must compare £3 million for the cancelled hospital ship with £1.75 million for the "Britannia" if you are seeking to make that contrast.

5686-7. I see. On what basis, in cases such as those which are mentioned in paragraphs 25 and 26, is the compensation, if I may so call it, to the contractor calculated? Is it work actually done plus something? If so, what is the something? For example, how did one arrive at the £200,000? Was it the actual cost of the work done?—It was mainly the cost of the work done; both materials and labour, of course.

* * * * *

Actually, if I may just go on a bit, we did negotiate this settlement as if there had been a break clause in the contract; there was not, in fact, a break clause in the contract.

Mr. Oliver.

5688. When the £200,000 is fixed, or whatever may be the price, where the contract is discontinued, do you ascertain for what purpose the partially completed structure will be subsequently used?—Of course, sometimes you cannot use it at all and you just scrap it, but, when we can, we reckon to get credit for it, and we did in this example.

5689. That is what I wanted to know, because some would be scrap and some would be quite useful?—Yes, and we get credit from the builder for the material which could be used.

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

Chairman.

5690. Sir Frank, have you any comments about paragraph 24?—(Sir Frank Tribe.) No. I thought I would draw the attention of Parliament to the fact that some £800,000 was apparently lost through the decision of the Admiralty to order these craft without obtaining and testing a prototype.

Chairman.] Will Members now turn to the Accounts on pages 1-31 and Appendices on pages 32-44? I have no questions.

NAVY DOCKYARD AND PRODUCTION ACCOUNTS, 1952-53.

Note by the Admiralty on the Proposed Simplification of Dockyard Accounts.*

SECRET Memoranda by the Admiralty relative to—

- (i) New Construction, 1952-53.
- (ii) Repairs, Alterations, etc., 1952-53.
- (iii) Value of Stocks of Naval Stores, 1952-53.

Chairman.

5694. Will Members now turn to the Navy Dockyard and Production Accounts? There is also a memorandum on the Proposed Simplification of Accounts. I have no questions on that. Sir Frank, have you anything to say there?—(Sir Frank Tribe.) Yes. The Treasury and the Admiralty are agreed about the proposals which they put before the Committee for simplifying future Accounts. In my experience, these detailed Accounts have never been of great value to the Committee of Public Accounts. The information hitherto contained in them will, of course, be available to me, and if there should be anything in them likely to interest Parliament, I could always report upon it. But quite a lot of the information which is now being cut out seems to be of value for internal Admiralty purposes rather than for the purposes of Parliament, and, as far as I can judge, the revisions proposed will be an improvement. They will cut down the size of the document and will make it more manageable and intelligible to the Committee.

Chairman.] I have no questions on the Dockyard and Production Accounts, pages 6 to 31.

Mr. Steele.

5695. Purchases are shown on page 24 as £225,000. Can you tell me, Sir John how much of this was American machinery and American tools, if any?—(Sir John Lang.) I cannot. I should say none of it, to be quite frank. But I will ascertain, if you want that. I believe that figure relates

* Not printed.

Mr. Hoy.

5691. On page 42, what interest is paid to the Admiralty for the ten £1 shares it holds in the Scottish Housing Co. Ltd.?—Do you mean what interest we get per annum? I have not any idea at all.

5692. Do you know why you have them?—Almost certainly because of Rosyth. It is in connection with the Rosyth Estate. Are you interested, Sir, because we will find out?

5693. No; it was just because it was such a small sum in the Admiralty Accounts. I thought it ought to be asked about.

to purchases of materials that were built up into torpedoes.

5696. If American machinery and American machine tools were put into the Royal Naval Torpedo Factory, would they be shown in this Account as being purchased?—I think yes, but I just do not think any were purchased for the torpedo factory. Clearly, if we do buy machines for the torpedo factory, we have to own up to it here, and you notice an item on the other side, "capital services". These capital services, inasmuch as they are not balanced by an item on the left-hand side, which talks of purchases of equipment, must almost certainly be work done in that factory of a capital nature, but the analogy of that is that if we did buy machinery for the factory, whether from America or elsewhere, it would undoubtedly be in the left-hand side somewhere.

5697. We had the Ministry of Supply here some time ago, Mr. Chairman, and I put the question to him, had the Admiralty obtained any of the machine tools from America and, after some consultation with his friends, he said "Yes", and I am trying to ascertain now as to where these machine tools went to in the Admiralty?—I would far rather get the information for you. Some of them may have gone to the torpedo factory; they may have gone to the gauge factory; they may have gone to the dockyards.

Chairman.] Would you like a memorandum, Mr. Steele?

Mr. Steele.

5698. Yes?—(Sir Frank Tribe.) If they were obtained, they would not, surely, be

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

shown on the Production Accounts; they would be shown in the Balance Sheet as an addition to the item "plant, machinery and equipment".

Chairman.] What exactly do you want the memorandum to cover, all the machine tools received from America by the Admiralty?

Mr. Steele.] By the Admiralty.

Chairman.] In how much detail?

Mr. Steele.] I just want to know the amount.

Chairman.] The capital amount; the cost?

Mr. Steele.

5699. The cost?—(Sir John Lang.) You want a report showing how we disposed of the machine tools which came to us from America in the year of account?

5700. Yes, the next year and the following year?—I am not trying to dodge giving you anything.

Mr. Steele.] It would be more simple, I think, if it was all one operation, to have it all, if that could be done.

Chairman.] Yes. Do you want details of the deals themselves, or the capital value?

Mr. Steele.] I want the capital value.

Chairman.

5701. You want the capital value for what years?—I think he really wants the transaction.

New Works Statement: SECRET Supplement to Navy Appropriation Accounts, 1952-53, forwarded in compliance with paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.

Further information relative to New Works Statement: SECRET memoranda supplied by the Admiralty on two items selected by the Chairman for oral examination.

Chairman.

5707. Will Members now turn to the Secret Papers on New Works, Dockyards, &c.? I want just to deal with Devonport first, Sir John. I am rather perturbed about the price fixed for this land by the District Valuer?—You are quoting paragraph 6 now, Sir, or paragraph 13?

Chairman.] Paragraph 4 to start with. There is the 175 acres, £4½ million, which works out at about £26,000 an acre.

Mr. Hoy.] Lined with gold!

Chairman.

5708. This is not merely land, but it is part of the town. Part, I believe, has commercial buildings on it, some of which have been badly blitzed; is that not

Mr. Steele.

5702. Yes; it was all more or less one transaction?—It was spread over a couple of years or so, but we will find it for you.*

Chairman.] Will Members now turn to the Secret Paper on New Construction? I have no questions.

Mr. Blenkinsop.

5703. On page 2, on contract-built ships, the light fleet carriers, the "Albion": have you any major change in the estimate of cost since the date of this last figure that has been put in, or is that still, broadly speaking, the current figure of the total estimated cost?—Do you mean, have I any reason to modify the sum stated?

5704. Have you any reason to think there has been any major change in that since the date that these were prepared?—No, Sir: these were only prepared a matter of two months ago.

5705. I was not quite sure whether the "estimated total cost revised to date" referred merely to the end of this financial year or the year under review or later?—Oh, no; to date means, roughly speaking, to 31st March, 1954.

Mr. Steele.

5706. With regard to the three destroyers mentioned in the first page here, are these all of the same standard displacement? Are they all exactly the same?—No, these are three of the "Daring" class which I described to your Chairman earlier, at prices varying between £2 million and £2½ million, but there are substantial differences in the internals of the ships.

correct? And part of it, judging by the plan, consist of "two up and two down" cottages; is that also correct?—Yes, and part of it, of course, is now bare because it has been blitzed out of existence.

5709. Still less, in that case, do I understand the extraordinary price of £26,000 an acre. Take the cottages: I do not know what the sizes are from this plan, but you might get 30 to the acre or 25 to the acre. In that case, the Valuer values the "two up and two down" cottages at £1,000?—Except, Sir, that it is not quite fair to take that average figure and apply it to property which is the least valuable included in that area. He has almost certainly studied this large area of land.

* Information supplied; not printed.

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

5710. It is extremely hazardous for me to criticise the opinion of a District Valuer as to the value of property in a town which I have not even seen. I am quite well aware of that, but, looking at this, and from my own knowledge of Manchester values—I was professionally concerned with Manchester values for 40 years—I find it very difficult to square what I know of Manchester, which is a very much larger town, with Devonport. Can you give us some indication of what type of property is on this? Is it good valuable property in any way?—It is undoubtedly valuable property where the commercial premises are concerned, because they were absolutely in the shopping heart of Devonport.

5711. I see your shopping heart is right up against your dockyards?—Oh, yes.

5712. And which part are you taking now in your 75 acres? Which are you proposing to take?—Those are the areas marked blue.

5713. Fifty per cent. of the area marked blue on my plan is cottages and 50 per cent. may well be commercial; that is out of your 175 acres. Which are the 75 acres? You have got *this* plan?—I have that plan.

5711. *Those* are obviously the cottages. Which is the 75 acres, the commercial area?—But surely the whole of these blue spots that you have got on your plan are the 75 acres. You have not got the 175 acres marked at all, and in many ways, if I may put it to you, the 175 acre figure which is quoted in paragraph 4 has no importance whatever. The figure which is important is the 75 acre figure; in other words, the property which we are now aiming to take.

5715. At £2½ million?—It is quoted in paragraph 6 as £2½ million. That does not substantially alter your point that this is extraordinarily valuable land.

5716. No. I said it was extraordinarily costly; I do not know whether it is valuable?—All right; extraordinarily costly.

Mr. Hoy.

5717. It even becomes more costly on the lower figure?—Yes, the proportion is higher; that is perfectly true.

5718. How much does it work out per acre?—£40,000 per acre.

Chairman.

5719. Not quite; £30,000 an acre?—£33,000, actually.

Mr. Hoy.

5720. It is still valuable, anyway?—Yes. But could I answer you in this form:

20216

this is not the price fixed by the District Valuer for the land and the premises and all the rest of it. This is the District Valuer's estimate, given at a time when the Government decided to go ahead with this extension, of what we were likely to have to pay. The actual prices which you pay for this piece of land and that piece of land are settled in negotiation with the people from whom you acquire it in accordance with the rules laid down for compulsory acquisition of land. Admittedly, the District Valuer is probably very good at gauging the price which we shall have to pay for that land, but it is not a case of "has fixed a price."

Chairman.

5721. No, I know he has given you an estimate and that that, as I say, is his opinion as to the value. He has made a valuation for you?—(Sir Frank Tribe.) Paragraph 13 shows that this cost is likely to go up to £3 million. (Sir John Lang.) Because of the substantial difference between the law now and the law then.

5722. That brings it up to £40,000?—£40,000.

5723. As you say, there are three plots involved: two seem to be ordinary cottage property and one is the commercial area. Is it essential for you to take the commercial area and pay this enormous price for land?—I think you will find, Sir, that the middle property which contains Albert Road also does contain a certain amount of commercial property. I also believe that that long road which flanks the dockyard wall, called at one point Saltash Road, at another point Keyham Road, and so on, running down to Fore Street, also contains on its eastern side a fair amount of commercial property, and it is not right to regard it as purely a collection of cottage properties though the small streets leading off this bigger one are predominantly residential.

Chairman.] I know there is commercial property and commercial property. I think I would like a little more detail from the District Valuer, if I may have it.

Mr. Steele.] But can the District Valuer be asked to give any explanation? I understood the District Valuer was sacrosanct; we cannot even criticise.

Chairman.

5724. I am not criticising; I am merely asking Sir John to get a memorandum from him?—I think the Chairman is asking me to get some more information about high-class commercial property, low-class commercial property and cottage property; is that not so, Sir?

S

1 June, 1954.]

Sir JOHN LANG, K.C.B.

[Continued.]

5725. Yes. Some explanation of this very high cost of land which is right up against the dockyard. One does not expect to find land of that value right up against a great manufacturing area or industrial area like a dockyard. I should like some explanation?—I can probably get an explanation even from our own surveyors of lands, who work in close touch with the District Valuer anyhow and who know a good deal of what is going on. But, if I may try to answer your problem, when you say you would not have thought there would be very valuable land right up against the dockyard, I happen to know something about Woolwich, where the Arsenal lies along the river bank for about two or three miles and there is a road outside the Arsenal wall and, on what I call the right-hand side of the road, there is a lot of shop property, some of which is good and some of which is not, but it is extremely valuable land; whether it is £40,000 an acre or not, I do not know. The prices that properties of that kind bring are very, very high indeed.

5726. Very well; if you will let us have something, I shall be glad?—Very well, Sir.*

5727. On the general total cost of your Devonport scheme, I see that it is likely to run up to something like £30 million. Has Parliament been advised formally that you have this in mind?—I doubt whether Parliament has ever been straightly told that this extension plan is in mind and ultimately will cost that particular figure, but I am pretty certain that Parliament has been told in broad terms that the Admiralty were reckoning to modernise the dockyards by taking in quite substantial portions of land at Portsmouth and Plymouth in order to do that, and that they would be very long-term projects because they would be very expensive; and my colleague reminds me that in the explanatory memorandum to last year's Estimates there was a definite reference to the Dockyard Improvement Plan.

5728. But no indication of the size?—Not of the magnitude of the figure, no.

* Information supplied; not printed.

5729. I think Parliament should be advised as soon as possible of your ultimate intentions?—Very well, Sir.*

Mr. Steele.

5730. Some of the property on this land to be acquired has been so badly damaged by bombs as to be a total loss?—Yes.

5731. I take it that the people who had this damage to their property would be compensated in the usual form. In the estimated cost, that is this £2½ million, does that take any account of the property, or does it merely take the property as it stands at the moment with the land?—It only takes account of the property that stands on the land at the moment, together with any payment that might be proper for the site value of a plot where there had been a house which was demolished. In that example, I believe the arrangement is that the owner of the property that has been bombed until it is a total loss gets what is called a value payment out of the War Damage Commission based on the 1939—or whatever it is—value of the building, and he is left with a bare site on which he can, if he wishes, build another house or he can sell it as a site, and, clearly, in that example the payment that we should make and the payment which the District Valuer would have allowed for would have been the site value only.

Mr. Hoy.

5732. Arising out of that, Sir John, I would like to have a note on these purchases of Scottish land, as to what was paid per acre in each case and who it was purchased from. Could I have that?—All the Scottish land?

5733. There are about six, I think?—Glasgow, four, yes.

5734. And the east of Scotland, three. Eight altogether?—Yes.†

* Note by witness: It has since been ascertained that the intention to take over a large area in Devonport to provide for the extension of H.M. Dockyard was reported by the Civil Lord of the Admiralty (Captain Pilkington) during the debate on Navy Estimates, 1945-46, on 7th March, 1945, in reply to an enquiry by the Member for Devonport. (H.C. Deb., 408, cc. 2132-3, 2180-1.)

† Information supplied; not printed.

The witnesses withdrew.

Adjourned till Thursday next at 4 p.m.

THURSDAY, 3RD JUNE, 1954.

Members present:

Mr. Benson in the Chair.

Colonel Crosthwaite-Eyre.
Mr. David Jones.
Mr. Niall Macpherson.

Sir John Mellor.
Mr. Oliver.
Mr. Enoch Powell.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. F. E. FIGGURES, called in and examined.

LOCAL LOANS FUND ACCOUNTS, 1952-53.

Sir HERBERT BRITTAIN, K.B.E., C.B., a Second Secretary, the Treasury, called in and further examined.

Mr. G. D. KIRWAN, C.B., M.C., Secretary and Comptroller General, National Debt Office, called in and examined.

Chairman.

5735. Who will answer on the Local Loans Fund, Sir Herbert, you or Mr. Kirwan?—(Sir Herbert Brittain.) If I may suggest to the Committee, it might depend a little bit on the question.

5736. Whoever knows the answer will give it to us?—Some matters are Treasury policy others are for the National Debt Office.

5737. There seems to be considerable excess between the estimate of issues from the Consolidated Fund as against the actual issues. Can you explain that?—If I may answer that, this is a difficulty, I am afraid, we have lived with and may have to live with for some time. There are quite a number of reasons why we cannot pretend to make a very precise estimate in advance of what local authorities are likely to require. First of all, the obvious factor is that we do not know to what extent they are going to be likely to borrow elsewhere, either on the market or by mortgages.

5738. Hitherto until quite recently they have been tied to the Local Loans Fund, have they not?—Yes, they have.

5739. From 1949-50 until the end of 1953 your average excess estimates have been about £50 million?—Yes.

5740. What is the outturn of 1954, do you know?—1953-54 was £100 million the other way, it was £100 million under the Budget Estimate. It was practically £300 million as compared with £400 million in the Estimate.

5741. Can you explain the sudden reversal of the local authorities' borrowings?—I think it is partly due to the fact that that was a period in which they were given their freedom to borrow from the market or on mortgages. There has been some £30 million borrowed on the market between the 1st January, 1953, and May of this year. Then they can also borrow by mortgage. We have not got complete figures of local mortgages and we do not know to what extent they will use their internal resources like superannuation funds and, of course, when it comes to the point, the question how a local authority shall borrow is

20216

in the complete discretion of the local authority itself at the time. They may for all sorts of reasons decide to favour this or that method of borrowing rather than come to the Public Works Loan Board. There is also the factor that local authorities do not know in advance exactly how much of, say, their mortgages are going to be presented for payment during the year, or therefore how much they will need to borrow in order to meet those repayments.

5742. It is rather a large swing between an average of over-estimating of £50 million and a sudden under-estimating of £100 million?—Yes. I think there were certain special factors which were guessed at in 1952 and 1953; building costs were rising in those years. We are told fewer houses were actually sold by local authorities than they expected and we had been expecting a certain cut in housing expenditure which did not quite come off.

5743. I presume you are hoping to get as close as possible, but what is your expectation of future estimating?—I would not like to say, Sir, except to assure you we are trying to do our best with such estimates as we can get from the different Departments concerned.

5744. Reverting to the Accounts on page 5, the first item on the payments side is "Advances to Public Works Loan Commissioners," £436 million. This account is the account of the National Debt Commissioners, not of the Public Works Loan Commissioners. Is there an account which shows what the Public Works Loan Commissioners do? Is there a Public Works Loan Commissioners' account?—Well, there is an annual report from the Public Works Loan Board

5745. There is a Report, but there is no account?—I do not think so. This really is their account from the point of the public moneys at stake.

5746. Really, it ought to be advances *through* the Public Works Loan Commissioners rather than *to* them, ought it not? It may be rather a meticulous point, but here you have an account which is an

S 2

3 June, 1954.]

Sir HERBERT BRITTAIN, K.B.E., C.B., and
Mr. G. D. KIRWAN, C.B., M.C.

[Continued.]

account of the people who do not handle the money?—They handle it in the sense of receiving it from us and they hand it to the Public Works Loan Board, who then lend.

5747. Yes, but apparently there is no account of the Public Works Loan Board to the Treasury, merely a Report?—I think that is so, but, of course, attached to the Report are very, very detailed statements, in fact they are called accounts, showing the amounts issued for the purpose of advance by way of loan under various Acts, under different classifications, the amounts received in repayment of such advances, for interest and so on. It is an annexe to the Seventy-Eighth Annual Report of the Public Works Loan Board. I think, to all intents and purposes, it is an account of the moneys they have handled.

5748. Sir Frank, what have you got to say about this?—(Sir Frank Tribe.) It is called an account, of course, but it is not audited and it is not presented as an account to Parliament. I should have thought, on the whole, the phrase used at the top of page 7 of the Local Loans Fund Account more correctly represented what is done: "Loans administered by the Public Works Loan Commissioners." If in fact these advances are made to local authorities I am wondering whether the phrase on page 5 could be altered, to make it clearer, to something like: "Advances to local authorities as administered by the Public Works Loan Commissioners." I should have thought, as it stands now, Parliament would expect to have had an audited account of the way in which the Public Works Loan Commissioners have used these advances.

5749. Now, Mr. Kirwan, can you add anything to what Sir Herbert has said about the sources to which local authorities are applying rather than the Public Works Loan Board?—(Mr. Kirwan.) No, Sir, I do not think I can. We do know that they are going to the mortgage market more freely than they were.

5750. Your own loans are for specific purposes and the periods vary with the purpose of the loan, do they not?—Which loans, Sir?

5751. Loans to the local authorities?—Yes. The National Debt Commissioners—

5752. No, the National Debt Commissioners do not lend to local authorities. I am assuming now that you are responsible for the Public Works Loan Commissioners as well?—I am afraid I am not, Sir.

5753. Are you, Sir Herbert?—(Sir Herbert Brittain.) No, the Public Works Loan Commissioners stand in pretty well the same relation to us as do the National Debt Commissioners.

5754. I think the question is whether this is advances to or through the Public Works

Loan Commissioners?—If there are any questions about the Public Works Loan Commissioners I think I ought to answer them.

5755. Mr. Kirwan, you are merely the custodian of the money before it is lent?—(Mr. Kirwan.) Yes, Sir, we are the account through which the money is received from the Treasury, in so far as it is received from the Exchequer, and our account is cleared by a payment to the Public Works Loan Board.

5756. Clearly, then, my questions are to you, Sir Herbert. The length of loans is determined by the purpose of the loans, is it not?—(Sir Herbert Brittain.) Yes.

5757. How did you determine the length, on the life of the asset?—Very broadly, that has been the case. You get a very long life for things like houses, you get a much shorter life for things like the equipment, plant, and so on, of power stations or water undertakings, and so on.

5758. Housing, I believe, is about 60 years?—Yes.

5759. And you also lend for as short a period as five years?—Yes. Some borrow for five, I think, I am not certain what it is.

5760. For a specific purpose the local authority must borrow for a particular time, is that correct? If you want to borrow for housing you must borrow for 60 years?—That is the normal thing. We have undertaken quite recently, in conversation with the local authorities, to consider whether there are any special cases in which they might borrow for less, but we have not defined this yet. It is under consideration at the moment.

5761. There is one other point: the length of the loans also determines the rate of amortisation?—Yes.

5762. Their length also determines the differential interest rate?—Yes.

5763. Would you let us have a paper showing how the burden thrown by the combined rates of the interest and the amortisation should vary from period to period?—Taking the interest rates at any given moment, taking certain assumptions on those, we can easily give you that. It is just a matter of taking figures from annuity tables.

5764. That is what I wanted you to do. At the present moment you are lending at $2\frac{1}{2}$ per cent. for five years and then for 15 years your rate goes up by $\frac{1}{4}$ per cent. to $3\frac{1}{2}$ per cent., and then from 50 to 60 years it jumps by a half per cent. to 4 per cent., and as the interest rate goes up and the amortisation rate goes down I should like to see the effect as to the actual cost of the loan, according to its length?—Certainly, Mr. Chairman. As you have quoted those rates which are in operation

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. G. D. KIRWAN, C.B., M.C.

[Continued.]

today I perhaps ought to tell the Committee that this afternoon in reply to a written Parliamentary question we are announcing reductions of all those rates.

5765. We will have the Paper on the new rates?—On the new rates, on and after tomorrow the rate for not more than five years will be 2½ per cent., for more than 5 years but not more than 15 it will be 3¼ per cent.

5766. That is 1 per cent. below?—¼ per cent. At least it is ⅓ per cent. reduction on the under five year loans, it is ½ per cent. reduction on the loans between 5 and 15 and for loans for more than 15 years it will be, tomorrow, 3¼ per cent. instead of 4 per cent.

5767. The difference between a 5 year loan and a 15 year loan is 1 per cent. per annum?—Yes. What help would you like on this?

5768. The three periods, the amortisation rate plus interest rate for each period for five years, then just over 15 years and for the 60. Of course, it will obviously vary with every year, but those are what I might term your standard periods?—5, 15 and 60?

5769. Yes?—The first one will give you the low interest, the second one will give you the medium interest, and the third one will give you the high rate of interest.*

Chairman.] It is the annuity payments at the new rates of interest.

Sir John Mellor.

5770. What has been the relationship recently between the rates of interest you charge and the current market rates?—Broadly, we try to keep rates in step without changing them too frequently, of course.

5771. You have been trying to keep them in line?—For comparable periods.

5772. I am not quite clear what part the National Debt Commissioners play in this. Perhaps Mr. Kirwan would explain to me their function? From what he said before it seems to me that they were hardly necessary in this transaction?—(Mr. Kirwan.) Holding the account is the main function, I think. We receive all the moneys which are paid over by the Public Works Loan Board when they receive them, the interest payments, and the annuity payments from the local authorities. Then they tell us once a week what it is they want to make new loans, and in so far as we have not got money in the account, which we have not, of course, nowadays, we have to ask the Exchequer to make up the difference.

5773. Would not those transactions be conducted equally well direct between the Public Works Loan Board and the borrow-

ing authority?—I would not like to express an opinion about that, being very new to this.

5774. Is your position statutory in this matter?—Yes, it is.

5775. In that, without a change in the law, you could not be eliminated?—It is definitely statutory under an Act of 1887, I think it is.

5776. Without a change in the law you could not be eliminated?—Could not drop out, no.

5777. Perhaps I could ask Sir Herbert this question: have the Treasury any interest in the rates of borrowing by local authorities who are not in receipt of equalisation grants?—(Sir Herbert Britain.) Yes, if they were borrowing for schools, for instance, the loan service of education loans would rank for education grant.

5778. For other forms of borrowing then? Have the Treasury any interest?—There are quite a number of percentage grants, of course, scattered about many local authorities' services, and whilst there may be one or two here and there which would not attract anything at all, there are quite a lot which do and it would be those who do attract the percentage grants which are of some financial interest to us. What I mean is, we do not seek to control what Birmingham, for instance, or any other authority chooses to pay on the market, but the result affects us.

Mr. Niall Macpherson.

5779. What is the frequency of borrowing by local authorities? They have got more or less continuing commitments now, have they not? What is the frequency of borrowing, is it more or less standard or does it vary very greatly with different local authorities? What is the practice?—Might I just ask what "frequency" means: dates they come to us?

5780. How often do they come to you, yes?—I suppose it depends largely on what their resources are individually. It may be that some of them arrange to come once a quarter, or something like that, or once a month. I shall have to ask about that if I may. I can find that out for you, if there is any sort of common practice.

5781. I would be very grateful if you would?—Certainly, yes.*

Mr. Enoch Powell.

5782. Who is it who decides for what length of time a loan shall be made to a local authority for a particular purpose? For example, who is it who decides that a loan for housing purposes shall be made for 60 and not for 65 or 55 years?—The Public Works Loan Commissioners, but they are

* Information supplied; not printed.

* Information supplied; not printed.

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. G. D. KIRWAN, C.B., M.C.

[Continued.]

bound by an advertised schedule of periods which, I think, are approved by the Treasury.

5783. So it is the Treasury who decide?—Ultimately, yes.

5784. Should I put the question in relation to the Treasury to yourself?—I will try to answer it, yes.

Chairman.] Sir Herbert is representing the Treasury.

Mr. Enoch Powell.

5785. Are they guided or bound in making those decisions, by the rates of subsidy statutorily laid down?—No.

5786. So that, although there is a housing subsidy, for subsidies to be paid over a period of 60 years it would be quite possible and competent for the Treasury to decide that loans should be made for 40 years, at 40 years' periods?—We are not bound, but I doubt very much whether we would do it. We have a discretion to.

5787. So, in practice, the decision rests with the Ministry administering any subsidy that there may be?—No, the decision as to the period rests with the Treasury and, of course, the policy in this has been settled by the Treasury for generations before housing subsidies were ever heard of. The general principle that the period of a loan must correspond broadly to the life of the asset on which you are borrowing was laid down many, many years ago, and that is the general rule by which we are guided.

5788. Then, if I might follow that up in the case of housing, have houses become more valuable since before the war? You will be aware that before the war the period of borrowing on a house was 40 years and since the war it has been 60 years. Is it due to an improvement in the materials which are used for houses?—I am sorry, I shall have to inquire about that, whether it was any reason like that or whether it was just an easement to the local authorities or an easement even to the Exchequer. I must find out, if I may.

5789. But you do admit the possibility that, in fixing interest rates, criteria other than the objective criterion of the life of the asset are taken into account?—That is the only important criterion, anyway, of which I have any recollection.

5790. Yet we appear to be confronted with a case in which there must be another criterion which has come in?—There may be others. I will ask about that if I may.*

Chairman.

5791. Just one point, Sir Herbert, arising out of one of Mr. Powell's questions. The local authority borrowing for housing must borrow, if it borrows from the Local Loans

Fund, for 60 years, but a local authority borrowing in the open market may borrow for such period as it wishes or can obtain?—That is so.

Sir John Mellor.

5792. What is the purpose, Sir Herbert, of having these rather rigid terms of lending?—I think you have got to look at the whole picture. There are certain advantages to a local authority in being able to come to the Public Works Loan Board for money whenever they require it at rates which make it quite certain what they are going to have to pay. Also, I think it an advantage from many points of view in being able to repay that loan annually out of revenue rather than having to have it all coming for redemption or conversion at one particular time. There are advantages, and if it is a disadvantage to have to borrow for 60 years that is something to be said on the other side of the account, so to speak.

Sir John Mellor.] I quite understood what you were saying at first, but surely there would be no difficulty about it; if local authorities want to borrow the term could be 55 years, or as Mr. Powell mentioned, 65 years, as it used to be, I believe you said, before the war?

Mr. Enoch Powell.] No, 40 years before the war.

Sir John Mellor.

5793. 40 years. I cannot quite see from the Treasury point of view the objection to their doing so?—Except that we know exactly where we are then. We know what repayments are going to come in over the period and I think it might be rather difficult, and perhaps we might have some invidious decisions to make, if it was within our discretion, for instance, to allow one local authority to borrow for 50 rather than 60, or for 30 or 40 rather than 60. Therefore, it is for uniformity of treatment for all local authorities.

5794. So far as knowing your position is concerned, there would be no doubt about that, it would be purely mathematical, your money would be coming in whether you lent it for 40 years or lent it for 60 years. There would be no difficulty in stating your position at any moment?—I agree on that. I think the second factor is the important one, uniformity of treatment among local authorities.

Chairman.

5795. They do not want uniformity; is not that the reason they go to the market, because they dislike uniformity of treatment?—Well, some do and some do not.

5796. You can get uniformity of treatment by allowing any local authority to borrow for any length it likes?—Certainly, I am not sure that that is desirable.

* Information supplied; not printed.

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. G. D. KIRWAN, C.B., M.C.

[Continued.]

Sir John Mellor.

5797. I was not suggesting to Sir Herbert that they should allow local authorities to borrow for any length of time, but I can well understand that a maximum term should be imposed, perhaps, on particular local authorities, or a maximum for a certain purpose, but why should not they borrow for shorter terms at any length of term they pleased, providing it does not exceed the maximum term laid down?—Of course, the burden is heavier on a shorter period.

5798. That surely would be a question for them to decide, whether it suits them or not, would it not? Why not let the loans be available to them at appropriate rates if they desire to borrow shorter than the regulation term?—I think we started off, as I said just now, from the general principle that a local authority ought to borrow for something like the life of the asset concerned, and if you work to any general rule like that it does seem advisable, as a matter of administrative policy, to have a uniform rule for all authorities and avoid, as I say, putting the onus on the Public Works Loan Board of saying, well, shall we allow local authority A.B.C. to borrow for housing for only 30 years and another local authority for 60.

5799. Ah, but I am talking of allowing them to borrow shorter. You lay down 60 as a maximum and then allow any local authority who so desires to borrow on a shorter term. You will not allow them to do that, will you?—I do not know that I know of any other reasons than those.

5800. The fact is you do not allow them to borrow for shorter than the regulation term?—No.

Sir John Mellor.] I must say that so far I do not think you have explained to me any reason why they do not do that. If a local authority wishes to borrow for a shorter rather than a longer term I cannot see, from the Treasury point of view, any objection to it.

Mr. Niall Macpherson.

5801. Might not it have a curious effect from the Equalisation Fund point of view?—As I said just now the burden on the local authority is increased if you shorten the period and therefore, as has just been pointed out, with a percentage grant, at any rate, the burden on the Exchequer is increased.

Sir John Mellor.

5802. But surely you can rely on local authorities not to increase their burdens unduly?—Not to increase ours.

5803. Not to increase yours?—Yes.

5804. So it is now connecting up with equalisation grants?—No, a percentage grant.

20216

5805. So, is it really a question of your burden rather than the local authorities you are worrying about?—It is both, I think, that experience has suggested that it is desirable to have a standard borrowing period for a particular type of asset and it is advantageous to them administratively, and as has just been pointed out, it may, according to the nature of any grant attached to the service, affect the Exchequer.

Chairman.

5806. Sir Herbert, as you have now allowed local authorities to borrow elsewhere, a local authority can borrow for any length of time for any service?—Yes.

5807. So that you have not got uniformity of borrowing in so far as local authorities do not come to the Local Loans Fund?—We have got uniformity in so far as they do come, that is the only channel through which we can impose uniformity.

5808. I know. Seeing that you now no longer do impose it as you have done, and I believe I am right in saying that Manchester probably borrows an enormous sum on short-term notes?—Mortgages.

5809. Three months' notes or whatever it is?—Yes, local mortgages, for example.

5810. Really any advantage that flows from this rigidity must flow not to the local authority but to the Local Loans Fund or to the Treasury?—I think this is a case where you have got to balance different types of considerations, the argument for allowing some local authorities, the bigger ones, for instance, to go into the market rather than force them to come to the Public Works Loan Board, the desirability of getting them into the market and making savings through that channel rather than through another, and so on.

5811. Of course, this has a very complicated history, including war financing, as you know?—Yes.

5812. Now you have made that relaxation, does that relaxation apply to all local authorities or only all local authorities over a certain size or rateable income?—I think it is all local authorities. It is quite general.

5813. In that case you have really quite given your case away?—No, I would not say that, because, after all, the proportion of local authorities who go to the market themselves is very small. As I said just now, the total of market issues between January, 1953, and May, 1954, was £30 million, which was borrowed by eight authorities.

5814. That would be what, about one-eighth of the total borrowing?—No, the lending from the Public Works Loan Board at present is about £300 a year, so it is a tenth.

S 4

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B.

[Continued.]

Sir John Mellor.

5815. At that time was not the position that the rates charged by the Local Loans Board were considerably below the market rates, at the time you are speaking of?—That covers 15 months ending with last month. Since October I would not like to say it has been that way, it might well have been the other way.

5816. You have brought the rates now into line. I am not quite certain when it was changed, but I believe I am right in saying that the policy used to be to charge considerably below market rates?—Oh, yes, going back into the 1940s it probably was, but I doubt whether that held in 1953.

5817. Was not that the case even so recently as in 1948 or 1949?—As I say, in the 1940s probably, yes.

5818. At any rate, it does not apply to this period?—No—well, I do not want to be too categorical because I have not worked it out, but there is no deliberate

policy over the last 15 months of getting Public Works Loan Board rates above the market.

Mr. Enoch Powell.

5819. In so far as local authorities for grant-aided purposes and services borrow on the open market for periods which differ from those prescribed by the Public Works Loan Board, you would agree that the effect of subsidies is, in fact, a distortion, that you have precisely the effect which you are seeking to avoid by having uniform periods for your own loans?—It vitiates the sort of general conclusions on which the subsidy proceeds, no doubt, but, as I say, it is still a small proportion.

Sir John Mellor.

5820. Is not the thing really this, for these standardised terms of borrowing it is administrative convenience?—Plus the question of burden on the local authorities and the Exchequer.

Mr. Kirwan withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASS IX)

VOTE 12.

ADVANCES TO ALLIES, &c.

Chairman.

5821. Will Members now turn to the Civil Appropriation Accounts, Class IX, to paragraph 77 of the Comptroller and Auditor General's Report concerning the United Kingdom Commercial Corporation, Ltd.? Sir Herbert, the Treasury told the Committee in 1948-49, that they hoped to wind up the United Kingdom Commercial Corporation in 1950. What is the position at the present moment?—(Sir Herbert Britain.) Most of the accounts have been cleared, but there are one or two items still outstanding of which the liquidator is awaiting settlement. There are things like War Risks Insurance claims and claims against average adjusters, as they are called. There is also a claim for damages in connection with a collision, and so on. There is just a small provision left in the assets of the United Kingdom Commercial Corporation to cover those.

5822. What is it costing to keep the account open, approximately? I trust it is not costing more than the value of the assets you hope to obtain?—The liquidator gets a fee of £1,000 a year and the other liquidation expenses in the second half of 1952 came to about £500.

5823. About £1,500 a year?—It might be £1,500 to £2,000. I do not think there is anything abnormal about this; it does not look it, it looks just as though they are running expenses.

5824. What are the assets and liabilities involved? Much?—There is about £½ million left in the account to cover these outstanding claims.

Colonel Crosthwaite-Eyre.

5825. Could I ask, turning to page 66, what these figures of interest are that have been received? Are they in part satisfaction of a claim?—The arrangements with these different Governments for the repayment of the war-time advances vary from case to case. In some cases, for instance, they are repaying each year parts of the principal and interest, in others they may be repaying by annuities which in part represent principal and interest, and so on, but they are repayments of principal and interest according to the schedules laid down in the respective agreements.

5826. Are then the "Advances to Overseas Governments" the repayment of principal plus interest, some proportion of the total loan?—Well, for instance, take the case of the French loan, which is the biggest repayment there, £8 million. It was arranged after the end of the war that the loan was consolidated and it was repayable by twelve annuities of a certain amount on the 1st September each year. Each of those annuities represents in part principal and the rest of it represents interest and we segregate those each year. The total from the French each year is £8,660,000.

3 June, 1954.]

SIR HERBERT BRITAIN, K.B.E., C.B.

[Continued.]

5827. Does it mean that the total amount of capital outstanding, in view of what you have answered the Chairman, is only about £4 million?—No, these are quite different from United Kingdom Commercial Corporation. This has nothing to do with the United Kingdom Commercial Corporation accounts. These are direct Government to Government loans.

Colonel *Crosthwaite-Eyre*.] I beg your pardon.

Chairman.] We are dealing with Vote 12, paragraphs 77-79 of the Report, advances to Allies &c.

Colonel *Crosthwaite-Eyre*.] I apologise, I am completely on the wrong thing.

Chairman.] I have got the United Kingdom Commercial Corporation and the English and Scottish Commercial Corporation separately. I have no questions on the Account and I had not realised that they did not refer to the United Kingdom Commercial Corporation.

Colonel *Crosthwaite-Eyre*.] Perhaps I may pursue this later when it is convenient.

Chairman.] While you are on it, pursue it now.

Colonel *Crosthwaite-Eyre*.

5828. Could I ask then, what is the total amount that is still outstanding?—For all Governments?

5829. Yes?—I am afraid I shall have to ask permission to put that in if I may, because I have the details of the amounts outstanding from each of these different Governments here.

5830. If you are doing that, perhaps you would like also to put in whether in every case the principal plus interest is being repaid or whether there are any absentees or defalcations?—There is one country in default, that is Nationalist China, which has not paid anything since April, 1950.

5831. Perhaps you would give us the figures, would you, of the sums outstanding?—These are under agreements with Allied Governments in respect of advances made during the late war and at the 31st March, 1954, there was £204 million outstanding from seven Governments.

Chairman.] Do you want those itemised?

Colonel *Crosthwaite-Eyre*.

5832. No, thank you?—£204 million from seven Governments. They are the six Governments mentioned here in the Vote plus China.

Colonel *Crosthwaite-Eyre*.

5833. That is the balance still to be paid?—Yes, still to be paid.

5834. It does not include any sum which is outstanding because of default?—Yes, it includes £12 million from China, for instance, which is in default.

5835. That is the only country in default?—I think so, yes.

Mr. Niall Macpherson.

5836. That is the capital outstanding, is it?—The capital outstanding, yes.

Chairman.

5837. Now, the English and Scottish Commercial Corporation. What about this Corporation? Is that wound up yet?—It is not technically wound up, no. At the 31st March, 1953, we cleared these accounts to the extent of taking over all the assets it had into the Treasury and arranged for the Treasury to be responsible for any claims which come along in the future, but the Corporation is still in being; it is, so to speak, in cold storage.

5838. Assuming any claims do come along or anybody lays any claims against you, on what Votes will those fall?—It will probably depend on the size of them. It might be Civil Contingencies Fund Vote or it might be a more substantial one. I think we should have to decide at the time.

5839. Are you expecting any liabilities to come home to roost, or would you rather not say that?—I would rather not say categorically. I do not think there are any big liabilities coming along, in fact the problem is just to save what remaining assets there are.

Colonel *Crosthwaite-Eyre*.

5840. Would it be true to assume, Mr. Chairman, that all these losses which are referred to were incurred during the war, that there was no subsequent use of this Corporation?—They were incurred for war purposes or, perhaps, the aftermath of war, just clearing up wartime activities; for instance, you remember, they were heavily engaged in Persia and so on. It may be that after the technical end of the war there were quite a lot of payments to be made, as indeed there were.

5841. But no sums were incurred except for war purposes?—For war purposes. May I just say, including in "war purposes" the assistance for civil purposes to Russia which was given from 1941 onwards.

CIVIL CONTINGENCIES FUND ACCOUNTS, 1952-53.

Chairman.

5842. Will Members now turn to the Civil Contingencies Fund Accounts? I will take all the items together, the Comptroller and Auditor General's Report, the Foreword and the Accounts. I see from the Comptroller

and Auditor General's Report that you have invented a new use for this Fund, Sir Herbert. It is rather complicated. Can you explain it quite simply to the Committee?—Yes. One of the Treasury's troubles in relation to the Exchequer is to try to get

3 June, 1954.]

SIR HERBERT BRITAIN, K.B.E., C.B.

[Continued.]

the actual issues of cash from the Exchequer to Departments in a year more in line with the actual expenditure of the Departments during that year, the expenditure which can be charged to that year. We had found that towards the end of the year, if Departments needed to replenish their working balances either in this country or abroad, and they had credit undrawn, so to speak, in the Exchequer, that is, they had not drawn their full Supply Grants, they used to draw that money out not to meet expenditure which was going to be charged for the year but in order to replenish those balances. That inflated this difference between the amount drawn out of the Exchequer and the amount which would eventually be shown to be chargeable to the year. So it was in those circumstances that we decided that it was a proper purpose and one which in our view was quite clearly covered by the statute which governs the use of the Fund to use the Fund to make advances to the Departments to replenish these balances and so avoid what is really an over-drawing of their Supply Grant.

Chairman.

5843. The statutory capital limit of the Fund is something in the neighbourhood of £125 million, is it not?—Yes.

5844. Will this mean that you will have to get Parliamentary approval to increase the capital?—No, by no means. In fact, the advances for this sort of purpose are only made right at the end of the year after the March Supplementaries have been passed and they have been made available to Departments, so it does not really interfere in any way with the use of the corpus of the Fund for its more normal purpose. In any case, the amounts are too small to have that effect.

5845. Do you regard the present capital limit as likely to be a permanent capital limit? In this respect are you ever going to find it convenient to reduce it?—I do not think we have formed a view on that yet because it would depend in any case on the extent to which trading activities of Departments ran down, and so on.

5846. To what extent is your new technique likely to affect the gap between the issue and the audited expenditure?—Well, in 1952-53 about £11 million of the advances outstanding at the end of the year were attributable to this purpose.

5847. Do you regard that as the probable maximum of the effect of this new technique?—I would not like to say. It must depend really on the position as it turns out at the end of each year. I would not like to say it is the maximum.

Colonel Crosthwaite-Eyre.

5848. Is this not really a most convenient way again in the hands of the Treasury, to avoid any initial complaint or control by

the House of Commons of expenditure?—Oh, no, we do not avoid that in the least. We do not avoid any control by this means, because all these transactions are open to the Comptroller and Auditor General. They come before this Committee and, above all, no final charge can ever be made against this Civil Contingencies Fund. It must be repaid from some source or other which is controlled by Parliament in the end.

5849. "In the end" being the operative words?—Within twelve months, or something like that.

5850. But for the period of twelve months the various Departments have the use of this Fund without Parliamentary control?—No, Parliament has a control, of course, of the amount of the Fund in the first place. The accounts of the Fund are presented to Parliament, and they show exactly which Department has drawn from the Fund at the end of the year. There is a Table at the back of the Fund Account there, you see.

5851. Yes, I have got the Table?—And it is open to the Comptroller and Auditor General on behalf of Parliament—

Colonel Crosthwaite-Eyre.] But this does provide the most enormous credit to the various Government Departments.

Chairman.

5852. Might I just ask at that point, Sir Herbert: does this provide credit for Government Departments over and above the credits that their Estimates have already provided for them? It does not enable a Department to draw more over the year than its Estimates show without a Supplementary, does it?—Well, yes, it does, in a way. You see, a Department has a Vote which is settled by Parliament. In addition to that, if it makes a case to the Treasury for any purpose like this, the Treasury can authorise the issue of advances out of this Fund subject, as I say, to the normal rule that they are repayable in the next twelve months, I think it is.

Colonel Crosthwaite-Eyre.

5853. Let me take one case; it would be possible for the Ministry of Materials to have very considerable credit out of this Fund for the purchase of raw materials provided it repaid it at the end of the year or, if it could not repay, it received a Supplementary Estimate?—That is so, in theory, yes.

5854. If I may pursue it one stage further, therefore it is possible for a Ministry to embark on considerable public expenditure not authorised by Parliament, but with the only safeguard that either a Supplementary Estimate or repayment has to take place before the end of the financial year?—Ordinarily, since it was formed, the Civil

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B.

[Continued.]

Contingencies Fund has been available to finance urgent services which, in anticipation—

5855. I do think this is a matter of principle, myself?—And authorised by Parliament.

5856. It may be authorised to £125 million, but this Fund, I think I am right in saying, since the beginning of the war, has moved from its original £1½ million of capital to £125 million?—Yes, it was £250 million just after the war.

5857. I said before the war?—Yes.

5858. That increase of something like 100 times has taken place and once again here is the Treasury with money, that I admit is put at their overall disposal, but which is used to give to Departments over a period of up to eleven months without Parliamentary control?—Well, yes, it is up to the Treasury, and Parliament trusts the Treasury, to see that it is used for reasonable purposes.

5859. My point is, every time we have a meeting of this Committee we seem to find the Treasury with still more powers that they are accumulating to themselves. May I put it this way: supposing an urgent request is put to you, say, by the Ministry of Materials, is the Treasury in a position to judge whether that is either a good purchase, a purchase at the right price, or a purchase in the National need?—Well, that is the daily function of the Treasury, to do our best to arrive at answers to those questions, not only on the Ministry of Materials, but every other Department.

Chairman.] I am not sure we should pursue this too far, Colonel Crosthwaite-Eyre.

Colonel *Crosthwaite-Eyre.*] May I ask another question, then? Let me hasten to get off this dangerous ground.

Chairman.] I am only making the point that this is a use according to statute and therefore we must not pursue it too far.

Colonel *Crosthwaite-Eyre.*] May I ask then what would be the purpose of advancing £14 million to the Ministry of Pensions? Let me get on to safer ground, Mr. Chairman, at once. I am looking at page 4.

Chairman.] What Class is that?

Colonel *Crosthwaite-Eyre.*

5860. It is Class VIII?—I am sorry I have not got confirmation of the details, but if the Ministry of Pensions, for instance, was faced with an unexpected demand for payments of pensions for any reason, or any benefits they were paying for which they had not cash immediately available, then we could advance them this £14 million from here knowing that it was a service for which Parliament had quite explicitly provided and for which the Ministry could not in any case evade or avoid making these payments; then we could advance the moneys from here. They

would go to Parliament and repay it, I think I am right in saying, within the same year. That particular case, I am sure, would not be one in which we were in any way trying to rush Parliament into a new service which they did not know anything about.

5861. Does that also apply to the £23 million odd for the National Assistance Board in Class V?—Yes, certainly, because all the activities of the National Assistance Board—

5862. Would not it be much better if these sums were in some sense controlled from the very start by the Ministry concerned? Do not you think that it adds, shall we say, a great element of error to have this permissive power to loan these sums before Parliament has given the authority for them?—Generally speaking this arises out of factors outside the Department's control. In the case of things like pensions and National Assistance they perhaps under-estimated the amount of applications for assistance, and that sort of thing, and I do not think there is any very great harm done. A Department has to meet its obligations; it cannot avoid them.

5863. Then it would be much better for you to report it straight to Parliament rather than use the Civil Contingencies Fund?—It does report it since it presents a Supplementary to them.

5864. That is often very much later, is it not?—Sums like this would come in fairly late in the financial year, I think, and there may be a matter of only two or three months, probably, before the Supplementary Estimate.

5865. I thought you were trying to give the impression that unless the Civil Contingencies Fund were available immediately to Parliament, we will say, in July, the whole system would break down, which, of course, is not true?—I will not say in July in this case, but it might in January.

5866. At that time a Supplementary Estimate would be put forward?—It is generally put forward in February or March.

5867. I would like to ask Sir Frank: I may be barking up the wrong tree on this, but it does seem to me that there are these very large sums given to Departments out of this Fund which should in the first place be covered by report to Parliament and then the production of a Supplementary Estimate?—(Sir *Frank Tribe.*) I think there obviously has to be some method of meeting contingencies like this though I would agree with you that it is liable to abuse. This Committee three years ago drew attention to a very great abuse of it over the National Health Service and made a recommendation. In that case, Supplementaries had not been presented in the autumn but were kept until the following spring. That was

3 June, 1954.]

Sir HERBERT BRITTAI, K.B.E., C.B.

[Continued.]

only enabled to be done because of the existence of the Civil Contingencies Fund. So, I agree that it is open to abuse but, on the other hand, I think that something like a Civil Contingencies Fund, possibly not so large, is a necessity for any modern state. Other financial systems which I have studied provide means of meeting the same objects and to my mind in a less desirable way. For instance, in one of the Commonwealth countries, they allow the Governor-General to issue special warrants authorising, within certain limits, supply additional to that granted by Parliament, subject to grant by Parliament later. I would much rather have a Fund like ours, the amount of which is fixed by Parliament and which is brought under *ex post facto* Parliamentary control by a detailed account.

5868. I do not know whether it is a fair question, Mr. Chairman, but arising, Sir Frank, from what you have just said about the Civil Contingencies Fund, have you formed any opinion as to what you would recommend the size to be?—No, I have not formed an opinion on that, but I think it is a thing which this Committee should keep in mind from time to time.

Chairman.

5869. Might I ask at this point, Sir Herbert, how many of these advances involved Supplementary Estimates for the repayment of them? The advances are shown as £187 million. What was the total amount that was repaid out of Supplementary Estimates? If you have not got it would you send a note in on that?—(Sir Herbert Brittain.) I shall have to ask you to allow me to send that, if I may.

5870. In fact, if you have got the list in front of you of the borrowings, it would be rather interesting to state against each item the amount that had to be repaid by a Supplementary Estimate?—Yes.

Colonel *Crosthwaite-Eyre.*] It is obvious, I think, Mr. Chairman, if you look at the advances and repayments, that they do not altogether cover the same period?

NATIONAL LAND FUND ACCOUNT, 1952-53.

Chairman.

5873. Will Members now turn to the National Land Fund Account, 1952-53? This Fund seems to suffer from the opposite effect, Sir Herbert, that you do not seem to spend anything out of it. Is it really necessary to keep this very large sum of money? Actually it is accumulating fairly rapidly. You have accumulated, apparently, nearly £6 million, and you have only spent something under £700,000. In effect it is, if I may say so, another little nest egg in the pocket of the Treasury?—Well, on the first point, Mr. Chairman, of course it is obviously excessive for the

Chairman.] I noticed that, that the Army paid £10 million after having borrowed £6 million.

Mr. *David Jones.*] That includes a bit from the year before, I suppose?

Chairman.] Presumably.

Colonel *Crosthwaite-Eyre.*] Perhaps we could have how much in the two years covered by these figures was borrowed in the year and repaid in the year and how much was repaid by a subsequent date, borrowed in an earlier year.

Chairman.

5871. Sir Herbert, the Committee has shown some interest in this. Could you let us have a little memorandum on this rather curious point that the Army repaid, obviously, something which had been borrowed in the previous year?—(Sir Herbert Brittain.) That is a normal happening, of course. For instance, these advances for working balances that we have been speaking of might be made in the last two or three days of the year. It is physically impossible to have them repaid that year. There is always a certain carry-over, you see.

Colonel *Crosthwaite-Eyre.*] The vital point is this, that if this particular account moves over from whatever may be the last date, March 31st to April 1st, with no less than £125 million outstanding—

Chairman.] No, that does not happen, Colonel *Crosthwaite-Eyre.*

Colonel *Crosthwaite-Eyre.*

5872. Then I apologise?—Page 6 will show you what was outstanding at the end of the year. At 31st March, 1953, Consolidated Fund £27,000, then a long list of Sundry Votes of Parliament, £28 million, and then there was a balance of £3 million in hand.

Chairman.] Anyhow, I think a memorandum on the working of this Fund would be of advantage, because I find it an extremely complicated thing.*

present needs. On that I can only say that what should be done with it is from time to time a matter for Ministers to consider and make proposals to Parliament because its purposes are covered by Parliament and no doubt it will be looked at from that point of view.

5874. I think it is very strictly a Public Accounts Committee point that here is a fund which is greatly in excess of its needs, apparently, for the time being, and whether that fund should be reduced with the possibility of increasing it at some later date

* Appendix 3.

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B.

[Continued.]

I think is strictly a Public Accounts Committee point?—Oh, I entirely agree about the existence of a Fund. I would only make two further points on what you have said: of course, the Treasury has the use of this money. It is not a question of the £50 million being salted away somewhere which we cannot touch. It has been invested, it is one source of our borrowings, of course.

5875. Exactly?—As regards the Treasury having £55 million to play with, I do not think that is quite the right way of putting it. We borrow this £55 million just as though we were borrowing from any other Fund like the National Debt Commissioners have. It is a source of borrowing, borrowing which itself must be under some Act of Parliament. It is authorised.

5876. The Fund itself can sell its assets at any time. Anyhow, it is an undesirable thing that these various Funds should remain there?—I only make the final point, of course, that the purposes to which this Fund can be put (the money can be finally spent as distinct from being borrowed for the time being) are very closely controlled by statute.

Chairman.] They are so closely controlled that you cannot even spend it?

Mr. Niall Macpherson.

5877. This Fund was, I think, established under Section 48 of the 1946 Finance Act, was it not?—Yes.

5878. At that time I think it was stated that it was anticipated that further legislation would be introduced devising other means of spending the money. Was it intended that the capital should be spent or that the income should be spent?—Oh, the primary intention was to spend the capital.

5879. Is that still the intention of the Treasury?—The Treasury is bound by the existing powers given to it by Parliament and in fact within those powers quite insufficient cases come up to make any inroad at all on the capital.

5880. The number of cases that have come up, on which the money could within the terms of the statute be spent, are really so insufficient as this, are they?—Yes.

5881. So insufficient that the Fund instead of being depleted has grown by over £5 million?—Has grown. In the year to which these accounts relate only two payments were made to the Inland Revenue for estates surrendered in payment of death duties and they came to £57,000 between them. The following year there were more, eight estates, but they were all running into just two figures of thousands.

5882. I suppose that is better than the two payments in 36 years that the Chancellor of the Exchequer referred to when he first set up the Fund. May I put this question: is there any substance in the

suggestion that the reason why it is not possible to spend more of this money is because it is more profitable for estates to be sold in the open market rather than to be valued by the appropriate Department of the Commissioners of Inland Revenue and that, therefore, the amounts becoming available to the Land Fund are insufficient? To put it in another way, that more land would become available if it were possible to equate the valuation put by the Commissioners of Inland Revenue to the open market value?—Frankly I should have to inquire about that because I would not like to express an opinion on how the Inland Revenue values compare with market value. I am sorry, I simply do not know the facts on that. After all, they are governed by certain principles which apply over the whole range of estate duty and values. I do not know personally that there is any particular reason in this connection why the valuation should be less.

5883. So far as the investments are concerned, one notices that the value of the Fund has increased very considerably, but, nevertheless the investments are put into low yielding securities. What is the reason for that?—As in many other cases the investment policy is a compromise between making an income and preserving the capital intact. Generally speaking, the shorter the security like these 1955, or even 1967 bonds, the less risk there is of capital depreciation or appreciation, whichever you like, and, therefore, I think those who are responsible for investing a fund like this ought to pay some attention to the capital factor as well as the income factor.

5884. But was not the original reason why they were invested in the short-dated securities because it was expected that the capital would be required for expenditure in a short time?—Oh, we certainly could not assume that the Fund would not be wanted for years and years, that would have been inconsistent, I agree. As time has gone on and it has not been used there is still that balance to be kept between capital security and income.

5885. And is this treated as a fund which it is hoped will be built up so as to serve other and similar purposes? Have the Treasury that in mind?—I think our policy is to regard it as a fund which is to be protected from loss rather than as one which is to be built up to anything bigger.

5886. So that is virtually now the sole reason for investing it in short-term securities?—Yes.

Colonel Crosthwaite-Eyre.

5887. How much land has actually been taken over by the National Land Fund since its inception?—The total acreage?

5888. Acreage or value, whichever is easier for you?—I am sorry, I shall have to give you that figure, if I may. (Sir

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. W. E. WILLIAMS, C.B.E.

[Continued.]

Frank Tribe.) The value was given in the Foreword as £776,000. (*Sir Herbert Britain.*) Yes, £776,000, I am sorry, I was looking at the two years.

5889. Could I ask you how much of that has been disposed of under the permissions given to you? Do you actually hold any land at the moment?—I cannot say precisely whether we or anybody for the Treasury hold any of the land still. The general policy, as you know, is to transfer it straight away either to some organisation like the National Trust or youth hostels or to Government Departments, the Forestry Commission, for instance, or the Ministry of Agriculture.

5890. Could you tell me to which Government Departments you have handed over such land? Is it normally to the Forestry Commission or do you sometimes hand it over to the Service Departments?—Normally, I think, it is transferred to the Ministry of Agriculture with the intention that it shall be used by the Forestry Commission who actually repay whatever is due to be repaid to the National Land Fund.

5891. If you hand it over to the Ministry of Agriculture, do you ask for any guarantees as to the way in which it shall be used?—It is transferred to them on an understanding that it is used for certain purposes.

5892. On an understanding?—Yes.

5893. If you transfer it to somebody like the National Trust do you ask for any understanding or guarantees from them?—Whether there are any specific guarantees in relation to any particular cases in addition to their general policy, and what they do with the things, I am not sure.

5894. Supposing you took over some property with particular regard to wild fowl, or something of that nature, is any obligation put on the National Trust to preserve that amenity?—I would not rule out the possibility that that has been done in certain cases, but I will confirm that if I may.*

5895. I see the market value at the 31st March, 1953, was £53,850,000 odd. What was the market value at the corresponding date in 1954, have you that figure available?—I will send you that if I may.*

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I TO VIII).

CLASS IV.

VOTE 10.

GRANTS FOR SCIENCE AND THE ARTS.

Eighth Annual Report of the Arts Council of Great Britain, 1952-53.

Mr. W. E. WILLIAMS, C.B.E., Secretary-General, Arts Council of Great Britain,
called in and examined.

Chairman.

5896. My first question is to you, Mr. Williams: the Council in their Annual Report say that their business is to assess the objects, the prospects and the needs of every body they decide to assist. How do you start that rather difficult job?—(*Mr. Williams.*) The first part of the answer, Sir, is that we started that kind of operation some years ago and have acquired a certain skill. To take an instance, if you are asked to support a repertory theatre, it is relatively easy once you know what the size of the theatre is, what the population of the town is, and what the general artistic taste of the region is. You can then fairly say what size of theatrical company is required there and you can assess the cost of a theatrical company. You can, equally, determine the average takings of such a theatre if you act on the prudent assumption, as we do, that takings will be two-thirds, perhaps, or even less than that; and with all the evidence of that kind you can fairly easily determine the rate of

support that they will need beyond what they can earn at the door.

5897. Having made your grant, how far do you take steps to see that it is efficiently administered?—We have on the board of every company we support an assessor of our own who attends every meeting or nearly every one, who sees papers, who offers them his experience, because he is an expert in the particular art, and does all he can to keep them on the tracks. We also, of course, see their estimates before the year begins and their accounts at the end of the year.

5898. Sir Herbert, I believe that the Estimates Committee recommended that the Organisations and Methods Branch of the Treasury should make an investigation, and that the investigation was made?—(*Sir Herbert Britain.*) Yes.

5899. What recommendations did they make?—(*Mr. Williams.*) The chief pro-

* Information supplied; not printed.

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. W. E. WILLIAMS, C.B.E.

[Continued.]

posals they put forward were for a reconstruction of our system of keeping accounts, and I think it is true to say that nearly all the suggestions they made were of a technical kind.

5900. Have they been carried out?—Yes.

5901. All of them?—Yes. (Sir *Frank Tribe*.) My information does not entirely agree with that, Sir. I am told that they did recommend that the subsidy granted to any grant-aided body should normally be a limited guarantee, since they considered the outright grant method rigid, wasteful and no encouragement to economy, but the Arts Council in their wisdom did not feel able to accept that recommendation.

Chairman.

5902. That is rather a different tale?—(Mr. *Williams*.) Might I just have the words once more? (Sir *Frank Tribe*.) They recommended that the subsidy, that is the subsidy made to grant-aided bodies, should normally be a limited guarantee because they considered that the outright grant method was rigid, wasteful and no encouragement to economy. (Mr. *Williams*.) The Arts Council has not acted on that suggestion.

5903. Why?—I think because we have found from experience that the degree with which we are able to compute beforehand what the needs are of the organisations we aid is extremely accurate, and we have no cases at all of organisations we assist which do not appear to require the subsidy that they get from the Council. The check, I think, is the degree of care with which we do go through their accounts. (Sir *Frank Tribe*.) The Organisation and Methods Branch of the Treasury came to the general conclusion that in the majority of instances the present arrangements gave neither a real measure of control nor adequate assurance that the subsidy was used with reasonable economy. (Mr. *Williams*.) I would not accept that, Sir.

Colonel Crosthwaite-Eyre.

5904. This is what the Treasury said?—(Sir *Frank Tribe*.) The Organisation and Methods Branch of the Treasury.

Chairman.

5905. Have you anything to say about that, Sir Herbert?—(Sir *Herbert Britain*.) I am sorry, this investigation was before I occupied my present post. I do not know to what extent what Mr. Williams has just said to you about representatives of the Arts Council almost sitting inside these organisations as assessors, meets the criticism that the Council did not know how the money was being spent.

5906. When was this Report actually made? The recommendation was in 1950. When was the Report issued?—(Sir *Frank Tribe*.) January, 1951.

5907. That is three years ago. Has the Treasury washed its hands of it?—(Sir *Herbert Britain*.) I should not think so. Undoubtedly the division of the Treasury dealing with it at the time would have considered both the Organisation and Methods Report and the Arts Council's views on it. I have no doubt about that but, as I say, I was not personally there at the time and I have no knowledge of it. We can certainly look at this particular point.*

5908. I should be glad if you would. Turning to page 67 of your Report, Mr. Williams, I notice "Opera and Ballet, Royal Opera House, Covent Garden", and Sadler's Wells. Out of the £347,000 given to Opera and Ballet £333,000 was spent in London where you have the highest accumulation of population and where opera and ballet, if it has an opportunity of thriving, should be successful. I do not know how many of the other items, Intimate Opera Society, English Opera Group, Opera Studio, Mercury Theatre Trust and others were also in London. Why is almost the whole of your grant concentrated in London?—(Mr. *Williams*.) It is true, Sir, so far as opera and ballet are concerned that we spend by far the highest proportion of our money in the Metropolis. The first reason is that if you are to have opera and ballet of the highest excellence, of such an artistic standard as will set the tone in the art, it does seem inevitable that that operation takes place in the Metropolis. The capital city is regarded also as the capital city of the arts and it is believed that the right place for such a great institution as the Royal Opera House is the Metropolis, that your chief Shakespearian company should have its home in the Metropolis, and so on. What, however, is also true is that we require all these institutions, or as one might call them, these capital institutions of the arts, to do a certain amount of touring in the regions. The Old Vic goes on tour; so does Covent Garden.

5909. How many weeks does it tour the Provinces as compared with the time it plays in London?—Covent Garden Opera will tour about eight weeks in the year and the Ballet Company will equally tour eight weeks in the year, although in fact the job of transporting opera of the Covent Garden scale round the country is an extremely complicated one. The theatres are not large enough, for one thing.

5910. I see in the papers that you are now supporting Carl Rosa, and they hope to do 14 weeks in the Provinces?—They will do much more than 14, they will do 30 weeks at least in a year.

* Information supplied; not printed.

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. W. E. WILLIAMS, C.B.E.

[Continued.]

5911. What will the grant be to them?—The grant to the Carl Rosa now is £30,000. It is a much smaller operation, of course, a much smaller team of singers and musicians.

5912. Certainly, does not it occur to you that you are starving the Provinces for the Metropolis which ought to be able to give much greater support itself?—Well, we think, on the sums that we are able to expend, that the proportions are not unreasonable.

5913. That is because you are a metropolitan, possibly?—No, Sir, I am not, I come from the Principality and was educated in the North of England.

5914. But you are living here now. I must say, seeing that this is public money it seems to me—I do not know what other Members of the Committee feel—that the Provinces are getting a pretty thin deal?—There are other factors in this situation, Sir. The first is the great number of people from the Provinces who include in their journeys to the Capital visits to these institutions of the arts, to the Opera House, to Sadler's Wells and to the Old Vic.

5915. Has it occurred to you that sometimes metropolitans visit the Provinces?—Yes.

5916. Quite possibly they might go to an opera in Manchester?—Indeed, that often happens.

5917. If they had an opera which was running in Manchester?—The aspiration of the Arts Council is to create a home outside the Metropolis for grand opera. One of our aspirations for years has been to have a capital city of opera in the North of England.

5918. I would much sooner see an opera house that was running fairly regularly in the North of England than know that Londoners were having the very costly artists brought in from abroad in order that they might enjoy them. Do you really consider the relative expenditure of the money in the Metropolis and in the country?—Yes. Indeed we do.

5919. Have you ever received any protests?—We do, of course, frequently hear from people in the Provinces the opinion that they are being starved of the arts, to which the first answer that we make, in complete faith and confidence, is that if the arts have not got strength in the Metropolis they will not be strong anywhere else, that part of the equipment of the capital city is an exemplary opera house, but we do equally devote our funds to creating artistic strongholds in the Provinces. We have, for example, got at the Bristol Old Vic a theatre which sometimes in some productions compares well with the real Old Vic, and at Birmingham, Manchester, Leeds, and

so on, we have helped to establish large permanent orchestras; but to create and equip grand opera houses is such an exceedingly expensive task that one does rather flinch from the opera outside London.

5920. I do not think anyone would suggest that you could establish a grand opera house in any provincial city except at very great cost, but you surely could see that the opera companies that you do support give a proper show to the Provinces which are, after all, 80 per cent. of the population?—We do, Sir, try to do all that we can there. May I just touch on other factors which do frustrate our effort? There are an extremely small number of theatres in the Provinces that can hold the Covent Garden Opera. Much expense has to be involved in carving the sets up to make them fit, and, indeed, one has to bear in mind that the chains of theatres in the country are not controlled by Covent Garden or by the Arts Council and we cannot always find access to towns where we would wish to go because the theatre is occupied with an ice show.

5921. Before opera was so expensive we did have at least two permanent touring opera companies, Moody Manners and Carl Rosa. We did once, before opera was so expensive?—What we have these days is the Carl Rosa touring, and as I say, both Covent Garden and Sadler's Wells touring for a few weeks a year, eight weeks of opera from Covent Garden and so on. We really are trying our hardest there.

5922. Now, to get on to a less artistic and controversial subject, why did you make a grant to Covent Garden to let them pay off their overdraft?—Well, the overdraft was soaring to astronomical heights simply, of course, because the Covent Garden Company has no capital at all.

5923. Sir Herbert, do you regard that as a fit and proper purpose?—(Sir Herbert Britain.) That was agreed with us at the time, Sir, and we certainly thought that if you were trying to put Covent Garden properly on its feet, one of the first things to do was to reduce that overdraft, and of course it was really not fully in accord with our normal financial system that Covent Garden as a State-aided institution should be borrowing like that. (Sir Frank Tribe.) Parliament had approved a grant in aid for the expenses of the Arts Council.

Colonel Crosthwaite-Eyre.

5924. Could I just press that? How on earth could you say that paying off an overdraft is in the interest of the Arts Council?—(Sir Herbert Britain.) It is part and parcel of the credit and financial position of Covent Garden.

5925. As Sir Frank has just said, this is a nationally owned building and institution,

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. W. E. WILLIAMS, C.B.E.

[Continued.]

and, surely, before you lend them money they should put their house in order, otherwise the money you are spending is not to promote art but merely to pay off past failure?—May that not contribute to promoting art?

5926. If you are going to make the assumption that Parliament votes money to the Treasury for the promotion of art which is to be designed to pay off past failure, I must say that the well-printed pages here make just nonsense of the future of the Arts Council?—(Mr. Williams.) Perhaps I may add a word, Mr. Chairman?

Chairman.

5927. Yes?—The reasons why the overdraft climbed up and up were not because of any artistic failure of Covent Garden. The place enjoys packed houses. The real causes of its debts were that it is a very old and uneconomic theatre and the enormous expenses that they had incurred in keeping the place from falling down, and it was in order to cope with expenses of that kind, not to meet the consequence of the failure of public support. It was for this reason the overdraft rose. If the nation owned the Opera House it would obviously be within the powers of Covent Garden to escape these heavy charges of maintaining the House, but they only have it on lease.

5928. What financial control have you over Covent Garden?—We have three or four forms of control, Sir. We have, for example, at the Arts Council a permanent sub-committee of six people who at certain times of the year, in particular, sit every week, first over the estimates of Covent Garden, and then over the accounts of Covent Garden, and part of their function includes the questioning of members of the Trust and the Board of Covent Garden and members of the staff, and that constant watch-dog operation extends to quite small items. We, for example, would obviously refrain from making any comment on the operas which Covent Garden propose to produce, but we would, and have, made comments on the quantity of productions they might propose in a year.

5929. Have you ever investigated the costs of bringing over foreign artists?—Oh, yes, indeed.

5930. What does it ruin to?—It depends on who they are.

5931. What does Covent Garden spend annually on foreign artists?—The total spent in a year on bringing over stars for operas is £25,000 throughout the year.

5932. Not very much?—The sort of fee a singer like Callas would get is £200 for a performance.

5933. Your total expense there is £25,000. That is not very much. Opposite page 42

is a portrait by Sickert from the Arts Council collection. Where does it hang?—These are shown in various places. We on the Council have acquired year by year, partly to assist the artists themselves, what amounts to 400 pictures in all now, and these go round the country in groups of 50 or 60 and are shown in provincial art galleries, public libraries, women's institutes, and so on.

5934. Have you ever thought of lending this particular picture to the Hospital for Skin Diseases?—It is a very unfortunate piece of reproduction, Sir.

Mr. David Jones.] I was only wondering whether the function of this Committee was confined to finance in view of your last question?

Chairman.] No. One is entitled to know where the assets of a publicly assisted body go, I think.

Colonel Crosthwaite-Eyre.

5935. Could I ask Mr. Williams: you answered the Chairman about the assessors who are appointed to each board. What are the qualifications of an assessor?—All the assessors are, in fact, employees of the Arts Council itself. Our own regional staff are chosen for their expertise in one or other of the arts.

5936. Not for accounts?—Not primarily for accounts.

5937. You certainly gave me the impression when you talked of an assessor on each board that he was the person looking after the financial interests. It would be truer to say, would it, that he was looking after the proper standard of art being reproduced?—No. His terms of reference include the two functions. He is there to act as a watch-dog on the expenditure. If it is a repertory theatre, for example, he has enough skill in the economics of the theatre to be able to know if they are managing their finance prudently; but he is not there solely in the role of an artistic adviser.

5938. May I have this clear? Which role is he in, primarily?—Both roles.

5939. Do you demand of a person before he becomes an assessor that he should have had experience beforehand in running a theatre?—It is true of a large majority of our officers that they have had actual and practical experience in running one of the arts.

5940. If I may move to the overdraft at Covent Garden, on which I am afraid, Mr. Chairman, I interrupted you, I think you said that this overdraft was incurred largely in repairing a building of which the State only hold a lease?—Yes.

5941. Now could you tell me, if Parliament votes money for the furtherance of art, under what definition do you con-

3 June, 1954.]

Sir HERBERT BRITTAI, K.B.E., C.B., and
Mr. W. E. WILLIAMS, C.B.E.

[Continued.]

sider repairing a building that you only hold on lease to be furthering art?—Well, I think, Sir, the first part of the answer is that if you are sustaining the arts, in a theatre, in an art gallery or whatsoever it is, you do incur inevitable bricks and mortar charges of the establishment in which the art takes place, and a certain proportion of our funds, goes on rents, repairs, rates, and so on, of these establishments.

5942. I shall come back to this in a moment. Does that mean you consider it normal, if we may take an art gallery, that you should be responsible for cleaning it up and redecorating it, if necessary, before you put on your show?—In certain circumstances, yes, Sir.

5943. So you are prepared to accept quite a considerable amount of expenses not in furthering art but in preparing the scene, shall we say, in which you are going to display art?—Yes. I think it is inevitable.

5944. Might I ask you, Sir Frank: would you consider, in view of the extract you have read, that it comes within the terms to repay an overdraft that is incurred in repairing a building that is not owned by the State?—(Sir Frank Tribe.) I should have expected that the Treasury when framing their estimate, having in mind that this might be a possible object, would at least have made it clear in the estimate that part of this grant in aid was to be devoted to paying off an overdraft of a subsidised body. (Sir Herbert Brittain.) Might I just say on that, in the ordinary course no details are given of these grants on this Vote. It is just described quite shortly and simply as "Arts Council of Great Britain, Grant in aid £X". I think I am right in saying that on this particular occasion we took a supplementary for this purpose. In the year we are talking about we went out of our way so far as to say it was for the purpose of Covent Garden. It would have been going a lot further beyond what we normally do with this grant-in-aid to start particularising the actual destination of the expenditure.

5945. No; but I am suggesting here that where we as Parliament vote money for the furtherance of art, we are not too happy to find that a sum has been spent in paying off an overdraft incurred previously for the maintenance of a building which the State does not own?—I should say in the first place that one of the conditions of the lease which was negotiated by the Ministry of Works, I think, was that the lessee should be responsible for the repair and maintenance of the building to keep it in the state in which they found it when they took over the lease. It is definitely the responsibility of the lessee.

5946. The original owner did not fulfil that until you came along then?—There is a dispute about that, I think.

5947. There does not seem to be any dispute about who pays for it?—For the time being there is. (Sir Frank Tribe.) Covent Garden had an overdraft at the bank of £100,000 and it was decided to use £50,000 of the grant by the Arts Council to write off half that overdraft at the bank out of the grant in aid which, according to the details of the estimate, is to meet the expenses of the Arts Council.

5948. In these grants that the Arts Council gives you are bound to run up against a good deal of criticism because either you give too much to one or too little to another, for I think I am right in saying you take a great deal of public advice. Could you tell me what sort of factors? Why, for instance, have you stopped giving money to Glyndebourne? I only take that as an instance?—(Mr. Williams.) The chief reason is that we feel at the Arts Council that we should not spend any more on high class opera, that any more funds which are spent should be spent more on Carl Rosa operas. The other reason is that Mr. John Christie himself, with extraordinary skill, is practically making Glyndebourne pay now.

5949. Would not it possibly be more helpful to make him pay so that he could carry on than to pay off overdrafts for a building you do not own?—Well, I repeat that a certain proportion of the sums we distribute among the arts does go on bricks and mortar, on rents and rates, and so on, and I think you do have to face that in actual fact.

5950. I have two questions on this. If you would turn to page 38 of your Memorandum, you see there that you show the percentages you have spent?—Yes.

5951. It is the page with the cog-wheels on?—Oh, yes.

5952. Does not it strike you that the black portion in each case, which is called "Other Expenditure", is very high for the total sum?—Is it the first of these?

5953. The whole three. It is very nearly half?—It is the plain black?

5954. The plain black which you show in the top diagram as £30,000, in the second as £21,000, and in the third as £8,000?—Yes. That black section there includes the cost of hiring halls, or the rents of the places in which they play. If a society owns its own hall, as the Liverpool Orchestra does, it is the charges for maintaining that hall.

5955. I am merely coming back to this point: does not it seem to you, perhaps, that a fairly large amount of the money at your disposal is not going so much into art as to ancillaries of art?—That is, Sir,

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. W. E. WILLIAMS, C.B.E.

[Continued.]

true. There is no other answer, if you are going to support the arts. The arts can only occur in places, and the cost of those places, the overheads and so on, are a part of the price you pay to sustain those arts. We should be only too pleased if we could devote every penny we have to the production of the arts.

5956. May I ask you this further question then, following this one up? You quote in this Report that any local authority has the right to raise a sixpenny rate which shall be used in order to further the same principles, as I understand it, that you yourselves are trying to?—Yes.

5957. How many local authorities have raised anywhere near that in centres in which you are operating?—The first example that comes to my mind is Canterbury, a small town, where they have expended the whole of a sixpenny rate in supporting their local repertory theatre.

5958. Perhaps I may take a place near me, Salisbury, where there is an Arts Theatre. As far as I can see from your schedule not one penny is raised in Salisbury by way of a rate?—I will not be sure these days if a contribution comes from the Town Council. There have been years in which the Salisbury Corporation did support, and support is coming at the moment for the theatre from certain small towns near Salisbury; one example is Chippenham, which makes a subscription, I think, of £200 a year towards the Salisbury theatre.

5959. So you would say, on the whole, that these boroughs in which your activities take place are making a fair return, are they?—Yes, they are.

5960. Would you look at the special return for Wales, at page 76, section IV? As I understand it, you have increased the grant for Wales from £57,000 to £75,750 in the course of the last year?—Would you mind putting that again?

5961. Wales is now an autonomous body whose grant has been increased from £57,000 to £75,750?—No. That is Scotland.

5962. I must apologise if I have got the figures wrong?—Wales is in as £25,000.

5963. £25,000?—It is not in here, I think.

5964. Yes, I must apologise; I have got that figure wrong. It is £30,000?—Yes.

5965. Looking at what the municipal corporations under Schedule 4 have granted do you really think that is satisfactory?—Ah, no, Sir, I do not, but it is only since 1948 that this power has been given to local authorities, and one can only say that the shoots of green grass are showing. The volume of support is not yet what one hopes it will become.

5966. But if you do get this particular favour for Wales, and if it is true, and I think that is not over-stating it, surely it would be for the Arts Council to see that before they spent that Wales plays its part? The same applies to Scotland, but Wales seems to be the better one to discuss?—We spend a great deal of time reasoning with mayors, chairmen of urban district councils and town clerks on just this point, but you will appreciate that it is an uphill struggle to persuade local authorities to do this kind of thing. There are, however, such a large number of striking cases of substantial help that we do feel that the prospects of further help from that source are good.

5967. You do see, before you give any particular favour to a district, if we may go on from Wales for a moment, that from that district you have received adequate support?—We do. That is the first part of an operation when help is sought from us. We do seek, first of all, to get support from the local authority and in the great majority of cases we do secure it.

Sir John Mellor.

5968. With regard to the exhibitions which go on circuit, I take it, to various places, do you have records of attendances?—We do. I am not sure if we print any of them here.

Colonel Crosthwaite-Eyre.

5969. There is a graph on page 32?—Yes; there is that diagram.

Sir John Mellor.

5970. Thank you very much. Are you able, then, to make a rough calculation for different places as to what the exhibition has cost per head of attendance?—Yes, we do.

5971. You do work on that basis?—I think it was in this year 1952-53 that it worked out either at £28 or £32 per showing of our things. That was the cost to the Arts Council, that is to say the cost of transport, and so forth. It is as small as that.

5972. That was the loss, so to speak?—The loss.

5973. £28 per showing?—Yes.

5974. I am afraid I have not quite understood what you mean by "per showing." Are these exhibitions of pictures which are on show for a week, or something like that?—A fortnight, as a rule, and that two weeks would count as a showing, a unit, so to speak.

5975. Now with regard to ballet and opera, I take it the ballet is more popular than the opera?—Not all that much, Sir, slightly more. Each of them, to take an example, plays roughly twenty weeks a year at Covent Garden. The percentage attendance for ballet will be 92 per cent. or 93 per cent., opera will be 88 per

3 June, 1954.]

Sir HERBERT BRITAIN, K.B.E., C.B., and
Mr. W. E. WILLIAMS, C.B.E.

[Continued.]

cent., or something of that sort. They are extremely high, the two of them.

5976. Is there a great difference in the cost?—A great difference in the cost. The orchestra is about twice the size for opera. The players, the ballet performers, are paid something like half the rates of the opera singers.

5977. At any rate, ballet is at least as popular as opera and far less expensive? Have you not considered increasing the amount of ballet and diminishing opera?—That has been contemplated. On the other hand, if you were to step up the twenty weeks at Covent Garden you might find you had reached saturation point quite easily, supposing you raised it from twenty to thirty weeks, for instance.

5978. Whilst it may be very difficult to send opera to the provinces, it is relatively easy to send ballet, is it not?—Oh, yes.

5979. And is it financially successful when it does go?—There are two touring companies concerned, the first one, which comes from Covent Garden Opera House, which is called the Sadlers Wells Ballet, and the other Company which belongs to the Sadlers Wells Theatre, the No. 2 company. The first is extremely successful because it has got high quality performers. The second is not so successful, but it tours about eighteen weeks in the year in the provinces.

5980. So that from a financial point of view, and also from the point of view of giving popular satisfaction, would not better results perhaps be obtained by devoting a greater proportion of the money spent on ballet and opera combined to the ballet side of it?—Well, I think there the answer is chiefly this: that you could so easily reach a saturation point.

5981. I was thinking about the provinces?—Yes, there too. One of the things that checks all our efforts is the shortage of high-class artistes in any of the arts. There is not an endless number.

Chairman.

5982. To what do you attribute that?—It is true everywhere in Europe today.

5983. In opera, for example, thirty years ago we had a magnificent team of English artistes, like Agnes Nicholls?—I think it is partly that in the war years training stopped, and also it is a very hazardous occupation itself. These people who sing three operas a week at Covent Garden are taking about £40 a week for forty weeks in the year, which is not wildly profitable to them. The rewards are not high, except for the few stars, and the consequence is that, instead of undergoing the rigorous work of opera, singers prefer to sing on the concert halls where they can sing far oftener and earn far more.

Mr. Oliver.

5984. Mr. Williams, with regard to your art exhibitions, when they are held in the municipal buildings like town halls, do you pay a rental for these places?—No, they are almost always free. I should think, always free if they are owned by the local authority. Sometimes, of course, they are privately owned still, but even there we find towns are so pleased to have an exhibition of high quality that they often forgo their rent.

5985. I stumbled across one the other week and I saw an exhibition. I was wondering whether the local authority charged for the use of the hall on that occasion. I observe on page 7 that this is what is said in the Annual Report: "One example of the Arts Council's belief in private enterprise in the arts is to be found in its progressive retirement from the direct provision and management of music and drama". That is what you say there. Then I must ask you: why did you spend about £112,000, or nearly 20 per cent. of your ordinary grant-in-aid, on administration?—This is page 68?

5986. No; I am quoting from page 7?—Yes.

5987. Now, if you turn to Schedule 4 on page 66 you get the sum of £103,475, and then if you turn to page 72, for Scotland, you get the sum of £8,421 13s. 2d. That makes a total of £112,000?—Yes.

5988. That is nearly 20 per cent. of your ordinary grant in aid, and then you say that this is "progressive retirement from the direct provision and management of music and drama". But I would not suggest it is such a retirement; it seems to me to be embracing it rather fully, does it not?—What the sentence on page 7 means is that we no longer do what we did in our early years and in the C.E.M.A. years—C.E.M.A. which preceded the Arts Council—in those days we sent out a great number of theatre companies and orchestras; we were impressarios. Now that trusts, and so on, have been formed to do that work we do not any longer provide the arts, except in the visual arts. That is the clarification of that phrase there. Now, your reference to this total is to something else. Those are not only the costs of administration, keeping people in offices and so on, but they are operational costs, and the like. When the arts go around the country they have got to move around; you need routers, transport people, packers and so on. The Council's officers are employed in a mobile way, helping music societies choose their concerts, and so forth. I do emphasise that the sum is not pure administration in the sense of office work, but is the cost of maintaining officers in the field to keep the societies' work going.

3 June, 1954.]

[Continued.]

5989. You do not regard that as any part of direct production and management?—It is not.

5990. Do you give any help at all in grants to religious organisations?—As such, no.

5991. What do you mean by that?—An instance, I think, which occurs in Scotland is the Glasgow Cathedral Choral Society, which is a Society of persons who frequent the Cathedral, who also do concerts of their own, and this grant had not been paid for anything which occurs in the Cathedral, but secular concerts, in other words.

5992. That is the Glasgow Cathedral Choral Society?—Yes.

5993. Does any part of your funds reach the Performing Right Society?—Oh, yes, in so far as plays, operas, ballets and music that are performed by the Societies that we support, pay fees, of course, into the Performing Right Society.

5994. We have had this before, I think. How do you arrange the payment? How are they based—on the number of performances?—Yes, it is on the number of performances.

5995. Is it a fixed scale?—Yes, a fixed scale.

5996. Not a negotiated fee?—Fixed scales for various types of music based upon the duration of the piece, the number of players, and so on. I ought to say that we at the Council do not have any direct dealings with the Performing Right Society. It is up to the societies whom we subsidise to make themselves responsible for the payment of royalties and performing rights fees.

5997. Do you know what the societies subsidised pay to the Performing Right Society? Would it be a comparable fee to that which a private organisation or a private company, a touring company, would have to pay?—Oh yes. There is not any question of having two rates of royalty at all.

5998. That is rather interesting, in respect of your part, because we have had this question before?—There is an instance here: the total amount in royalties the Royal Opera House pays works out at £8,000 a year. For every ballet £20, for every opera performance £40. Those are set scales.

Chairman.

5999. On that final point, the bulk of your operas are operas by composers who are long since dead?—Yes; that is true, of course. On the other hand, there are operas such as "Gloriana" and "Peter Grimes", and so on.

The witnesses withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASSES I-VIII).

CLASS I.

VOTE 1.

HOUSE OF LORDS.

VOTE 2.

HOUSE OF COMMONS.

VOTE 3.

REGISTRATION OF ELECTORS.

VOTE 5.

PRIVY COUNCIL OFFICE.

VOTE 6.

PRIVY SEAL OFFICE.

VOTE 7.

CHARITY COMMISSION.

VOTE 8.

CIVIL SERVICE COMMISSION.

VOTE 9.

EXCHEQUER & AUDIT DEPARTMENT.

VOTE 10.

GOVERNMENT ACTUARY.

3 June, 1954.]

[Continued.]

VOTE 11.

GOVERNMENT CHEMIST.

VOTE 12.

GOVERNMENT HOSPITALITY.

VOTE 13.

THE MINT.

VOTE 14.

NATIONAL DEBT OFFICE.

VOTE 15.

NATIONAL SAVINGS COMMITTEE.

VOTE 16.

OVERLAPPING INCOME TAX PAYMENTS.

VOTE 17.

PUBLIC RECORD OFFICE.

VOTE 18.

PUBLIC WORKS LOAN COMMISSION.

VOTE 19.

REPAYMENTS TO THE LOCAL LOANS FUND.

VOTE 20.

ROYAL COMMISSIONS, &c.

VOTE 21.

SECRET SERVICE.

VOTE 22.

TITHE REDEMPTION COMMISSION.

VOTE 23.

SILVER.

VOTE 24.

AMERICAN AID COUNTERPART FUNDS.

VOTE 25.

MISCELLANEOUS EXPENSES.

VOTE 25A.

REPAYMENTS TO THE CIVIL CONTINGENCIES FUND.

VOTE 25B.

CORONATION OF HER MAJESTY.

VOTE 26.

SCOTTISH HOME DEPARTMENT.

VOTE 27.

SCOTTISH RECORD OFFICE.

CLASS II.

VOTE 1.

FOREIGN SERVICE.

VOTE 2.

FOREIGN OFFICE GRANTS AND SERVICES.

VOTE 4.

UNITED NATIONS.

3 June, 1954.]

[Continued.]

VOTE 5.
COMMONWEALTH RELATIONS OFFICE.

VOTE 6.
COMMONWEALTH SERVICES.

VOTE 7.
OVERSEA SETTLEMENT.

VOTE 8.
COLONIAL OFFICE.

VOTE 12.
DEVELOPMENT AND WELFARE (SOUTH AFRICAN HIGH
COMMISSION TERRITORIES).

VOTE 13.
IMPERIAL WAR GRAVES COMMISSION.

CLASS III.

VOTE 1.
HOME OFFICE.

VOTE 2.
HOME OFFICE (CIVIL DEFENCE SERVICES).

VOTE 3.
POLICE, ENGLAND & WALES.

VOTE 4.
PRISONS, ENGLAND & WALES.

VOTE 5.
CHILD CARE, ENGLAND & WALES.

VOTE 6.
FIRE SERVICES, ENGLAND & WALES.

VOTE 7.
SUPREME COURTS OF JUDICATURE, &c.

VOTE 8.
COUNTY COURTS.

VOTE 9.
LAND REGISTRY.

VOTE 10.
PUBLIC TRUSTEE.

VOTE 11.
LAW CHARGES.

VOTE 12.
MISCELLANEOUS LEGAL EXPENSES.

VOTE 13.
SCOTTISH HOME DEPARTMENT (CIVIL DEFENCE SERVICES).

VOTE 14.
POLICE, SCOTLAND.

VOTE 15.
PRISONS, SCOTLAND.

3 June, 1954.]

[Continued.]

VOTE 16.
APPROVED SCHOOLS, SCOTLAND.

VOTE 17.
FIRE SERVICES, SCOTLAND.

VOTE 18.
SCOTTISH LAND COURT.

VOTE 19.
LAW CHARGES AND COURTS OF LAW, SCOTLAND.

VOTE 20.
DEPARTMENT OF THE REGISTERS OF SCOTLAND.

VOTE 21.
SUPREME COURT OF JUDICATURE, &c., NORTHERN IRELAND.

VOTE 22.
IRISH LAND PURCHASE SERVICES.

CLASS IV.

VOTE 2.
BRITISH MUSEUM.

VOTE 3.
BRITISH MUSEUM (NATURAL HISTORY).

VOTE 4.
IMPERIAL WAR MUSEUM.

VOTE 5.
LONDON MUSEUM.

VOTE 6.
NATIONAL GALLERY.

VOTE 7.
NATIONAL MARITIME MUSEUM.

VOTE 8.
NATIONAL PORTRAIT GALLERY.

VOTE 9.
WALLACE COLLECTION.

VOTE 14.
PUBLIC EDUCATION, SCOTLAND.

VOTE 15.
NATIONAL GALLERIES, SCOTLAND.

VOTE 16.
NATIONAL LIBRARY, SCOTLAND.

CLASS V.

VOTE 1.
MINISTRY OF HOUSING AND LOCAL GOVERNMENT.

VOTE 2.
HOUSING, ENGLAND AND WALES.

VOTE 3.
EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES.
ENGLAND AND WALES.

3 June, 1954.]

[Continued.]

VOTE 4.

MINISTRY OF HEALTH.

VOTE 6.

REGISTRAR GENERAL'S OFFICE.

VOTE 8.

GRANTS IN RESPECT OF EMPLOYMENT SCHEMES.

VOTE 9.

MINISTRY OF NATIONAL INSURANCE.

VOTE 10.

NATIONAL ASSISTANCE BOARD.

VOTE 11.

FRIENDLY SOCIETIES REGISTRY.

VOTE 12.

CENTRAL LAND BOARD.

VOTE 13.

DEPARTMENT OF HEALTH FOR SCOTLAND.

VOTE 15.

HOUSING, SCOTLAND.

VOTE 16.

EXOHEQUER CONTRIBUTIONS TO LOCAL REVENUES, SCOTLAND.

VOTE 17.

REGISTRAR GENERAL'S OFFICE, SCOTLAND.

CLASS VI.

VOTE 2.

SERVICES IN DEVELOPMENT AREAS.

VOTE 3.

FINANCIAL ASSISTANCE IN DEVELOPMENT AREAS.

VOTE 4.

EXPORT CREDITS.

VOTE 5.

EXPORT CREDITS (SPECIAL GUARANTEES).

VOTE 7.

OFFICE OF COMMISSIONERS OF CROWN LANDS.

VOTE 10.

WHITE FISH AUTHORITY.

VOTE 11.

SURVEYS OF GREAT BRITAIN, &c.

VOTE 12.

FORESTRY COMMISSION.

VOTE 13.

DEVELOPMENT FUND.

VOTE 16

MERCANTILE MARINE SERVICES.

3 June, 1954.]

[Continued.]

VOTE 17.

MINISTRY OF CIVIL AVIATION.

VOTE 19.

STATE MANAGEMENT DISTRICTS, ENGLAND AND WALES.

VOTE 22.

FISHERIES, SCOTLAND.

VOTE 23.

HERRING INDUSTRY.

VOTE 24.

STATE MANAGEMENT DISTRICTS, SCOTLAND.

CLASS VII.

VOTE 1.

MINISTRY OF WORKS.

VOTE 2.

HOUSES OF PARLIAMENT BUILDINGS.

VOTE 4.

PUBLIC BUILDINGS OVERSEAS.

VOTE 5.

ROYAL PALACES.

VOTE 6.

ROYAL PARKS AND PLEASURE GARDENS.

VOTE 7.

MISCELLANEOUS WORKS SERVICES.

VOTE 8.

RATES ON GOVERNMENT PROPERTY.

VOTE 10.

CENTRAL OFFICE OF INFORMATION.

VOTE 11.

PETERHEAD HARBOUR.

CLASS VIII.

VOTE 1.

MERCHANT SEAMEN'S WAR PENSIONS.

VOTE 2.

MINISTRY OF PENSIONS.

VOTE 3.

ROYAL IRISH CONSTABULARY PENSIONS, &c.

VOTE 4.

SUPERANNUATION AND RETIRED ALLOWANCES.

On these Accounts no questions were asked.

CIVIL APPROPRIATION ACCOUNTS, 1952-53 (CLASS IX).

VOTE 2.

MINISTRY OF SUPPLY (ASSISTANCE TO INDUSTRY,
SCRAP RECOVERY, &c.).

3 June, 1954.]

[Continued.]

VOTE 5.

MINISTRY OF MATERIALS.

VOTE 10.

FOREIGN OFFICE (GERMAN SECTION).

VOTE 13.

WAR DAMAGE COMMISSION.

VOTE 14.

BURMA WAR DAMAGE PAYMENTS.

VOTE 15.

BOARD OF TRADE (STRATEGIC RESERVES).

VOTE 16.

MINISTRY OF SUPPLY (STRATEGIC RESERVES).

VOTE 18.

MINISTRY OF FOOD (STRATEGIC RESERVES).

On these Accounts no questions were asked.

MINISTRY OF DEFENCE APPROPRIATION ACCOUNT, 1952-53.

On this Account no questions were asked.

Adjourned till Thursday, 22nd July, at 4 o'clock.

LIST OF APPENDICES

	<i>Page</i>
APPENDIX 1	
H.M. Treasury—Access by the Comptroller and Auditor General to the Records and Papers of the University Grants Committee	486
APPENDIX 2	
H.M. Treasury—Liability of the British Broadcasting Corporation to Income Tax	486
APPENDIX 3	
H.M. Treasury—Civil Contingencies Fund: Operations during 1952–53	487
APPENDIX 4	
H.M. Treasury—Letter from Mr. F. E. Figgures relating to the Post Office Savings Bank Account	488
APPENDIX 5	
Board of Inland Revenue—International Organisations	489
APPENDIX 6	
University Grants Committee—Extract from letter from Sir Edward Hale, K.B.E., C.B., relating to the purchase of a site in Newcastle on behalf of Durham University	490
APPENDIX 7	
Ministry of Health—Cost Investigations and Price Discussions... ..	490
APPENDIX 8	
Ministry of Health—Delays in use of Property acquired for Hospital Purposes	492
APPENDIX 9	
Ministry of Health—Central Register for the National Health Service	493
APPENDIX 10	
Ministry of Agriculture and Fisheries—Grassland Fertilisers and General Fertilisers Subsidies	495
APPENDIX 11	
Ministry of Food—Meat and Livestock: Cattle Grading	495
APPENDIX 12	
War Office—Stock Certificates (Joint Note by the Accounting Officers of the Admiralty, the War Office and the Air Ministry)	496

APPENDIX 13		<i>Page</i>
Admiralty—I. Statement on H.M. Yacht "Britannia"		501
II. H.M. Yacht "Britannia": Labour Disputes during Construction		503
APPENDIX 14		
Ministry of Labour and National Service—Loans to Remploi Ltd.: Disposal of Capital Assets: Net Accounting (Joint Memorandum by the Treasury and the Ministry of Labour and National Service)		504
APPENDIX 15		
Ministry of Fuel and Power—Costs of Local Fuel Offices		505

APPENDIX 1

PAPER forwarded by *Sir Herbert Brittain, K.B.E., C.B.*, on 17th June, 1954

ACCESS BY THE COMPTROLLER AND AUDITOR GENERAL TO THE RECORDS AND PAPERS
OF THE UNIVERSITY GRANTS COMMITTEE

1. When I gave evidence before the Public Accounts Committee on the 23rd February I was asked whether the Comptroller and Auditor General had the right to examine the records and papers of the University Grants Committee. It was stated by the Comptroller and Auditor General that if he had that access he had never exercised it. The Chairman asked that I should let the Committee know what the position was.

2. In the strict sense of the word, the University Grants Committee keeps no books of account. All the payments to Universities are made by the Treasury on the advice of the University Grants Committee and to the records of these payments the Comptroller and Auditor General already has access; he is in fact the auditor.

3. The records and papers kept by the University Grants Committee contain requests from the Universities for assistance and the record of the consideration of them by the University Grants Committee. The Treasury itself does not see these papers, nor does the Comptroller and Auditor General.

4. I can therefore confirm that the situation in these matters is as described by the Comptroller and Auditor General. He has access to the records of payments but not to the reasons which led the University Grants Committee to recommend that the payments should be made.

APPENDIX 2

PAPER forwarded by *Mr. F. E. Figgures* on 12th March, 1954

LIABILITY OF THE BRITISH BROADCASTING CORPORATION TO INCOME TAX

1. The Broadcasting Committee, 1949, describe the respective views of the Inland Revenue and the Corporation on this matter in paragraphs 421 et seq. of their Report (Cmd. 8116). The Committee observed (paragraph 423) that the question whether the Corporation had a valid reason of policy for obtaining exemption from income tax was a matter on which they were hardly qualified to express an opinion, and made the suggestion—which has since been acted on—that the matter should be brought to the notice of the Royal Commission on the Taxation of Profits and Income.

2. The Corporation's views are set out in extenso in Papers 5 and 26 in Appendix H to the Report (Cmd. 8117), and the views of the Inland Revenue (with which the Treasury have expressed agreement) in head (d) of Paper 38 in that Appendix. As is observed in Paper 5 (paragraphs (7) and (10)) and Paper 38 (head (d)), the Corporation is assessed to income tax under existing law in the following circumstances:—

- (1) The Corporation claimed immunity from income tax in 1929 on the four grounds that:—
 - (a) it makes no profits;
 - (b) it is in the position of a Government Department and entitled to exemption;
 - (c) it is a charity; and
 - (d) it does not carry on a trade.

The Law Officers of the Crown, on being consulted, advised, however, that the Corporation was liable, and an appeal to the Special Commissioners—on which the only point argued by the Corporation was the third—was dismissed.

- (2) The Corporation then asked the Commissioners to state a Case for the High Court, but, after taking Counsel's Opinion and as a matter of policy, decided not to pursue the question at that time.
- (3) In 1946 the Corporation raised the question of income tax liability again but refrained from pursuing it because of Treasury representations that the moment was inopportune. At that time the Corporation had sought Counsel's Opinion and he had advised that the decision of the Special Commissioners in 1929 was right in law in so far as they held that the Corporation was not exempt from income tax as having been established for charitable purposes only.

Counsel felt more doubt on the question whether the Corporation could properly be held to have been carrying on a trade, but on the whole he thought that the prospects of success on this point were so remote as to justify the decision of the Corporation not to appeal.

3. In considering whether a body is entitled to exemption from income tax as being established for charitable purposes only, regard has to be had to the technical legal meaning of the words "charitable purposes"; and bodies established for purposes beneficial to the community may or may not be charities in law. As regards the reference made to the Arts Council of Great Britain, Macnaghten, J., said in *Tennent Plays Ltd. v. Commissioners of Inland Revenue* (30 T.C. page 118) that he thought there could be no doubt that the purposes of the Council, both before and after its incorporation by Royal Charter of 9th August, 1946, were charitable purposes.

APPENDIX 3

PAPER forwarded by Sir Herbert Brittain, K.B.E., C.B., on 20th July, 1954

CIVIL CONTINGENCIES FUND: OPERATIONS DURING 1952-53

The Schedule attached* contains an analysis of advances from the Civil Contingencies Fund recoverable from various Votes of Parliament as set out on page 4 of the Civil Contingencies Fund Accounts for 1952-53. The Schedule indicates four main headings under which these advances were made.

1. Cash shortage during Vote on Account period

Until the Appropriation Act is passed, the only Supply available to Departments is that which has been voted on account. It is not always practicable for Departments to estimate precisely what they will need in this four-month period. If a Department has under-estimated, or if circumstances arise in which its rate of expenditure is unexpectedly increased, cash to tide over this period is provided from the Civil Contingencies Fund. The amount provided for this purpose during 1952-53 was £20,110,000.

2. Advances on account of Supplementary Votes within the year

The Civil Contingencies Fund may be used to provide cash for Departments in advance of Supplementary Votes and the passing of the covering Ways and Means Resolutions and Consolidated Fund Bill. This may be necessary for two reasons. In the first place it may be that, after a Department has made all the savings that it can, it finds itself actually in need of additional cash to carry on its existing services, i.e., its total expenditure during the year will exceed the Supply granted to it.

Secondly, a Department may have to apply to the Treasury for an advance from the Civil Contingencies Fund to meet expenditure on a new service. Supply cannot be used for a new service until Parliamentary authority, in the shape of the approval on Report of the relevant Supply Resolutions, has been obtained; therefore, even though the Department's Supply Grant is in fact sufficient in total, the new expenditure has to be financed out of the Civil Contingencies Fund and not out of existing Supply. But it is only if the service is urgently needed that the Treasury authorises this use of the Civil Contingencies Fund to finance expenditure in advance of Parliamentary authority. Examples of advances for new services covered by Supplementary Estimates in 1952-53 are to be found in the following cases listed in the schedule* :—

Commonwealth Services	... ..	£3,250 out of a total of £8,250
Colonial and Middle Eastern Services	... ..	£475,000
Ministry of Pensions	... ..	£700,000 out of £8,700,000

3. Advances on account of new services not covered by Supplementary Votes within the year

While it is the practice to present a Supplementary Estimate to Parliament as soon as possible after an advance has been made from the Civil Contingencies Fund for a new service, and in the great majority of cases this is done before the close of the financial year in which the expenditure is incurred, it is sometimes necessary to postpone the repayment of the advance until the following financial year. In 1952-53 there was an example of this in the case of the flood emergency expenditure, when it was not practicable to submit a Supplementary Estimate before the close of that year. Instead, Parliament was asked in the original Estimates for 1953-54 to authorise this expenditure, which in the meantime, since the payment could not have been delayed, was financed to the extent of £2,286,292, from the Civil Contingencies Fund.

* Not printed.

4. *Advances for working cash balances*

The necessity for this type of advance arises from two main causes. In the first place a trading Department may have cash requirements during the course of the year in excess of the net Supply granted to it. The additional cash requirement does not necessarily arise from a less favourable trading out-turn than had been expected when the Estimate was prepared; it may be due entirely to the incidence at a particular point of time of payments as compared with receipts, and may in fact necessitate an advance for a few months only, with no consequential need for a Supplementary Estimate. During 1952-53, for example, the Ministry of Materials Trading Services Vote required £38,030,000 in total, of which £10,000,000 was required to finance a purely temporary cash deficit of this sort and £28,030,000 was repaid out of a Supplementary Vote.

Secondly, at any given time, certain Departments which have sub-accountants all over the country, and in many cases in other countries, must hold a considerable amount of cash in the form of working balances. These funds can come either from the Supply granted to them by Parliament for the year or from the Civil Contingencies Fund. When there is no Supply available they obviously must come from the Civil Contingencies Fund; this normally happens towards the end of the financial year when the Supply of that year has been used up and the Supply for the new financial year is not yet available. Even when there is a balance of Supply available, it is, for the reasons explained in the answer to Question 5842, convenient to provide them from the Civil Contingencies Fund where the amounts involved are appreciable. At the beginning of the year on 1st April, 1952, some £26,753,500 was outstanding in the hands of Departments from the Civil Contingencies Fund for use as cash balances, and at the end of the year 1952-53 the corresponding figure was £26,163,000.

A variant of this "working cash balance" type of advance arises where a Vote includes receipts which lag behind the expenditure in aid of which they are appropriated. In the meantime the Department may be temporarily short of cash and recourse is had to the Civil Contingencies Fund. Examples in 1952-53 were the Department of the Registers of Scotland and the Supreme Court of Judicature, Northern Ireland.

APPENDIX 4

LETTER from *Mr. F. E. Figgures* relating to the Post Office Savings Bank Account

Treasury Chambers,
Great George Street,
S.W.1.

4th March, 1954.

DEAR GORDON,

On the 2nd February, when the Committee was examining the Post Office Savings Bank Account, I was asked why the list of securities held by the National Debt Commissioners to meet the liabilities of Government depositors in Post Office Savings Bank did not give the market value as well as the nominal value, and I undertook to make investigations (Q. 393).

The existing obligations of the National Debt Commissioners and the Postmaster General in respect of the form of this account are laid down by the Savings Bank Act, 1904. Prior to the passage of that Act a Statement of the Current Market Value of Securities Held had been published. The matter was examined by the Select Committee on Savings Bank Funds which reported on the 17th July, 1902. That Committee reported that "although the law now requires an annual valuation of the capital assets of the Savings Bank Funds on the basis of the market value of the day, they cannot but regard it as somewhat misleading, having regard to the circumstances of the funds", and that "no valuation on this basis gives a correct view of the real position for the securities belonging to the fund are practically held as permanent investments". The Committee accordingly recommended that "in future an annual statement of the securities held for the savings banks funds should be substituted for a valuation at market prices." It was as a result of that Report that the Act of 1904 was passed. Section 9 (2) specifically states that:—

"The obligation of the National Debt Commissioners and the Postmaster General to prepare a balance sheet under Section 6 of the Savings Bank Investments Act, 1863, and Section 9 of the Post Office Savings Bank Act, 1861, shall cease."

The question was raised again by the Committee on the Form of Government Accounts (the Crick Committee) who proposed that:—

“The Annual Statements of Liabilities to Depositors in the Post Office Savings Bank should show the cost price and current market value of the securities held by the National Debt Commissioners against these liabilities.” (Recommendation No. 27 on page 58 of Cmd. 7969.)

This recommendation was considered with all the other recommendations of that Committee and the decisions of the Government were announced by the Financial Secretary to the Treasury in answer to a Question by the present Chairman of the Public Accounts Committee on 21st June, 1951. The Financial Secretary then said that:—

“While the Government appreciated the grounds on which the Committee had put forward their proposals, the Government thought that in the case of Recommendation 27 the balance of advantage lay against adopting it at the present time.”

This decision by the Government was taken after re-examination of the problem in the light of the recommendation of the Crick Committee. It was considered then that the considerations which swayed the Select Committee of 1902 remained valid. This view is still held.

Your sincerely,

(Sgd.) F. E. FIGGURES.

C. A. S. S. Gordon, Esq.,

Clerk to the Committee of Public Accounts.

APPENDIX 5

PAPER forwarded by *Sir Eric Bamford*, K.C.B., K.B.E., C.M.G., on 25th January, 1954

INTERNATIONAL ORGANISATIONS

1. Orders in Council have been made in respect of the following International Organisations. (Orders which have been revoked have been omitted.) These Orders were made under the Diplomatic Privilege (Extension) Acts, 1944-1950 (consolidated in the International Organisations (Immunities and Privileges) Act, 1950, except that relating to the International Monetary Fund and the International Bank for Reconstruction and Development which was made under the Bretton Woods Agreement Act, 1945).

<i>Name of Organisation</i>	<i>Department concerned</i>
International Monetary Fund and International Bank for Reconstruction and Development	Treasury.
United Nations and International Court of Justice	Law Officers.
Brussels Treaty Permanent Commission	Ministry of Defence.
International Labour Organisation	Ministry of Labour.
International Civil Aviation Organisation	Ministry of Transport and Civil Aviation.
World Health Organisation	Ministry of Health.
Food and Agriculture Organisation	Ministry of Agriculture and Fisheries.
United Nations Educational Scientific and Cultural Organisation	Ministry of Education.
International Refugee Organisation (no longer in existence)	—
Organisation for European Economic Co-operation	Treasury. Board of Trade.
Council of Europe	—
International Wheat Council	Ministry of Food.

2. These Orders grant tax privileges to individuals and such privileges have in fact been granted under all of them except that relating to International Bank for Reconstruction and Development. In the following cases exemption was given concessionally for a period before the Order became effective.

(i) *Brussels Treaty Permanent Commission*

An amending Order in Council was made on 25th November, 1949, and took effect from 1st December, 1949, removing the previous exclusion from exemption of tax of salaries of British subjects whose usual place of abode

is in the United Kingdom. The Commission decided that for the period January to November, 1949, they would themselves have to pay the tax due on the salaries of the officials concerned, and they paid to the Revenue £800. It transpired that this sum was £135 short of the correct amount; as the Commission had been told that the exemption would apply from January, 1949, and the money for any further payment would have had to be obtained by the Commission from the member Governments, the matter was not pursued.

(ii) *Organisation for European Economic Co-operation.*

The Order in Council was made on 29th September, 1949, and had effect from 13th October, 1949. Exemption was allowed from May, 1948. Three individuals were concerned and the tax involved is estimated at about £400.

(iii) *International Wheat Council.*

The Order in Council was made on 31st May, 1953, and had effect from 12th July, 1950. Exemption was allowed administratively from August, 1949. Five individuals were concerned, but the tax involved cannot be estimated.

3. Orders in Council are to be sought in respect of the following Organisations:

Universal Post Union ... ..	... ..	... ..	... ..	... ..	} G.P.O.
International Telecommunications Union ... ..	... ..	... ..	... ..	... ..
World Meteorological Organisation... ..	... ..	... ..	... ..	... ..	Air Ministry.
Customs Co-operation Council ... ..	... ..	... ..	... ..	... ..	Customs & Excise.
North Atlantic Treaty Organisation... ..	... ..	... ..	... ..	... ..	Ministry of Defence.
European Payments Union (this does not concern any individuals) ... ..	... ..	... ..	... ..	... ..	Treasury.
International Sugar Council ... ..	... ..	... ..	... ..	... ..	Ministry of Food.

4. These Orders (except that for the European Payments Union) will grant tax privileges to individuals. No concessional relief has been granted except in the case of N.A.T.O. In that case exemption has been allowed from 1st July, 1951; when the proposed Order in Council is made, it will have effect from 20th September, 1951. Some 200 individuals have been covered by the concessional treatment, but it is not possible to estimate the tax involved without details of the salaries paid.

APPENDIX 6

EXTRACT from letter, dated 4th March, 1954, from *Sir Edward Hale, K.B.E., C.B.*, relating to the purchase of a site in Newcastle on behalf of Durham University

When I answered questions 965 and 969, I was remembering, correctly, that there had been no change in the terms of the loan for the Newcastle site purchase, but had forgotten that two letters were written to the Rector of King's College Newcastle dated within a week of each other. The first explained the condition that income from properties the purchase of which was financed from loan would have to be surrendered. The second gave the other conditions and asked for acceptance of them and of the condition explained in the earlier letter without repeating its contents verbatim. The Rector acknowledged both letters in one reply. The case is quite different, I think, from the London case, as in that case there was, for reasons which have been explained to the Committee, amendment of one letter by a later letter, whereas in the Durham case the two letters were complementary and not separated by any material interval of time. But I am afraid that it was not literally correct to say that there was only one document.

APPENDIX 7

PAPER forwarded by *Sir John Hawton, K.C.B.*, on 31st May, 1954

COST INVESTIGATIONS AND PRICE DISCUSSIONS

This note, prepared in accordance with the request made at the meeting of the Public Accounts Committee on 18th May,* sets out the position so far reached in

* See Questions 4625-6.

the matter of cost investigations and discussions with manufacturers about the prices of certain supplies used widely in the National Health Service and paid for by the Exchequer, although the Government is not a direct purchaser.

A series of investigations was started in December, 1952, into the prices of drugs, dressings and ophthalmic goods in this category. The fields of investigation were:—

- (a) Spectacle lenses, metal frames and cases.
- (b) Ophthalmic prescription houses.
- (c) Surgical dressings and plasters.
- (d) A limited range of basic drugs.
- (e) The secondary manufacture (compounding) of standard drugs, and wholesaling.

An investigation into

- (f) Proprietary medicines.

was started in May, 1953.

The Department of Health for Scotland is joined with the Ministry of Health in all these enquiries. Detailed cost investigations are being undertaken in each case on the Health Departments' behalf by accountants made available by the Board of Trade, who report to the Health Departments, and the investigations are being followed by negotiations with the manufacturers concerned.

Ophthalmic Optical Goods

A measure of priority was given to the investigation into prices of ophthalmic optical goods because the manufacturers were seeking to increase prices, and the present round of investigations in this field has been completed. After negotiation, the prices allowed under the National Health Service for lenses, metal frames and cases were all increased, to a level calculated to allow an average rate of profit within the range generally allowed for Government contract work. These price increases will cost the Exchequer an additional £170,000 a year; the increases sought by the manufacturers would have cost some £400,000 more than this.

Surgical dressings and plasters

The investigation into prices of surgical dressings and plasters is still in progress. The report of the accountants has not yet been received.

The Pharmaceutical Field

Three lines of investigation are being undertaken—

- (a) Selected basic drugs.
- (b) Secondary manufacture of non-proprietary drugs, and wholesaling.
- (c) Proprietary medicines.

(a) *Basic Drugs*

The following four groups have been selected for investigation:—

<i>Drug</i>	<i>Proportion of total drugs and dressings bill</i>	<i>Annual Ingredient Cost (General Pharmaceutical Services only) (England and Wales)</i>
	Per cent.	Millions
Antibiotics	20	£4.9
Vitamins	5	£1.3
Hormones	2	£0.5
Insulin	2	£0.5
	Total ...	£7.2

The reports of the accountants on hormones and insulin have been received very recently and are being studied; the reports on antibiotics and vitamins are not yet complete.

(b) *Secondary manufacture of non-proprietary drugs and wholesaling*

The Departments have enquired into the general trading position of firms dealing largely in the compounding of non-proprietary drugs and in wholesaling. The report

of the accountants covered a sample of about 20 out of some 200 firms in these branches of the industry. On the basis of this report, discussions are at present proceeding with representatives of the Association of British Pharmaceutical Industry. Meantime, a proposed general increase in the prices of non-proprietary drugs, which was to have come into operation on 1st December, 1953, was deferred.

(c) *Proprietary Preparations*

The investigations in this field at present cover 91 preparations (manufactured by 20 firms) classified by the Joint Committee on prescribing in Categories 2, 3 and 4—i.e. those which are not considered by the Committee to be therapeutically superior to standard preparations. The 91 preparations under investigation account for 30 per cent. of the total cost of proprietary preparations to the National Health Service (and 18 per cent. of the total drug bill). The actual ingredient cost to the National Health Service of these 91 preparations is £4.7m. per annum.

The reports of the accountants enable the Departments to examine, item by item, the costs of production and sale of each preparation investigated, and the margin of profit earned. Where the cost of production and sale is affected by an item of cost such as sales promotion which appears to be excessive, or where the profit margin is higher than the Departments consider fair and reasonable, having regard throughout to the circumstances in which these preparations are used in the National Health Service, suitable modifications of the price to allow for these factors are being discussed with the manufacturers. If the Departments fail to reach agreement with the manufacturer in respect of any preparation, doctors will be advised of this and urged not to prescribe that preparation.

The Departments are at present taking the view, subject to further discussions with the industry which are about to take place, that it is suitable, in this field generally, to allow a profit margin within the range generally allowed for Government contract work.

Of the 20 firms included in this investigation, discussions have taken place with 5, and have been concluded with 3 of these. The Departments have failed to agree suitable prices with 2 of these 3 firms, and doctors are accordingly being asked not to prescribe the preparations concerned. Further discussions with other firms are being arranged, and the Departments are also about to discuss with the Association of British Pharmaceutical Industry the general principles which are being followed in the negotiations with individual firms.

APPENDIX 8

PAPER forwarded by *Sir John Hawton, K.C.B.*, on 31st May, 1954.

DELAYS IN USE OF PROPERTY ACQUIRED FOR HOSPITAL PURPOSES.

At the meeting held on the 18th May,* the Public Accounts Committee asked to be furnished with a statement showing the number of properties acquired for hospital purposes under the National Health Service which had not yet been brought into use, divided up so as to show those which have not been brought into use within six months, twelve months or two years, respectively, since their acquisition.

The following shows the position at the 25th May, 1954, so far as it has been ascertained as a result of detailed enquiries:—

<i>Not brought into use within the following period since acquisition</i>						<i>Number of Properties</i>
(a)	6 months	...	...	...	...	8
(b)	12 months	...	...	...	...	9
(c)	2 years	...	...	...	...	14
						31

Five of the properties included in Category (c) are already in process of being disposed of. For the rest, the Ministry is urging Boards to undertake or complete any necessary adaptations as soon as is reasonably practicable, with a view to bringing the property into early use or considering what other measures are required. Where long delays have occurred they have usually been due to difficulty in fitting the necessary adaptations within the Boards' limited capital resources. It is expected that the majority of the remaining properties in Category (c) and many of the others

* See Questions 4760-2.

will be brought into use at varying times within the course of the next year. There are however, one or two cases presenting special problems which may result in some additional delay; these are being specially watched.

There are, in addition, 4 other properties which have been, or are about to be, brought into first use for a purpose wholly or mainly other than that for which acquisition was originally authorised. Particulars of these and of some other cases in which it is not clear that the original intentions have been fully observed are being submitted to the Treasury.

As was explained at the meeting on the 18th May, arrangements have now been made to follow up individually any future cases in which property is not first brought into use within six months of the date of its acquisition; and to inform the Treasury where a property whose acquisition they have sanctioned for a particular purpose is not in fact brought into use for that purpose, but is proposed to be used for some other hospital purpose. Periodical statements showing the number of cases in which there has been some delay in bringing properties into use and the progress made in bringing them into use are being furnished to the Treasury.

APPENDIX 9

PAPER forwarded by *Sir John Hawton, K.C.B.*, on 2nd July, 1954.

CENTRAL REGISTER FOR THE NATIONAL HEALTH SERVICE.

1. Patients are identified in the records of Executive Councils, and of the Dental Estimates Board by a National Health Service number; numbers have been found to be indispensable for this purpose in addition to names (often misspelt or changed) and addresses (which may not be up-to-date). In general the National Health Service number is the number which appeared on the identity card and/or ration book.

Executive Councils and the Board need positive identification of patients in order to ensure:—

- (a) that payments are not made to more than one doctor for the same period in respect of the same person, or to doctors in respect of persons who are dead, have joined the Forces or have emigrated;
- (b) that patients do not obtain duplicate dentures or spectacles; and
- (c) that payments are not made to dentists or opticians to which they are not entitled because payments have already been made in respect of the same treatment or services.

2. The Central Register consists of an index arranged in order of National Health Service numbers. If a patient applies to be placed on the list of a doctor in the area of Executive Council A and his National Health Service number is quoted, the Central Register can say whether or not he is on the list of a doctor in the area of some other Executive Council, even though the patient may himself have—as so often happens—given incorrect information. If he is, the necessary adjustments can be made. If, however, his National Health Service number is not quoted the Central Register cannot identify him and the possibility of duplication arises. It is this that gave rise to the proposal, not so far agreed to be necessary by the Treasury, to set up an alphabetical index, with addresses, to supplement the numerical index.

In January, 1951, the number of persons in England and Wales purporting to be on doctors' lists exceeded the total population in the areas of 34 out of 138 Executive Councils. In the areas of 115 Executive Councils over 97 per cent. of the population appeared to be on the lists. As a result of the "purge" then undertaken this number was reduced to 77 in July, 1953. With the abolition of identity cards the number crept up to 96 in April, 1954. When ration cards disappear the proportion of the population who are unable to quote a National Health Service number may increase.

3. The Committee have asked whether it would not be cheaper to include in the records of the Ministry of Pensions and National Insurance persons not now included therein, and for the National Health Service to use the complete register thus created. The possibility of using the Ministry of Pensions and National Insurance Central Index as a central register for the Health Service has been studied and several alternative schemes for setting up a single register have been examined. The following are the main considerations to be borne in mind if the existing records are to be used:—

- (1) The existing Ministry of Pensions and National Insurance records of some 30 million people would have to be matched with the corresponding records in the Health Service in order that the particulars in the two records could be combined into one.

- (2) Some 20 million names of persons now in the Health Service would have to be added to the Ministry of Pensions and National Insurance Central Index with safeguards, in the process, that duplicate records (and numbers) were not created for persons already recorded by Ministry of Pensions and National Insurance.
- (3) The 50 million records in Executive Councils would have to be identified, individually, with the corresponding Ministry of Pensions and National Insurance records and renumbered with the Ministry of Pensions and National Insurance numbers.
- (4) The medical cards now in the hands of the population would have to be recalled and renumbered.

The cost of these operations is prohibitive—of the order of £2 million.

4. Other and less expensive schemes of a gradual assimilation to a common record (e.g. a common number and common records for all newcomers to the Health Service) have been considered and rejected on the grounds that the benefits are too long deferred and owing to administrative difficulties in the long transition period. The remaining alternative is to avoid the work of changing over the existing Health Service records by requiring a fresh registration of the whole population, using Ministry of Pensions and National Insurance numbers in the process, and setting up completely fresh records for the Health Service, based on a single register in Ministry of Pensions and National Insurance. Such a re-registration would also be most expensive, would be very unwelcome to many of the parties concerned and would involve the allocation of Ministry of Pensions and National Insurance numbers to individuals who are now outside the National Insurance scheme.

5. In March, 1953, an experiment was begun designed to test the value of the existing Central Records maintained by the Ministry of Pensions and National Insurance simply as a means of identifying persons who were claiming to be making use of the National Health Service for the first time or who had ceased to use the Service because of death, emigration or enlistment in the Armed Forces and whose National Health Service numbers were not known.

During a period of six months the names of some 155,000 persons whose National Health Service numbers were not known were referred to the Newcastle records of the Ministry of Pensions and National Insurance. That Ministry were able to trace only about one-half of these and to produce an address or other particulars which were not already known in respect of less than one-third of them. These additional particulars were passed on to the Executive Councils concerned, but the previous records were traced for only about 14,000 persons—less than 10 per cent. of the total number referred.

6. This comparative lack of success was due to three main reasons:—

- (1) The records of Ministry of Pensions and National Insurance cover substantially less than the whole population (about 60 per cent.) since they relate only to insured persons and are deficient in the records of children, married women and persons who enter or leave the country without qualifying under the National Insurance arrangements; the last mentioned category accounting for a large number of names on which National Health Service queries arise.
- (2) The notifications referred to Ministry of Pensions and National Insurance were, of course, those which could not be identified by means of the records maintained by the National Health Service Executive Councils; and their lack of particulars made tracing by Ministry of Pensions and National Insurance more difficult.
- (3) Successful trace in Ministry of Pensions and National Insurance records did not necessarily lead to discovery of the corresponding Health Service records, for example because the information held by Ministry of Pensions and National Insurance was insufficient to identify the Executive Council likely to be holding the National Health Service registration. The cost of this experiment was at the rate of approximately £20,000 a year and it is estimated that an alphabetical index in the National Health Service Central Register, if one were set up, would cost approximately the same amount once it was created, though the cost in the first year might be about £60,000.

7. The experiment showed that indiscriminate reference to the National Insurance records would not be worthwhile, but that there were particular categories of movement notifications which might be utilised. Arrangements were therefore made for the

Ministry of Pensions and National Insurance to notify the National Health Service Central Register of all enlistments into the Forces and all emigrations whether of insured persons or persons included in families for which Family Allowances were payable. The information thus received is proving valuable in securing the earliest possible removal of such persons from doctors' lists.

8. An attempt is being made—with the help of the Central Statistical Office—to estimate the degree of variation in the capitation fees payable to doctors in different parts of the country which might be expected over a period of years to result from the inflation of the numbers on doctors' lists referred to in paragraph 2 above. The case for the alphabetical index in the National Health Service Central Register will then be reviewed.

APPENDIX 10

PAPER forwarded by *Sir Alan Hitchman, K.C.B.*, on 2nd April, 1954

GRASSLAND FERTILISERS AND GENERAL FERTILISERS SUBSIDIES.

Since I appeared before the Public Accounts Committee on 11th March I have been looking further into a number of points which were raised about the payment of the Grassland Fertilisers and General Fertilisers Subsidies.

In replying to Question No. 1681 I said that, when we took power in the General Fertilisers Scheme to reduce the contribution if contribution was payable under another scheme, I supposed we had the Grassland Fertilisers Scheme in mind. As a result, I think the Committee may have assumed that when we decided to pay the contributions under both schemes in full we were departing from the original intention at the time the General Fertilisers Scheme was prepared.

In fact, this is not the case. The provision included in the General Fertilisers Scheme was a general one; and it was not inserted with the Grassland Fertilisers Subsidy particularly in mind. Indeed the decision to pay contributions under both schemes in full was taken in December, 1951, before the General Fertilisers Scheme was presented to Parliament. No question was raised on this point when the Scheme was before Parliament and the Ministry did not consider it necessary to draw the special attention of Parliament to the matter.

In Question No. 1730 I was asked whether in assessing the amount of the two subsidies the Ministry took the maximum controlled price and not what the farmer paid. I was not able to confirm this at the time but I have now ascertained the position. Under the Grassland Fertilisers Schemes the contribution was based on what the farmer paid in acquiring and transporting the fertilisers used, the contribution being two-thirds of the cost incurred subject to a maximum rate per acre. It was only under the General Fertilisers Scheme that the contributions were at fixed rates specified in the Scheme, the rates for phosphatic fertilisers being equivalent to approximately 30 per cent. of the maximum controlled prices.

Colonel Crosthwaite-Eyre also asked me (Questions 1765 to 1768) how the Ministry determined the subsidy rate under the Grassland Fertilisers Scheme. I find that the rate was based solely on the expenditure on fertiliser treatment, no account being taken of expenditure on ploughing. An estimate was made of the cost of applying an average dressing of complete fertiliser to ploughed-up grassland and, in order to provide an incentive to farmers to plough, the rate was fixed at approximately two-thirds of the cost, as against one-third for fertilisers applied to grassland.

APPENDIX 11

PAPER forwarded by *Sir Henry Hancock, K.C.B., K.B.E., C.M.G.*, on 15th June, 1954

MEAT AND LIVESTOCK: CATTLE GRADING

1. Grading under the control scheme consists essentially of:—

- (i) determining the classification of the live animals, e.g. whether clean cattle beast, special young cows, fat cow, etc., and
- (ii) estimating the killing out percentage which the carcass will bear to the live weight.

2. The national killing-out percentage for cattle in the year 1952-53 was 98.35 or a loss on weight of 1.65 per cent. between the estimated carcass weight and the actual dressed carcass weight as scaled at the slaughterhouse. Not all of this loss is attributable to faulty grading. Animals are slaughtered generally after transport from

the centres and sometimes as long as six days after grading. This transport is necessary in controlled distribution to maintain, so far as possible, equitable supplies in quantity and quality throughout the country but it inevitably involves loss in condition and it follows that, assuming perfect grading, the killing-out percentage must be something less than 100 per cent. It is impossible to assess with absolute precision the unavoidable loss due to handling and transport but it might be 1 per cent. (i.e. about 6 lbs. per cattle beast).

3. The poorest grading results occur almost invariably in collecting centres handling lower grade animals and discarded cows from dairy farming, because it is these beasts which present the greatest problem to the graders. There is a greater margin of error in estimating the carcass weight of unfinished and low grade beasts than of good quality beasts. At this type of centre where the problem is most acute, the main difficulty is to decide whether low-grade animals presented qualify for purchase on live grading or should be bought at owner's risk, i.e. on the actual carcass outturn. On the other hand difficulties also arise in deciding whether the better type of animal is eligible for the special young cow class which attracts a higher price.

4. Within the average of 98.35 per cent. covering 2,160,000 cattle passing through 667 collecting centres, no collecting centre showed a killing-out percentage of less than 95.00, lowest percentages being:—

	<i>Total cattle bought (including owner's risk animals)</i>	<i>Killing-out percentage</i>
Macclesfield	3,156	95.85
Manchester (Mode Wheel)	41,681	96.70
Beeston Castle	3,148	96.83
Marple	4,371	96.91
Stone	2,644	97.36

Incomparably the most serious case, by reason of the number of beasts handled, was that of the Mode Wheel Centre, Manchester.

5. The Ministry makes a continuous review of the weekly results of all centres and has concentrated on raising the standards of the inefficient. Livestock Inspectors devote as much time as possible to the worst centres. During the past year there have been special drives in which a large proportion of the inspectorate has been taken from normal duties and concentrated on these centres and on neighbouring centres to which cattle might be diverted. Efforts have been made not only to prevent bad grading while the drives were in progress but to persuade and advise the graders in the areas visited to improve their standards, when, as on most market days, they cannot be supported by the presence of Inspectors.

6. Marked improvements in the standard of grading have been secured by these means not only at the less efficient centres but also at neighbouring centres where the standard may have tended to be lowered through the influence of the bad centres. Unfortunately it has not always been possible, with the available inspectorate, to keep the grading standards at the poor markets up to the higher level reached during and immediately after a drive. Moreover concentration of the inspectorate on periodical drives reduced the number of inspections possible at the remaining centres and Inspectors cannot safely leave these too long without risk of deterioration. For the new Fatstock Guarantee Scheme however the Ministry is strengthening the inspectorate substantially and it is hoped therefore that, when any centre appears to need special attention, action can be taken more quickly than in the past without neglecting other centres.

APPENDIX 12

PAPER forwarded by *Sir George Turner, K.C.B., K.B.E., J.P.*, on 8th March, 1954

STOCK CERTIFICATES

Joint Note by the Accounting Officers of the Admiralty, the War Office and the Air Ministry

Introduction

1. In their Second Report for the 1950-51 Session (paras. 16-20) the Public Accounts Committee stated that they had further considered the resumption of the pre-war practice under which the Admiralty and the War Office provided, with their Appropriation Accounts, certificates as to the completeness of reserves of warlike stores

(with, where appropriate, statements of the aggregate value of deficiencies) and all three Service Departments provided statements of the value of stocks of non-warlike stores at the beginning and end of the financial year.

2. It had been explained in evidence that the provision of these certificates gave rise to serious practical difficulties which were particularly acute during a period of intensive rearmament. The Committee, in the light of this explanation, agreed to defer consideration of the question for two years. This period having now elapsed the Committee have again asked for our views on this question.

Object of the Certificates

3. The object of the war reserves certificate was not to give an assurance as to the adequacy of war reserves. It was purely an accounting certificate. It was designed, in principle (as was the valuation statement of non-warlike stores), to assure Parliament that the spending power of the Service Departments had not been increased in any year, after the estimates for the year had been accepted by Parliament, by the depletion of stocks, and that moneys voted for the provision of reserves had been so used.

History

4. Prior to 1908 valuation statements covering all stocks held were submitted with the Army and Navy Appropriation Accounts. In that year the Accounting Officer of the War Office represented that these certificates, although requiring considerable labour to produce, were defective both because of difficulties of valuation and also because they necessarily covered only stocks held in Depots which were not comprehensive. Accordingly he thought their preparation "a work of supererogation and not worth the labour and expense devoted to it". The Committee accepted this view and later agreed to the substitution of a "war reserve certificate" for the valuation statement so far as the War Office were concerned although the Admiralty continued to provide a valuation statement until the 1914-18 war. The War Office war reserve certificate referred to a specific and segregated holding of reserves (known as the Mowatt reserve) for the Army Expeditionary Force.

5. The two statements were abandoned in the 1914-18 war. The War Office gave a valuation statement covering non-warlike stores from 1919 onwards and the Admiralty a similar statement from 1921. The war reserve certificate was revived by the Admiralty in 1922 and the War Office in 1924. The Royal Air Force, however, had at this period no fixed scale of war reserves and, in general, its position as regards holdings of reserve stocks was not a stable one. Though the question was reviewed from time to time the Air Ministry did not, therefore, render the war reserves certificate either then or subsequently. They did, however, like the Admiralty and War Office, provide statements covering non-warlike stores.

6. In 1937 it was again represented to the Committee by the War Office that the war reserves certificate was becoming useless because:—

- (a) It was, for historical reasons, still confined to reserves of stores for the "Expeditionary Force", i.e. the regular part of the Army which might go abroad on the outbreak of a war. It was not therefore complete;
- (b) In the situation (of rapid rearmament) then obtaining there was in any event no likelihood that the War Office would wish to draw on reserves for current consumption.

7. The Committee, therefore, accepted the abandonment of the war reserves certificates of the Admiralty and the War Office. Statements relating to non-warlike stores continued to be rendered up to the outbreak of war in 1939.

8. Since the war the Committee have recognised that the situation has, so far, been so abnormal as to prevent the reinstatement of the pre-war practice.

9. In the first place, for many years after 1945 stocks of stores accumulated during the war were run down as a deliberate act of policy, duly announced to Parliament, and to that extent current expenditure on consumption was much reduced.

10. By 1951, however, when the Committee last considered the matter we were at the beginning of the £4,700m. rearmament programme under which over a period of three years, it was planned to spend some £2,000m. on the production of equipment for the forces as compared with a level of less than £200m. a year in preceding years. As was then said in evidence "the problem really is to get the stuff rather than to overcome any financial limitations" and in these circumstances it was highly unlikely that the Services would seek deliberately to run down stocks of warlike

stores in order to increase the amount of money available for other things. This was, indeed, one of the main reasons why the Committee agreed, in 1951, to defer consideration of this question for a further period.

11. The situation has now changed again. The rearmament programme is being spread over a longer period; the production programme has had to be cut, on economic grounds, below the physically possible level; and as is pointed out in the Statement on Defence 1953, the Admiralty are, in fact, in the financial year 1953-54 planning to run down stocks of ammunition, oil fuel and stores, in order to find room, within the financial and productive resources available to them, for their urgent programme of new construction modernisation and conversion.

12. Nevertheless, for a number of reasons, the provision of certificates in the pre-war form, or any alternative means of meeting their basic objectives, as stated in paragraph 3, still presents serious difficulties.

DIFFICULTIES OF REVIVING PRE-WAR PRACTICE

Security

13. It should perhaps be said at the outset that, as the Committee have recognised, it would not be possible to give certificates of this kind, in their pre-war form or in any variation of that form which we can envisage, openly. This is a purely procedural difficulty, however: if such certificates were otherwise possible there would be nothing to prevent their being given to the Committee in confidence.

Pre-War Conditions

14. The pre-war certificates were designed for conditions in which there existed:—

- (i) Segregated or identifiable war reserves of a reasonably limited range which did not often change as to size or type, and
- (ii) A stable scale of "complete" war reserves against which deficiencies could be measured.

The annual valuation of stocks imposed an entirely additional task of summarising and evaluating stocks of certain classes of stores which was not required by the Departments' systems of stores accounting.

Absence of Segregated Reserves

15. At the present time there is practically no segregated reserve of warlike stores. Such reserves as there are, are normally indistinguishable from working stocks which are constantly turned over for the purpose of maintenance, or of replacement of stocks in use or to prevent deterioration.

Continuous variation of Stock Levels

16. Holdings of stocks may be affected by any one of the following factors:—

- (a) Expenditure in active operations, e.g. in Malaya, Korea and Kenya. It is impossible, in present cold war conditions, to foresee at the time when the Estimates are compiled, when or where such emergencies will arise or the intensity or duration of active operations currently in progress;
- (b) Imperial or foreign policy may at any time dictate the supply of equipment from stocks, or from production intended for stocks, to a friendly power;
- (c) Market conditions may in certain fields dictate a policy of buying in stocks at a favourable price or refraining from purchases if the price is temporarily unfavourable. Alternatively economic policy, e.g. the need to encourage exports, may involve modification of Service plans for production or building up stocks;
- (d) Production planning and the framing of the annual estimates have to proceed upon the best evidence available at the time about the rate at which deliveries of equipment are likely to come forward. Unanticipated production shortfalls are however inevitable more particularly under conditions in which much of the equipment that is being ordered is of new types. Manufacture may be held up by teething troubles after production orders have been placed and difficulties in manufacturing technique which become apparent at a late stage may also render delivery forecasts useless. Such production shortfalls may necessitate drawing on stocks for current maintenance or operations or alternatively may make it impossible to spend the money originally intended for building up stock holdings for that purpose;

- (e) Stocks may be reduced to scrap if they become so out of date as to be useless; alternatively, it may become necessary to use up stocks in order to prevent deterioration in store;
- (f) Stocks of a particular type; e.g. of aircraft, which is becoming obsolescent and which it is planned to replace, over a period which may be of several years, with a new type, are often deliberately built up so as to cover the planned life of the type in the Service after production has ceased. When production ceases stocks are then deliberately used up in Service over the period of gradual re-equipment with the new type.

17. This last factor, in particular, arising from the considerable shortening of the operational life of particular items of equipment in service and the great increase in the complexity of the industrial facilities required for their production, by comparison with pre-war, extends over a wide range of equipment and represents a fundamental and permanent change in the conditions in which the system of stock certificates was conceived.

Absence of Stable Scale of War Reserves

18. There is too, no stable level of "complete" war reserves. Broadly speaking and, subject to certain exceptions, particularly affecting the Navy, current policy is to build up to an interim level of reserves sufficient to sustain the maximum expected effort over a stated initial period of operations at the highly intensive rates anticipated in the initial stages of a future war.

19. Moreover—

- (a) Requirements are constantly changing with the introduction of new types of equipment and with the further study and experience (e.g. in Korea) of probable wastage rates;
- (b) In the circumstances described in paragraph 11 above it is not the present policy to attempt to build up war reserves of types of equipment, e.g. clothing—which can be rapidly produced nearer the time at which it is likely to be required.

Difficulties of Definition

20. And even if there were a stable level of "complete" war reserves for all the items of equipment used, it would be very difficult to decide from time to time how far current stock holdings could or could not, for reasons of obsolescence, satisfactorily be counted against it.

Impossibilities of Valuation.

21. Except in the case of the Navy Dockyard and Production Accounts, the Services rely for the control of stores not on valuation but on quantity records which are largely decentralised so far as detail is concerned. No records, by value, are maintained. So far as warlike stores are concerned, of course, it has long been recognised that the valuation of stocks of warlike stores is neither possible nor desirable. The Service Departments would, in present conditions, when heavy pressure of work is combined with a great need for staff economy, also find it impossible to undertake an annual valuation of non-warlike stores. Any attempt to do this would conflict directly with efforts to economise in the "tail" of the armed forces.

22. The work of valuation (presumably at a current purchase price) of deficiencies of warlike stores, even if it were possible to establish quantities accurately, would also be immensely laborious. The Air Ministry's holdings alone of this class of store run into about 600,000 items.

23. Moreover price changes would, in current conditions, seriously invalidate comparisons between the values at the beginning and end of any given financial year either of the value of non-warlike stores or of the value of deficiencies in stocks of warlike stores. And in the latter case changes of price would arise not only from changes in the value of the same article from one year to the next but also from the fact that the deficiencies in one year might well be significantly different in kind from that of the last (e.g. when a new type of aircraft had been introduced into the Service during the year).

Accounting Difficulties

24. The Service Estimates, as presented to Parliament do not distinguish between the provision for equipment and supplies for current use and that for reserves. Any such published distinction must be ruled out on security grounds in present circumstances. But even if there were such a sub-division it would be practically impossible

to account for equipment on this basis; the most serious complications would arise out of attempting to divide contractors deliveries between maintenance and reserves and to account for the separate categories through the present bulk settlement arrangements with the Ministry of Supply.

Motive and Opportunity

25. As regards both the drawing down of stocks and the failure to provide reserves to the full extent contemplated at the time of the Estimates:—

- (a) The Services are not likely, as a matter of policy, to draw down stocks very far without taking the earliest possible opportunity to replace them, or to refrain from using moneys provided in Estimates for building up stocks;
- (b) Production programmes generally, and indeed other types of expenditure also, are not, in any case, sufficiently flexible as to allow more than marginal adjustments on the programme of expenditure laid down in Estimates;
- (c) Any such marginal opportunities for adjusting the programme provided in Estimates would be largely inhibited by the programme, numerical, or establishment control exercised by the Treasury and by the control of Parliament over virement.

Conclusion

26. It is impossible, for security reasons to give open certificates on the pre-war lines. The immense physical and other practical limitations to valuation appear to rule out completely certificates containing values, i.e. in precisely the pre-war form.

27. We have carefully considered, in these circumstances, whether any more generalised certificate would be possible to meet the objects which the Committee have in mind. The Committee have we think agreed (see Treasury minute of 4th January, 1951) that the drawing down of stocks to meet an emergency or the failure (because of supply difficulties) to build them up to the full extent contemplated in Estimates are "natural and normal occurrences which in no way derogate from the authority of Parliament". The fact is, however, that these are only two of the more obvious of a vast complex of transactions which continuously affect levels of store holdings by the Services. These arise in all the circumstances described in para. 16 and range for example from a decision taken at Board or Council level to reduce to scrap or sell a number of obsolete aircraft whose nominal value might run into millions to a decision taken at very low level to stop provisioning some minor item of equipment and to run down stocks in anticipation of its replacement by a new type—decisions small in themselves but cumulatively not insignificant.

28. Present conditions—the vast range of service store holdings, and the fact that they are affected continuously by decisions at all levels to meet not only operational conditions in many parts of the world but also rapid technical change—are thus fundamentally different from those in which the pre-war system of stocks certificates was conceived.

29. It can be said, in general, that it would be directly contrary to current policy to run down such stocks as have been accumulated, that it would never be the policy to do so in a deliberate attempt to evade Parliamentary control and that any attempt to do so would be limited by the rigidity of present defence programmes, both in the field of production and otherwise, and restricted by the normal Treasury, audit and Parliamentary controls. But in fact the only certificate which, in a strict accounting sense, could be given in present circumstances would be that stock levels in any given year have inevitably been subject to a constant process of adjustment in the normal course of Service operations. To go further and to provide a true and meaningful certificate designed to expose with any semblance of accuracy changes in levels of stock holdings and further to analyse the reasons for such changes would hardly be possible without an immense additional apparatus for the control and supervision of stock transactions which would not, we think, be desired.

30. In brief we have been unable to devise any form of certificate which would be satisfactory either to us, as accounting officers, or to the Committee. But while no formal certificate can be offered, we can certainly give the Committee the assurance that we have clearly in mind, and fully appreciate, the object at which they are aiming. As the Committee will recognise, any under-spending on a particular Vote, or on a particular subhead of a Vote, whether in respect of stockbuilding or otherwise, will be apparent from the Appropriation Account of the Department concerned; and it will be open to the Committee to make the fullest enquiries into the reasons for the under-spending; and also into the cases where, with the temporary sanction of the

Treasury, expenditure against a particular Vote was incurred in excess of the sum voted. There is no possibility of the Departments curtailing expenditure on stores and supplies in order to divert Parliamentary grants to other services without opportunity for the appropriate enquiries being afforded.

APPENDIX 13

Two PAPERS forwarded by *Sir John Lang, G.C.B.*, on 27th May and 23rd June, 1954

I

STATEMENT ON H.M. YACHT "BRITANNIA."

In 1938 consideration was given to providing a new ship to replace the Royal Yacht "Victoria and Albert," which was then nearly 40 years old. It was felt that economy would be served by designing the new ship in such a way that on the outbreak of war she could be readily converted to a Hospital Ship. This would enable time to be saved by comparison with the alternative makeshift procedure in emergency of converting a ship which had been taken up from trade, and it was clearly much less expensive than building a Royal Yacht and a Hospital Ship as well.

2. The Admiralty accordingly prepared outline drawings and a statement of requirements. In 1939 these were sent to eleven of the principal shipbuilding firms in the country with an invitation to submit a detailed design. With the advent of war the project was dropped.

3. After the war the matter was revived, and in October, 1951, a public announcement was made that a medium sized Hospital Ship would be included in the re-armament programme. This was in accordance with an approved operational requirement in the event of war. In addition the idea that the vessel could be used in peace-time to replace H.M. Yacht "Victoria and Albert," which by then was no longer seaworthy, was carried forward. The project was undertaken as a matter of urgency, as it was hoped that a yacht in which the King could undertake sea voyages would greatly improve the chances of his recovery.

4. Using as a basis the design work carried out in 1939, but for a reduced size of ship, the Admiralty produced the design for the "Britannia." Brief technical details are given in Annex A.

5. During the design stages and throughout the construction of the ship the necessity for economy was kept constantly in mind. The late King, and subsequently Her Majesty the Queen, both stressed the importance of economy and made many suggestions with the object of reducing expenditure. Even after the design had been commenced, the original requirements were reviewed and changes made in order to reduce the size of the ship. It was however necessary to ensure that the size of the ship was not so reduced as to impair her sea-worthiness when undertaking long ocean passages. Moreover the ship had to be large enough to permit of her economical employment as a Hospital Ship in wartime. It was eventually decided that the smallest ship to meet these requirements would be one of about 4,000 tons displacement, and every effort was accordingly made to produce an acceptable design with a displacement as near to this figure as practicable.

6. The design of a dual purpose ship is far from straightforward. In the present case designs had to be developed simultaneously for the Royal Yacht and Hospital Ship roles, and the best arrangement worked out which would meet both requirements and at the same time ensure that the work and cost of conversion in wartime would be kept to a minimum. Thus certain features have been embodied in the design which undoubtedly add to the value of the ship as a Royal Yacht but are not altogether essential for that purpose. They are, however, essential for the vessel when used as a Hospital Ship. Such features include the ship's stabilisers, air-conditioning, special laundry facilities and a comparatively high speed. These facilities could not be added on conversion to a Hospital Ship except at considerable additional expense and with long delay in completion.

7. Some ship design comparisons between "Britannia" and earlier designs are given in Annex B.

8. In February, 1952, the Treasury agreed to the project and the vessel was added to the 1952-53 Programme of New Construction.

9. In due course the order was placed with Messrs. John Brown and Co. (Clydebank) Ltd. in February, 1952. The keel was laid on 16th June, 1952, the vessel was launched on 16th April, 1953, and was completed and accepted by the Admiralty on 11th January, 1954.

20216

U

Estimated cost

10. The question of cost was continuously under review, and the Treasury were kept informed. It was estimated that the total cost would be in the region of £1,750,000 and that the cost of conversion from Royal Yacht to Hospital Ship would be between £150,000 and £200,000.

11. The average cost of running and maintenance including periodical refits and docking has been estimated to be:—

(a) as a Royal Yacht in commission	...	...	...	...	£145,000
(b) as a Royal Yacht in care and maintenance	...	...	...	...	£100,000
(c) as a Hospital Ship in commission	...	...	...	...	£110,000

These figures do not include fuel costs which would depend on steaming times and speeds.

12.* By February, 1954, the estimate of total cost of the ship had risen to £2,160,000, taking into account a further rise in price levels, labour difficulties during the last few months of construction, inter-trade disputes, delay in steel deliveries and the need to meet the delivery date to fit in with the programme of the Royal Tour. These factors led to the need for considerable overtime in the later stages.

13. A fixed fee covering establishment charges and profit had however been negotiated and agreed with Messrs. John Brown at an early stage, on the basis of an estimate of cost produced by the firm in 1952.

Decorative design and furnishing of Royal and State Apartments

14. The suitability of the decorative design and the furnishing of the Royal and State Apartments has been a matter of great interest to Her Majesty and His Royal Highness The Duke of Edinburgh, who have personally approved the decorative treatment of the walls and the design of new furniture. Contracts were placed after competitive tender.

15. In the interests of economy, use has been made as far as possible of furniture from the "Victoria and Albert" and of new pieces supplied for use in s.s. "Gothic" for the Commonwealth Tour.

16. The total cost of furniture for all accommodation in "Britannia," including crew's and officers' quarters and ship's offices, was approximately £78,000, which included £9,000 for carpets. These figures are exclusive of items provided from the "Victoria and Albert" and "Gothic."

Conversion to Hospital Ship

17. As explained in paragraph 6 the designs for the Royal Yacht and for the Hospital Ship roles proceeded concurrently, so that the conversion could be made in the most economical manner. Relatively little alteration to existing structure and equipment would be required if conversion became necessary, the lay-out of the bath-rooms and sanitary facilities having been arranged with this in view.

18. The wards will accommodate 200 patients, and provision has been made for an operating theatre, ophthalmic room, physiotherapy room, pathological laboratory, X-ray room, and dental laboratory.

ANNEX A

Technical data and general notes

Description	...	...	...	Included in 1952-53 Programme of New Construction as Royal Yacht/Hospital Ship.
Dual role	...	...	...	To serve as a Royal Yacht in peace and (after conversion) as a Hospital Carrier or Fast Hospital Ship in war.
Shipbuilders	...	...	...	Messrs. John Brown and Co. (Clydebank) Ltd.
Building period	...	...	...	Ordered 5th February, 1952. Laid down 16th June, 1952. Launched 16th April, 1953. Accepted from builders 11th January, 1954, with certain items of work outstanding, mainly in connection with fitting out of Royal and State Apartments, all of which were completed at Portsmouth Dockyard in March, 1954.
Length	...	...	...	412 feet 3 inches.
Beam	...	...	...	55 feet maximum.

* For subsequent revision of this paragraph, see Part II of this Appendix.

Load displacement ...	...	4,715 tons, with 330 tons of fuel and 120 tons of fresh water.
Gross tonnage ...	...	5,769 tons.
Mean draught ...	...	15 feet 7½ inches at load displacement.
Machinery ...	...	Geared Turbine. 12,000 shaft H.P. 2 shafts.
Speed ...	...	On trials:—22·75 knots at 4,320 tons displacement. Continuous seagoing:—21 knots.
Endurance ...	...	With 330 tons of oil fuel:— 2,100 miles at 20 knots; 2,400 miles at 15 knots (the economical speed)
Officers and Crew ...	...	20 Officers and 222 men:— 1 Commander in command. 14 Officers } On navigation, watchkeeping, communi- 159 men } cations, engine room, and electrical duties. 5 Officers } In Supply, Secretariat, Medical and Ship- 54 men } wright Branches. 9 Royal Marines for Guard duties.

ANNEX B

Some Ship-Design Comparisons

	Deep Displacement	Speed	Accommodation for Royal Party (including retinue)	Shaft Horse Power	Patients	Estimated Cost
	Tons	Knots				£
"Victoria and Albert"	5,375	20	62	11,000	Not applicable	320,000
Royal Yacht, 1939 Design	5,000	22	74	10,000	Probably 200	1,000,000
"Britannia" ...	4,715	22	52	12,000	200	2,100,000

II

H.M. YACHT "BRITANNIA": LABOUR DISPUTES DURING CONSTRUCTION

During my examination on 1st June, 1954, I asked leave to reconsider the wording of paragraph 12 of the statement on the Royal Yacht "Britannia." I should now like to substitute the following paragraph:—

"12. By February, 1954, the estimate of total cost of the ship had risen to £2,100,000, taking into account the rise in price levels and also labour difficulties, intertrade disputes and lags in steel deliveries which contributed to delay. These factors, together with the need to meet the delivery date to fit in with the programme of the Royal Tour, led to the need for considerable overtime in the last few months before completion."

The actual dates of the labour difficulties and inter-trade disputes were as follows, but it was not until September, 1953, that their cumulative effect on the total cost and on the progress of the work as a whole was assessed:—

February, 1953 ...	...	Threat of strike of platers and riveters. Men left the Yard to hold meetings but a settlement was quickly reached.
March, 1953 ...	...	Strike of platers' helpers. This was because of a pay claim and it affected the whole of the Clyde.
April, 1953 ...	...	At the time of the launching of "Britannia," 16th April, 1953, 300 platers went on strike and returned to work on 21st April.
May 26th, 1953 ...	...	Strike of sheet iron workers.
June, 1953 ...	...	Platers, riveters, caulkers and welders went out for two weeks in sympathy with the sheet iron workers.

APPENDIX 14

PAPER forwarded by *Sir Godfrey Ince*, G.C.B., K.B.E., on 28th April, 1954

LOANS TO REMPLY LTD.: DISPOSAL OF CAPITAL ASSETS: NET ACCOUNTING

Joint Memorandum by the Treasury and the Ministry of Labour and National Service

1. Remploy Ltd., a Company formed under Section 15 (2) of the Disabled Persons (Employment) Act, 1944, has a total of 90 factories in operation employing nearly 6,500 seriously disabled workers under special conditions. It is engaged in making a wide variety of manufactured articles: frequent changes have to be made in the types of manufactures according to trade demands. The annual turnover is between £4,000,000 and £5,000,000.

2. Payments to Remploy by the Ministry fall under two subheads:—

K.1. Grants.—These are made to meet the *net* deficit on running expenditure. The grants in 1952-53 amounted to £2,217,770. Over £2,000,000 in respect of sales was netted under this subhead.

K.2. Loans.—Payments for the acquirement of new capital assets are expressed as loans, not in the expectation that the loan can be repaid from earnings but to maintain control over the Company's operations and to ensure that the assets are used for the purpose for which the money is issued. £158,830 was charged to this subhead in 1952-53. In addition, assets originally costing £22,743 were disposed of and fresh assets to that amount were purchased from the proceeds of sale (£14,275) and from revenue (£8,468) leaving the outstanding total of loan in respect of assets still held unchanged. It was this netting of expenditure, to the extent of £22,743, to which the Comptroller and Auditor General has drawn attention.

3. During 1952-53 Remploy were in process of re-organisation and adjusting their manufacturing activities to current markets with the object of improving their financial position. In the course of these operations it was necessary for the Company to dispose of certain items of machinery and equipment no longer wanted and to acquire others suited to their changed requirements. In order to give the Company's Directors all reasonable facilities to make such changes promptly when the need arose, a limited authority was given by the Ministry to Remploy to sell assets, other than land and buildings, which they no longer needed and to apply the proceeds for acquiring new equipment in addition to the amounts issued under Subhead K.2. In particular, the Ministry were anxious to avoid a situation in which necessary changes in manufacture might be delayed, and money wasted, because the annual amount provided for new loans was fully required for other purposes and could not readily be increased to finance a new change of manufacture except by using the proceeds of sale of assets no longer required. The Ministry were kept informed of the details of disposals, were consulted in advance in significant cases, and were satisfied that the dispensation did not result in any loss of departmental control or loss to the Exchequer.

4. As requested by the Committee, the Treasury and the Ministry of Labour and National Service have reviewed the procedure and have reached agreed proposals for future working which they submit below for the consideration of the Committee:—

(i) Loans are issued to enable Remploy to acquire capital assets. There is no virtue in maintaining the loan in respect of a particular asset when that asset has been disposed of. At that point the outstanding loan should be reduced either to the extent of the original cost (where the proceeds are surrendered to the Ministry) or by the amount of the loss on sale (where Remploy by agreement applies the proceeds of sale to the acquirement of new capital assets). The Appropriation Account should be suitably noted.

(ii) As a general rule it is preferable to treat loans formally, even though they are so expressed mainly for purposes of control and not in the expectation of receiving interest or repayment from earnings. For this reason the relaxation given to Remploy did not extend to land and buildings, which form the principal security for outstanding loans, and there is no suggestion that it should be so extended. In present circumstances, however, the Ministry feel that permission to dispose of capital assets other than land and buildings and to use the proceeds for the acquirement of new assets in the same broad category does no more than confer upon the Board of Remploy in this comparatively small field a measure of flexibility which they already enjoy in regard to running expenditure and a responsibility which they are expected

to discharge in that much wider field. The Treasury agree that this procedure would be appropriate provided that:—

- (a) there is a reasonable identity of purpose between the capital assets sold and those which replace them;
 - (b) the present oversight of changes is maintained by the Ministry;
 - (c) the Appropriation Account is suitably noted.
- (iii) Although the practice of financing the replacement of capital assets out of revenue is well recognised in industry and commerce, no useful purpose is served by Remploy's partial adoption of it and it is contrary to the established practice of controlling wholly grant-aided bodies. It will be discontinued.

5. The effect of these proposals, if approved, will be that the Ministry's Appropriation Account will show the actual sums which have been issued by way of Grant and Loan during the year. In addition, the Loans Subhead of the Account will be noted to show the extent of the purchases made during the year of fixed assets (other than land and buildings) from the proceeds of disposal of assets in the same broad category. A note will also be appended to the Statement of Outstanding Loans showing the amount of authorised reduction of the loan written down during the year.

APPENDIX 15

PAPER forwarded by Sir John Maud, K.C.B., C.B.E., on 8th July, 1954

COSTS OF LOCAL FUEL OFFICES

1. At their meeting on the 13th May, 1954, the Committee asked for a memorandum comparing the costs of the Local Fuel Offices in Birmingham and Glasgow and in Cardiff and Hull.

2. Local Fuel Overseers maintain registers of the controlled premises in their areas and of the merchants licensed to trade. They register every occupier of controlled premises with a merchant and amend the registers whenever premises change hands or occupants change their merchants. They ensure by the issue of licences for additional supplies, that every occupier whose requirements are recognised to be above the average is permitted to buy sufficient coal to meet his essential needs, and by the issue of priority directions that in emergencies coal is provided. They maintain for public inspection a schedule of the maximum retail prices of coal in force in their area, and on instructions from the Ministry's regional offices they amend the schedules and advise the merchants on the register of the amendments.

3. The amount of work which a Local Fuel Overseer is called upon to do is affected by many factors besides the size of his area or the number of controlled premises contained in it. The fuel burning habits of the householders are extremely important and these vary widely. The installation of appliances for the use of gas and electricity in substitution for coal for many purposes is much more prevalent in some areas than in others; alternative solid fuels which are not restricted, such as briquettes and small coal, are accepted in some parts of the country and are refused or are not available in others; households which include workers engaged in wet or dirty occupations or employed on shift work may require extra coal and these tend to be concentrated in particular areas. These and many other factors affect the degree to which householders are able or willing to submit to the present restrictions and on this ability or willingness the demands on the services of the Local Fuel Overseers very largely depend. The cost also varies considerably; the cost of staff varies according to grade and age or length of service, and to the availability of clerical labour; some authorities are able to supply accommodation without extra charge or to provide common services and extra assistance in peak periods without extra cost.

4. The comparative costs of Glasgow and Birmingham and of Cardiff and Hull for 1952-53 are as follows:—

	<i>Glasgow</i>	<i>Birmingham</i>	<i>Cardiff</i>	<i>Hull</i>
	£	£	£	£
Local Fuel Overseer	175	1,018	200	186
Other Staff	8,649	13,643	901	3,408
Postage, Telephones, &c.	1,151	1,605	200	278
Accommodation	152	1,343	361	625
	£10,127	£17,609	£1,662	£4,497
Number of staff excluding L.F.O.	26½*	33	3	9

* The figure of 21 quoted by the Comptroller and Auditor General was that in post on the 1st May, 1953. The staff varied from 18 to 30 a week and averaged 26½.

20216

U 3

5. Only from an appraisalment of the work involved and a knowledge of the local circumstances can it be judged whether the cost of any particular office is reasonable. The following table gives some indication of the work involved in the four offices under examination. Figures of callers, telephone and postage enquiries are not available but the numbers are quite substantial.

	<i>Glasgow</i>	<i>Birmingham</i>	<i>Cardiff</i>	<i>Hull</i>
Population...	1,089,000	1,112,000	245,000	299,000
Registered premises	376,000	377,000	82,000	105,000
Changes in registration of premises	22,921	32,187	7,233	6,586
Change of merchant	17,019	23,743	4,046	5,216
Licences for extra supplies	6,100	8,960	4,408	7,647
Coal Merchants	491	492	122	172

6. *Glasgow and Birmingham.* All the work of a local Fuel Office cannot be statistically assessed and figures alone, without regard to differences in local circumstances, are not a completely reliable guide to staff requirements. But taking account of all the circumstances of the two offices the Ministry is satisfied that the work at Birmingham is materially greater than that at Glasgow (possibly of the order of 1½ times more) and that the larger staff is justified. Of the difference in cost some £1,200 approximately is due to Glasgow being able to provide accommodation without charge and approximately £450 due to postage, telephones, etc. resulting from the difference in work. The remainder lies in the cost of the staff: the staff in Birmingham is larger than in Glasgow and the cost per head there higher. Glasgow employ only a part-time Overseer assisted by a seconded officer at £855 p.a. Birmingham employ a full-time Overseer but his highest paid assistant receives only £645 p.a. The staffs of both authorities are paid at rates recommended by the National Joint Industrial Council for Local Authority Services (Scotland) in the case of Glasgow and by the National Joint Council for Local Authorities Administrative, Professional, Technical and Clerical Services in the case of Birmingham. The staffs in both cases are mostly women clerks in the lowest grade. The scales of pay for these vary according to age and/or length of service. Those in Glasgow are paid at weekly rates on the appropriate local scale for temporary clerical staff, which in 1952-53 varied from £2. 10s. 6d. a week for a girl of 16 years of age to £5 12s. 6d. for an adult female clerk with six years service (at age 30), and £7 2s. 6d. for a male clerk with similar service. Glasgow appears to have no difficulty in getting suitable temporary staff on this basis; only four of the staff are on the maximum and at peak in 1952-53 six were juniors at under £5 per week.

Birmingham's staff are paid on a yearly basis on the recommended scales adopted by English local authorities, which in 1952-53 for the lowest grade varied from £128 p.a. for a girl of 16 years of age to £360 p.a. for a woman of 30 years and £450 p.a. for a man of the same age. Birmingham has found it virtually impossible to recruit junior staff on a temporary basis for this work in face of alternative employment available in the area, and no less than twenty of the staff are now on the maximum of their scale.

7. *Cardiff and Hull.* Again taking into account all known circumstances of the two offices the Ministry is satisfied that the volume of work at Hull is materially greater than at Cardiff. Compared with Cardiff the cost of Hull is high but Cardiff is one of the cheapest offices in the whole country. It is considered that in relation to the work involved the cost of the Hull office is reasonable. It is in line with that of other towns in the same region, e.g. Bradford (population 298,000) has 9 staff including the Overseer and Leeds (population 503,000) has 16; whereas Cardiff (population 245,000) is out of line with all large Welsh towns. Its staff of 3 plus 1 part-time L.F.O. (say 3½) compares with Merthyr's 2½ (population 61,000), Newport's 3½ (population 105,000) and Swansea's 4 (population 160,000). The main reason for this is the fact that the Overseer is the Coal Supplies Officer for the local authority with 30 years' experience of the trade; his knowledge of the local merchants and the fact that his Council job requires him to be in daily touch with depots in the city are particularly helpful and reduce the work in the local fuel office considerably.

As part of the policy of amalgamating offices wherever practicable, referred to in paragraph 66 of the Comptroller and Auditor General's Report, Cardiff has now taken over the Cardiff Rural District Office and one clerk with some 12,000 registrations at an expected saving of some £500 p.a. on the joint cost. Hull has taken over three districts with 20,000 additional registrations without extra staff and a saving of £1,000 p.a., its own work having declined in volume during the last year.

INDEX

Note: The references in this Index are to number of questions in the Minutes of Evidence, to pages in the Appendices and to paragraphs in the Reports.

A

ADMIRALTY:

Contracts, method of letting out, *Figures* 2623; *Lockspeiser* 2624.

Position of, re new fishery research vessel, *Lockspeiser* 2595; *Smith* 2599-602; *Tribe* 2602-4; *Figures* 2623-4.

Shareholding in Scottish National Housing Co., Ltd., *Tribe* 5691-3.

ADVANCES TO ALLIES, ETC.

Repayment of principal and interest, position, *Brittain* 5825-36.

AFRICAN TERRITORIES, ADMINISTRATION OF CERTAIN, p. 242.

AGRICULTURAL IMPROVEMENT COUNCIL, *Hitchman* 1619, 1622, 1643.

AGRICULTURAL LAND COMMISSION, land farmed by, *Hitchman* 1582.

AGRICULTURE:

Experimental husbandry farms, *Hitchman* 1624-34, 1647-60, 1671-6, 1678; *Tribe* 1652, 1665-6.

Fertiliser subsidies, schemes, *3rd Report* 62-5; *Hitchman* 1679-83, 1691, 1696, 1698, 1710, 1713-8, 1725-34, 1742-3, 1761-71, App. p. 495; *Tribe* 1685-7, 1691, 1698, 1729; *Glen* 1685, 1688-91, 1700-9, 1712, 1718-25, 1735-41, 1744-60; *Figures* 1692-5, 1696-7, 1711.

Horticultural stations, *Hitchman* 1631-2, 1640-6, 1654, 1663, 1676; *Tribe* 1652, 1665-6, 1671-6.

AGRICULTURE, DEPARTMENT OF, FOR SCOTLAND, construction of road in crofting areas, *3rd Report* 71-4.

AGRICULTURE AND FISHERIES, MINISTRY OF: Common lands, farming of, *Hitchman* 1583-5.

Grants by, *Hitchman* 1623.

Lands in possession, *Hitchman* 1579-81.

Loans by, scope of, and position re British Field Products Ltd., *Hitchman* 1586-618.

National Agricultural Advisory Service, *Hitchman* 1620-1, 1625-78; *Figures* 1639, 1677; *Tribe* 1652-3, 1665-6.

Use of National Land Fund, *Brittain* 5890-1.
20216

AIR SERVICES:

Aircraft, Military transport, conversion for carrying of special passengers, *Barnes, Helmore* 3254-404; *Tribe* 3262.

Aircraft and equipment, saving on, *Barnes* 3107-16.

Appropriation Accounts, 1951-52, *Special Report, App.* p. xxvii.

Deliveries from Ministry of Supply, adjustment of charges, *Humphreys-Davies* 3192-6; *Barnes* 3197-202.

Excess expenditure, Treasury Minute on 2nd Report, 1952-53, *Special Report, App.* p. vii.

Liquid fuels, prices and customs duty, increase, *Barnes* 3093-103.

Married quarters, financing of, *Barnes* 3104-6.

Messing, financial arrangements:

Figures 3058-60, 3068, 3072; *Barnes* 3061-7, 3069-71.

Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xxiii.

Office machinery, control, *Simpson* 2103-4, 2142-6.

Outturn of Account, surpluses, *Barnes* 3085-8, 3107-16.

Reserve strength, control of, *Barnes* 3083-4.

Services for United States Air Force, *Barnes* 3091.

Stations, farms and gardens and pig-breeding, *Barnes* 3117-91; *Tribe* 3159.

Stocktaking:

Losses, *Barnes* 3214-7.

Surplus, *Barnes* 3203-5.

System, *Tribe* 3208-9; *Barnes* 3210-3.

Virement between Votes of, *2nd Report*.

Wartime material unopened, *Barnes* 3206-7.

Works:

New and extensions, *Barnes* 3348-53.

Supplementary Estimates, form of, *Figures* 3073-7.

Under-expenditure, *Barnes* 3089-92, 3113-6.

Works services, expenditure control, *Figures* 3076-7; *Humphreys-Davies* 3078-9; *Tribe* 3080; *Barnes* 3080-2.

Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xxiii-xxiv.

AIRCRAFT, non-competitive contracts for, *Tribe* 5082; *Helmore* 5083, 5134, 5147.

AMERICAN AID COUNTERPART FUNDS, p. 478.

U 4

- ANDERSON, Mr. K., C.B., *see* LITTLE, Sir ALEXANDER, K.C.B., and others, 290-397, 514-734.
- ANTHRAX:
- Animals subject to infection from, *Ince* 1254-7.
 - Fall in incidence of, *Ince* 1231-6.
 - Government Wool Disinfecting Station:
 - Capacity, *Ince* 1242-9; *Tribe* 1242; *Special Report, App.* pp. xv-xvi.
 - Finance, *Ince* 1217-30, 1238-41, *Figures* 1237.
 - Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* pp. xv-xvi.
 - Internal and cutaneous, distinction between, *Ince* 1215-6.
- APPROPRIATION ACCOUNTS, 1951-52, comparison of audited expenditure with Exchequer issues and general Abstract, *Special Report, App.* pp. xxvi-xxviii.
- APPROVED SCHOOLS, SCOTLAND, p. 480.
- ARAB LEGION:
- Accounting and checking arrangements, *Turner* 3999-3000; *Tribe* 3000.
 - Functions and financial arrangements, *Turner* 2976-92.
 - Long life equipment loan to, *Turner* 2993-9.
- ARMY:
- Appropriation Accounts, 1951-52, *Special Report, App.* p. xxvii.
 - Arab Legion, *see that title*.
 - Command Secretaries and responsibilities, powers of, *Turner* 2957-60; Treasury Minute on 3rd Report 1952-53, *Special Report*, pp. xxi-xxiii.
 - Commands, local purchase of carpets by, Treasury Minute on 3rd Report 1952-53, *Special Report, App.* pp. xxi-xxiii; *Turner* 2957-65.
 - Excess expenditure, Treasury Minute on 2nd Report 1952-53, *Special Report, App.* p. vii.
 - Landing ships, *Jenkins* 2687, 2701-2, 2712, 2717.
 - Messing arrangements, *Figures* 3060; *Barnes* 3061-7, 3066.
 - Office machinery, control, *Simpson* 2103-4, 2142-6, 2161-3.
 - Reserve Forces, numbers, *Turner* 2966-75.
 - Store accounting and stocktaking, *Turner* 3542-59.
 - Territorial Army, 3rd Report 119-121; training camps, North Wales, history of proceedings *re, Turner* 3001-3056.
 - Use of Civil Contingencies Fund, *Brittain* 5871.
 - Virement between Votes of, 2nd Report.
- ARTS COUNCIL:
- Functions, *Williams* 5896, 5985-90.
- ARTS COUNCIL—*cont.*
- Grant in Aid to, and Grants by, 3rd Report 22-8; *Tribe* 5923.
 - Assessors *Williams* 5902, 5935-9; *Brittain* 5905.
 - Objects of, *Williams* 5949-55.
 - Opera and ballet, *Williams* 5975-81, 5999.
 - Local Authorities' support, *Williams* 5956-67.
 - Opera and ballet, artistes, *Williams* 5981-3.
 - Payments to Performing Rights Society, by subsidised societies, *Williams* 5993-8.
 - Picture collections, *Williams* 5933-5, 5968-74, 5984-5.
 - Treasury Organisation and Methods Branch, investigation and results, *Brittain* 5898, 5907; *Williams* 5899-901, 5902-3; *Tribe* 5901-4, 5906.
- AYRES, Mr. R. J., C.B.E.: 4436-607.
- Coal Industry Nationalisation Accounts, 4594-5.
 - Fuel and Power, Ministry of, oil pipelines, 4523, 4525-7.
- B**
- BAILEY, Mr. E. E., C.B., C.B.E., D.Phil., *see* HANCOCK, Sir HENRY, K.C.B., K.B.E., C.M.G., and BAILEY, Mr. E. E., C.B., C.B.E., D.Phil., 3919-4140.
- BALLACHULISH SLATE QUARRIES, Loan to, 3rd Report 123-125; *Emmerson* 2200-15, 2222-42, 2253, 2269-71, 2273-8; *Tribe* 2204, 2212, 2240, 2264, 2272; *Figures* 2216-22, 2243-9, 2268, 2272, 2276.
- BAMFORD, Sir ERIC, K.C.B., K.B.E., C.M.G.: 108-289, 2780-912, *App.* pp. 489-90.
- P.A.Y.E., under-payments, 108-10.
- Inland Revenue:
- Balance of tax in assessment and arrears due for collection, 108-16.
 - Building Societies, 221-37.
 - Fees, royalties etc., non-disclosure, 144-200.
 - Fraud and evasion, 134-220, 203.
 - Inspectors, 134-8.
 - Remissions and amounts abandoned, 117-33.
 - Returns of untaxed interest, 201, 209-20.
 - International Organisations, officials, exemption from income tax, 238-79, 2789, 2810-2, 2817-21, 2824-30, 2851-7, 2889, 2902-6, *App.* p. 489.
- Valuation Office:
- Saving on salaries, 280-9.
 - Staff, 287-9.
- BANK OF ENGLAND, remuneration of, for administration of Exchange Control, *Brittain* 481-500.
- BARNES, Sir JAMES, K.C.B., K.B.E.: 3058-405.
- Air Services:
 - Aircraft and equipment, 3107-16.

BARNES, Sir JAMES, K.C.B., K.B.E.—*cont.*Air Services—*cont.*

- Deliveries from Ministry of Supply, 3197-202.
 Liquid fuels, 3093-103.
 Married quarters, 3104-6.
 Messing arrangements, 3061-7, 3069-71.
 Military transport, conversion for carrying of special passengers, 3254-60, 3263-71, 3275, 3277, 3296, 3300, 3301, 3303-9, 3314-9, 3321, 3324, 3329-33, 3338, 3340, 3342-4, 3345, 3349-52, 3359-64, 3377, 3383-5, 3397-405.
 Outturn of Account, 3085-8, 3107-16.
 Reserve strength, control, 3083-4.
 Services for U.S. Air Force, 3091.
 Stations, farms and gardens and pig-breeding, 3117-91.
 Stocktaking, 3203-17.
 Works:
 Expenditure control, 3080-2.
 New and extensions, 3348-54.
 Under-expenditure, 3089-92, 3113-6.
 Bedford Royal Aeronautical Research Station, 3235-4.
 Farnborough Air Ministry Medical Research Establishment, 3218-29, 3231, 3232, 3234-44, 3245.

BATH, acquisition of hotel for nurses' home, *Hawton* 4774-8, 4784-97, 4824-6; *Figures* 4792-5.

BECHUANALAND CATTLE RANCH, *Rendell* 5380-3.

BEDFORD ROYAL AERONAUTICAL RESEARCH STATION, *Barnes* 3235-4; *Humphreys-Davies* 3245-6.

BIRMINGHAM, fuel control, cost of, *Tribe* 4546; *Maud* 4548-53, 4555-6, 4558.

BORNEO ABACA LTD., Colonial Development Corporation loss on, *Rendell* 5374-8.

BOWYER, Sir ERIC, K.B.E., C.B.: 3406-92.
 British Guiana Fibre Research Company, Ltd., Grant in Aid, 3408, 3417-31.

Materials, Ministry of:

- Accumulated chalk residue, 3490-2.
 Grants in Aid by, procedure *re* unpaid balances of, 3408.
 Strategic Stores:
 Committee, 3459.
 Storage, 3458-73.
 Timber reserve, 3488-9.
 Trading losses, 3474-87.

U.K.-Dominion Wool Disposals Ltd., 3432-57.

BRITISH COUNCIL:

- Agency service for Colonial Office on behalf of Colonial students, *Croom-Johnson* 2920.
 Audit of overseas expenditure, *Kirkpatrick* 2913-4; *Croom-Johnson* 2915-9; *Tribe* 2919.

BRITISH COUNCIL—*cont.*

- and Book Export scheme. *Croom-Johnson* 2935.
 Comparison with French activities, *Kirkpatrick* 2939.
 Functions and offices overseas, *Croom-Johnson* 2922, 2955; and working of, *Kirkpatrick* 2930-3, 2955.
 Future of, *Kirkpatrick* 2938.
 Grant in Aid, and expenditure, *Kirkpatrick* 2920; *Croom-Johnson* 2921, 2934.
 Hospitality, *Croom-Johnson* 2942-3; *Kirkpatrick* 2944-5.
 Overlapping with Colonial services, question of, *Kirkpatrick* 2940.
 Scholarships, etc., *Croom-Johnson* 2946-7.
 Staff, *Croom-Johnson* 2936-7.
 Salaries and conditions of service, *Croom-Johnson* 2941.
 Students' residences, *Croom-Johnson*, 2948-54.

BRITISH ELECTRICITY AUTHORITY, contribution to fuel research, *Maud* 4446.

BRITISH FIELD PRODUCTS, LTD., *Hitchman* 1586-618.

BRITISH GUIANA FIBRE RESEARCH COMPANY LTD., Grant in Aid, 3rd Report, 94-97; *Tribe* 3406-7, 3416; *Bowyer* 3408, 3417-31; *Figures* 3409-16.

BRITISH HONDURAS, Fort George Hotel, Belize, *Rendell* 5408.

BRITISH HONDURAS FRUIT COMPANY, *Rendell* 5384-5.

BRITISH MUSEUM: p. 480.

See also NATIONAL MUSEUMS AND GALLERIES, Trustees, *Vetch* 886-7.

BRITISH TRANSPORT COMMISSION:

- Contribution towards turbine engines research, *Maud* 4446.
 Railways, Civil defence *see under* Transport, Ministry of.

BRITISH TRAVEL AND HOLIDAYS ASSOCIATION:

- Advertising in North America by, and by shipping, air lines, etc., *Lee* 1475; *Figures* 1476-7.
 Contribution to Scottish Tourist Board, *Lee* 1470-5.
 Control, *Lee* 1463-6.
 Expenditure, *Lee* 1484-6, 1493-4. in U.K., *Lee* 1478-9.
 Films, co-operation with, and expenditure on, *Lee* 1486, 1493.
 Grant in Aid, *Lee* 1427-36; *Tribe* 1439, 1454, 1462-66.
 Overseas offices, *Lee* 1466, 1485.
 Propaganda and advertisements, *Lee* 1476-69, 1478-81, 1485.
 British Council and, *Lee* 1482-3.
 Relations with B.B.C., *Lee* 1487-90.

- BRITISH TRAVEL AND HOLIDAYS ASSOCIATION—*cont.*
 Subscriptions and donations to, *Lee* 1437-43, 1446-61, 1496; *Figures* 1444-5.
- BRITAIN, Sir HERBERT, K.B.E., C.B.:
 466-513, 735-998, 5735-999, App. pp. 486, 487-8.
 Advances to Allies, etc., 5825-36.
 Arts Council:
 Grants by, 5905, 5945.
 Treasury Organisation and Methods Branch investigation, 5898, 5905, 5907.
 Bank of England, remuneration of, 481-500.
 Civil Appropriation Accounts, percentage ratios of Surrender to Supply Grant, 467-8.
 Civil Contingencies Fund, 5842-66, 5869-72, App. pp. 487-8.
 Covent Garden Royal Opera House, Arts Council grant, 5923, 5924, 5944-6.
 Durham University, purchase of property, 955-9.
 English and Scottish Commercial Corporation, 5837-41.
 Excess Votes, 475-7.
 Exchange Control, 481-900.
 Medical Advisory Committee, 500-13.
 Government Departments:
 Estimating, 469-74.
 Supplementary Estimates, 474, 476-80.
 Local Authorities, borrowings, 5737-41, 5756-62, 5767, 5777, 5782-8, 5791-815, 5798, 5818-9.
 Local Loans Fund, 5735-43, 5762-71, 5815-8.
 London University, purchase of property, 960-1, 966.
 National Land Fund, 5873-95.
 National Museums and Galleries:
 Accounting Officer, 863-73.
 Audit of accounts, 753, 769.
 Assets, disposal and acquisition, 881.
 Insurance, 878-80.
 Bequests, 840-9.
 Collections, ownership, 824-7.
 Directors, appointment, 863-5.
 Purchase tax, 749-52, 754-9, 770-2.
 Purchases and publications, financial arrangements, 735-800.
 Records and Stock Survey of Collections, 801-13, 833, 846-9.
 Trust Funds, 737-44, 776-96.
 Trustees, 816, 823, 831, 850, 882-3, 886-7.
 Duties and responsibilities, meetings, etc., 814-5, 817-30, 840-2, 844-5, 851-9, 860, 866-78.
 Public Works Commission:
 Advances from, system, 5753-61, 5782, 5818-9.
 Issue of Reports and question of Account, 5744-7.
- BRITAIN, Sir HERBERT, K.B.E., C.B.—*cont.*
 United Kingdom Commercial Corporation, Ltd., 5821-4.
 Universities:
 Grants to, 977-97.
 Appropriation Accounts, form of, 977-80.
 for Housing of students, 981-8.
 from Industry, 971, 974-6.
 Non-recurrent, 989-90.
 Estimates and Appropriation Accounts, information in, 977-81.
 Grants or loans to, policy *re*, and conversion of loans into grants, 994-7.
 Universities and Colleges, constructional work by, control, 888-950.
 University Grants Committee, access by Comptroller and Auditor-General to records and papers of, App. p. 486.
- BROADCASTING (B.B.C.):
 Audit, *Jacob* 489-91, 593-5.
 Buildings and plant, depreciation, policy *re*, *Jacob* 719-34; *Figures* 722.
 Capital expenditure:
 Financing of, *Jacob* 560-72, 647; *Figures* 573-7.
 Programme, *Jacob* 568-70, 631-6.
 Civil defence, Treasury grant, 1954-55, *Little* 523.
 Copyright, recording and reproduction fees, *Jacob* 599-618.
 Councils for Scotland and Wales, *Jacob* 653-6.
 Developments, financing question, *Jacob* 687-98.
 Expenditure, control of, *Jacob* 587-95.
 Expenses, *Little* 533, 535, 537-8.
 External Services:
 Grant in aid to, *Little* 517, 527.
 Prescribing Departments and working party, *Little*, *Marett*, 527-30.
 Users of, *Little*, *Marett* 532.
 Financing of, *Jacob* 555-9, 677-9, 687; *Little* 517-21, 534, 539, 545-54; *Tribe* 522, 544, 554; *Anderson* 522; *Mrs. Johnstone* 540-2.
 Grant for Home and Television Services, *Little* 517; *Tribe* 522.
 Handing over of licence revenue to B.B.C., *Little* 518-21; *Tribe* 522.
 Income tax assessment position, *Jacob* 578-80, 584, 586; *Figures* 581-3, 585; App. pp. 486-7.
 Investments, interest and taxation, *Francis* 624-9, 638-42; *Jacob* 630, 632-8, 643-53; *Figures* 675-6.
 Licences:
 Collection cost, *Little* 535-9, 552-4; *Tribe* 554.
 Fees, evasion question and detection measures, *Little* 524-6.
 Issue to blind people, *Little* 543-4.
 Monitoring, *Little* 531; *Marett* 532.
 Performing rights, *Jacob* 596, 599, 600-18, 699-709.

BROADCASTING (B.B.C.)—*cont.*

Publications:

Financial position, circulation, etc.,
Jacob 658-74, 710-8.

"The Listener", *Jacob* 669-70.

Pamphlets for schools, *Jacob* 670-4.

"Radio Times", *Jacob* 659-718, 710-8.

Royalties, *Jacob* 597-8.

Staff pension schemes, *Jacob* 680-6.

Television:

Financial position, *Jacob* 619-23.

Licence fees, evasion, *Little* 524-6.

BRUSSELS TREATY ORGANISATION, *Kirkpatrick* 2814-5.

BUILDING MATERIALS AND HOUSING FUND,
Emmerson 2200-15, 2222-42, 2249-67,
2269-71, 2273-8; *Tribe* 2204, 2212, 2240,
2272; *Figures* 2268, 2272, 2276.

BURMA WAR DAMAGE PAYMENTS, p. 483.

C

CALLAN WILSON, Mr. J.: 5059-81.

Scottish Special Housing Association,
5080-1.

CAMPBELL, Mr. G. A.: 1882-925.

Festival Gardens, 1882, 1918, 1924.

CARDIFF, fuel control, cost of, *Tribe* 4546.

CARIBBEAN ISLANDS, loading facilities,
Rendell 5458-9.

CENTRAL LAND BOARD, p. 481.

CENTRAL OFFICE OF INFORMATION, p. 482.

CHARITY COMMISSION, p. 477.

CHILD CARE, ENGLAND AND WALES, p. 479.

CHILWELL ORDNANCE DEPOT:

Office machines, *Simpson* 2161.

Store accounting and stocktaking, *Turner*
3542-59.

CIVIL APPROPRIATION ACCOUNTS:

Percentage ratios of Surrender to Supply
Grant, *Brittain* 467-8.

CIVIL AVIATION:

Corporations, Exchequer grants, *Figures*
2625-8; *Tribe* 2629-34.

Treasury Minute on 3rd Report,
1952-53, *Special Report, App.* pp.
xvii.

Proteus aero engine, development cost,
Treasury Minute on 3rd Report, 1952-
53, *Special Report, App.* p. xix.

CIVIL AVIATION, Ministry of, p. 482.

CIVIL CONTINGENCIES FUND:

Capital limit, *Brittain* 5843-5.

Operations during 1952-53, *Brittain App.*
pp. 487-8.

Repayments to, p. 478.

CIVIL CONTINGENCIES FUND—*cont.*

Use of, and position *re* Parliamentary
control by Departments, *Brittain*, 5842,
5846-66, 5869-72; *Tribe* 5867-8.

CIVIL DEFENCE, Mobile Column, accom-
modation at Epsom, excess expenditure,
Emmerson 2080-4.

CIVIL DEFENCE SERVICES, p. 479.

CIVIL DEFENCE SERVICES, SCOTTISH, p. 479.

CIVIL SERVANTS, fraud and theft by, pro-
cedure in cases of, 3rd Report 80-82;
Figures 2178-84.

CIVIL SERVICE COMMISSION, p. 477.

CIVIL SERVICES, Appropriation Accounts,
1951-52, *Special Report, App.* p. xxvii.

CLARKE, Mr. R. W. B., C.B., O.B.E.:

Teachers' Superannuation schemes, 1193,
1210.

COAL BOARD, functions of, *Tribe* 4562,
4566; *Maud* 4563-81.

COAL INDUSTRY NATIONALISATION, accounts,
and compensation payments, *Maud* 4583-
93, 4602-7; *Ayres* 4594-5; *Figures*
4586-601.

COAL UTILISATION COUNCIL, *Maud* 4453.

COLONIAL DEVELOPMENT CORPORATION:

3rd Report 138-40.

See also particular schemes.

Expert advisers, *Rendell* 5479, 5490.

Functions, *Rendell* 5360, 5449-51.

Government guaranteed loans, *Rendell*
5354.

Loans by, *Rendell* 5301-7, 5310-5;
Figures 5308-9; *Lloyd* 5316-23, 5330.

Loans to, and interest rates, *Lloyd* 5290,
5296-8, 5321-6, 5329; *Figures* 5293;
Tribe 5293; *Drake* 5294-5; *Rendell*
5299-300, 5327-9.

Public utilities and works, *Lloyd* 5365,
5424; *Rendell* 5406-20, 5426; *Figures*
5421, 5423, 5425; *Drake* 5422, 5425.

Reorganisation, *Rendell* 5475-9, 5492.

Schemes, abandonment of certain, and
policy *re* writing-off of losses, *Rendell*
5332-45, 5348, 5352-3, 5368-70, 5371,
5378-9, 5452, 5480-9; *Lloyd* 5336-7,
5349-52.

Schemes and loans, policy *re*, *Lloyd*
5330-7; *Rendell* 5358-64, 5386, 5331,
5371-3, 5454.

COLONIAL DEVELOPMENT FUND, *Lloyd*
5365-6; *Drake* 5367.

COLONIAL FOOD YEAST, Ltd., *Scarlett* 2435,
2445-6, 2465, 2467; *Lloyd* 2435-72, 2478;
Figures 2473-7.

COLONIAL SERVICES:

Grants in aid:

Block grants system and use of surpluses, *3rd Report* 16-19; *Lloyd* 2356-64, 2372-93, 2394, 2396, 2400-2, 2403-11, 2415-25, 2429-30; *Scarlett* 2377-8, 2394-5, 2404, 2407; *Tribe* 2397, 2412, 2413; *Figgures* 2398-9, 2413, 2414, 2426-8.

Colonies receiving, Company tax and income tax rates, *Lloyd* 2364-71; *Scarlett* 2368-9.

Governors, *Lloyd* 2415-6, 2421-5.

COMMONWEALTH RELATIONS OFFICE, p. 479.

COMMONWEALTH SERVICES, p. 479.

COMPTON, Mr. E. G., C.B.:

Customs and Excise:

Extra-statutory remissions, 48, 81-5.
Remissions on passengers' luggage, 815.

CONSOLIDATED FUND SERVICES, Appropriation Accounts, 1951-52, *Special Report, App.* p. xxviii.

CORONATION OF HER MAJESTY, p. 478.

COUNTY COURTS, p. 479.

COVENT GARDEN, ROYAL OPERA HOUSE:

Arts Council financial control over, *Williams* 5927-9.

Foreign artists, *Williams* 5931-3.

Grants, *3rd Report* 25-26; *Williams* 5908-21.

for Paying off overdraft, *Williams* 5922, 5926-7, 5940-3; *Brittain* 5923, 5924, 5944-6; *Tribe* 5944, 5947.

Ministry of Works lease, *Brittain* 5945.

COX, Mr. W., O.B.E., see SIMPSON, Mr. J. R., and COX, Mr. W., O.B.E., 2088-199.

CROFT, Sir WILLIAM, K.C.B., K.B.E., C.I.E., C.V.O., and LLOYD, Mr. R. J., C.B.E.: 1-107.

Customs Co-operation Council, 106-7.

Customs and Excise, extra-statutory remissions, 7-45, 49-98.

Customs and Excise Department staff, 99-105.

Import duties, fall in, 1-2.

Purchase tax, 4-6, 34-6, 40.

CROOM-JOHNSON, Mr. H. P., O.B.E.: 2913-56.

British Council, 2915-30, 2934-7, 2940-3, 2946-54.

CROWN LANDS:

Queen's Hall and St. George's Hall sites, purchase, *3rd Report* 126-35, 3560-893.

Treasury Minute on *3rd Report* 1952-53, *Special Report App.* pp. xxiv-xxv.

See also under particular witnesses.

CROWN LANDS COMMISSIONERS:

p. 481.

Investments policy, procedure, etc., *Eastwood*, 3894-918.

CUSTOMS CO-OPERATION COUNCIL:

Croft 106-7.

CUSTOMS AND EXCISE:

Duty and tax remissions on passengers' luggage, *Croft*, 49; *Lloyd* 84, 92; *Tribe* 57, 65, 68; *Compton* 815.

Extra-statutory remissions: *Croft* 7-47.

Americans in U.K., *Croft* 93-8.

Cases for which statutory authority to be sought, *Croft* 39-40, 45.

Class, *Croft* 7-10; *Lloyd* 12-18, 24.

Individual, *Croft*, *Lloyd* 11, 19-23.

Treasury attitude, *Compton* 48.

CUSTOMS AND EXCISE DEPARTMENT:

Staff, *Croft*, *Lloyd* 99-105.

D

DEFENCE, MINISTRY OF:

p. 483.

Appropriation Accounts, 1951-52, *Special Report, App.* p. xxvii.

DEVELOPMENT AREAS:

Accounts, form of, *Tribe* 1545, 1547; *Figgures* 1569-71; *Lee* 1543-4, 1546-7, 1566-8, 1569.

Canteens, *Lee* 1565.

Depreciation, position *re*, *Lee* 1558-60, 1573-6.

Factories, policy *re* building of, *Lee* 1557, 1577-8.

Financial Assistance in, p. 481.

Gas and electricity expenditure, *Lee* 1563-4.

Schedule, removal of areas from, *Tribe* 1547; *Lee* 1547.

Services in, p. 481.

Trading Companies in, loans to, and assets, *Lee* 1534-42.

Trading estates, question of supply of statistics *re*, *Lee* 1548-56.

Unoccupied land, *Lee* 1561-2.

DEVELOPMENT FUND:

p. 481.

Contribution to peat burning research, *Maud* 4446.

DEVELOPMENT AND WELFARE (SOUTH AFRICAN HIGH COMMISSION TERRITORIES):

p. 479.

DEVONPORT, H.M. Dockyard, proposed extension and purchase of property, *Lang* 5707-31; *Tribe* 5721.

- DIPLOMATIC MISSIONS ABROAD, accommodation schemes and standards, *Figures* 1975, 1982, 1984; *Emmerson* 1976-9, 1983, 1985, 1985-6; Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xviii.
- DOMINICA, road scheme, *Lloyd* 5454-7.
- DRAKE, Mr. A. E., O.B.E.:
Colonial Development Corporation, 5294-5, 5422, 5425.
Colonial Development Fund, 5367.
- DUBLIN, new Chancery, furnishing, *Emmerson* 414-7.
- DURHAM UNIVERSITY, purchase of property, financing of, *Brittain* 955-9; *Hale* 962, 966; *App.* p. 490.
- E**
- EAST AFRICAN RAILWAYS AND HARBOURS ADMINISTRATION, advances in respect of loan to, *Scarlett* 2306-7, 2326, 2330-43; *Lloyd* 2308-29, 2342-51; *Tribe* 2325.
- EAST KILBRIDE MECHANICAL ENGINEERING RESEARCH STATION:
3rd Report 76-9.
Canteen, use of, etc., *Emmerson* 2018-9, 2021-5, 2031.
Laboratories, *Emmerson* 1997, 2001, 2011-5, 2026, 2027, 2030-2, 2035; *Figures* 2048.
Scheme, *Emmerson* 1987-2003, 2006-45; *Figures* 2004, 2007-10, 2046; *Mrs. Johnstone* 2004, 2005; *Tribe* 2004, 2006; *Tribe* 2004, 2006, 2046-50.
- EASTWOOD, Mr. C. G., C.M.G.: 3560-918.
Crown Lands, investments and policy, 3894-918.
Queen's Hall and St. George's Hall, 3566-82, 3590-602, 3610-59, 3675-99, 3703.
- EDUCATION, MINISTRY OF:
Milk in Schools scheme, *see that title*.
Teachers' Superannuation Schemes:
Actuarial review and estimates, *Figures* 1151-6, 1186-91, 1201, 1206, 1208, 1211-2; *Clarke* 1193, 1210.
Deficiencies, *3rd Report* 20-21; *Figures* 1164-6.
History of, and actuarial deficiency, *Flemming* 1140-51, 1157-63, 1167-91, 1196-8, 1208, 1213; *Tribe* 1149, 1161, 1207.
- EDUCATION AUTHORITIES, school meals, supplies for, purchase system, *Flemming* 1044-9, 1110-4; *Hancock* 1107-9.
- EMMERSON, Sir HAROLD, K.C.B., K.C.V.O.: 398-465, 1926-2089, 2200-78.
- EMMERSON, Sir HAROLD, K.C.B., K.C.V.O. —*cont.*
Ballachulish Slate Quarries, loan to, 2200-15, 2222-42, 2253, 2269-71, 2273-8.
Civil Defence Mobile Column, accommodation at Epsom, 2080-4.
Diplomatic Missions abroad, accommodation, 1976-9, 1983, 1985-6.
East Kilbride Mechanical Engineering Research Station, 1987-2045.
Hollow Clay Block Project, 2249-50.
Ireland, works and services, 398-400, 402, 409-61.
Leopardstown Hospital, 462-5.
Northern Ireland:
Customs Control Offices, 434.
Ministry of Agriculture, work for
Ministry of Food, accounting procedure, 433.
Reserved services, 418-9.
Police Training Centres, 2051-68, 2073-9.
Rio de Janeiro, Embassy, 1980-1.
Slaughterhouses, 2085.
Swynnerton, residential training school for Post Office engineering personnel, conversion of buildings, etc., 1935-6, 1947-9, 1951, 1954-63.
Whitehall Gardens, new Government Offices, 1966-8.
Works, Ministry of:
Building works:
Cost increases owing to rising prices and changes in plans, 1927, 1933, 1935-6.
Financial control, 1970-4.
Procedure by Departments, Ministry and Treasury, 1954.
Excess Votes, 398-403, 406-17.
Financial control, 404-5.
Junior officers, delegated authority, 2061, 2076.
- EMPLOYMENT SCHEMES, grants in respect of, p. 481.
- ENGLISH AND SCOTTISH COMMERCIAL CORPORATION, losses and winding-up position, *Brittain* 5837-41.
- EPSOM:
"Nonsuch" Brickworks, accommodation for Civil Defence Mobile Column, *Emmerson* 2080-4.
- EXCESS VOTES:
1st Report; Special Report, App. p. xxviii.
Treasury Minute on Second Report, 1952-53, *Special Report, App.* p. vi-vii; *Brittain* 475-7.
- EXCHANGE CONTROL:
Administration by Bank of England, *Brittain* 481-500.
Medical Advisory Committee, *Brittain* 500-13.
- EXCHEQUER AND AUDIT DEPARTMENT, p. 477.

EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, ENGLAND AND WALES, p. 480.

EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, SCOTLAND, p. 481.

EXPORT CREDITS, p. 481.

Special Guarantees, p. 481.

F

FALKLAND ISLANDS, freezer, *Rendell* 5408.

FARNBOROUGH, AIR MINISTRY MEDICAL RESEARCH ESTABLISHMENT, *Barnes* 3218-29, 3231, 3232, 3234-44, 3245; *Figures* 3230, 3233; *Humphreys-Davies* 3231, 3245-6.

FASLANE PORT, *Jenkins* 2687-93.

FESTIVAL GARDENS:

Construction contract and settlement, *King* 1909-14; *Campbell* 1924-5.

Financial position, *King, Procter* 1883-908, 1915-20, 1923; *Tribe* 1921-3.

FESTIVAL HALL, experimental heat and cooling pump, *Maud* 4460-70, 4474-85; *Figures* 4471-3, 4478.

FESTIVAL OFFICE, *Campbell* 1918.

FIGURES, Mr. F. E.:

Agriculture, fertiliser schemes, 1692-5, 1696-7, 1711.

Air Services:

Messing arrangements, 3058-60, 3072. Supplementary Estimates, 3073-7.

Works, expenditure control, 3076-7.

Anthrax, Government Wool Disinfecting Station, 1237.

Ballachulish Slate Quarries, loan to, 2216-22, 2243-9, 2268, 2272, 2276.

British Guiana Fibre Research Company, Ltd., grant in aid, 3409-16.

British Travel and Holidays Association, 1444-5, 1476-7.

Broadcasting:

B.B.C. investments, interest and taxation, Income tax position, 675-6, App. pp. 486-7.

Buildings and plant, depreciation, 722. Capital expenditure, 573-7.

Civil Aviation Corporations, Exchequer grants, 2625-8.

Civil Defence services, railways, 2653, 2654.

Civil servants, fraud and theft by, procedure in cases of, 2178-84.

Coal industry nationalisation accounts, 4596-601.

Colonial Development Corporation, 5293, 5308-9, 5421, 5423, 5425.

Colonial Food Yeast, Ltd., 2473-7.

Colonial Services, block grants and use of surpluses, 2398-9, 2413, 2414, 2426-8.

Development areas, 1569-71.

FIGURES, Mr. F. E.—cont.

Diplomatic Missions abroad, accommodation standards, 1975, 1982, 1984.

East Kilbride Mechanical Engineering Research Station, 2004, 2007-10, 2046, 2046-50.

Farnborough Air Ministry Medical Research Establishment, 3230, 3233.

Fishery research, Departments concerned with, 2592-4.

new Fishery research vessel, 2564-74, 2577, 2596, 2623-4.

Food, Ministry of, cold stores, control scheme, 4123-4.

Fuel research, 4440-2.

Fuel and power, experimental heat pump, 4471-3, 4478.

Harris, Island of, road scheme, 1794-8, 1839, 1841, 1881.

Henry Wood National Memorial Trust, 3888-93.

Hong Kong, grants to, 2433.

Hospitals, accounting system and expenditure control, 4923-33, 4942-7.

Income tax, assessment, 581-3, 585.

Industrial hostels:

Contribution from industry, question of, 4229.

Residents, non-Government employees, 4165.

International Organisations, officials, exemption from income tax, 2908.

Labour and National Service, training, maintenance allowances, 1284-5.

Llanfeirian Estates Company, 1639.

Materials, Ministry of, grants in aid by, procedure *re* unpaid balances of, 3409-16.

Milk in Schools scheme, 699-1000.

National Agricultural Advisory Service, 1639, 1677.

National Health Service:

Acquisition of property for hospital purposes, 4763, 4792-5, 4812.

Chemists:

Allowance to, to cover unpaid charges, 4964.

Remuneration, 4999-5001.

Local authority services, unit costing, 4840.

Salaries and wages awards, 4918-24, 4941, 4948-51.

Nuffield Trust, grant towards radio-astronomy research, 2510, 2536.

Office machinery, 2113-5.

Police Training Centres, 2069-72.

Post Office, Productivity Award, 363-4.

Post Office Savings Bank and Fund Accounts, 393, 394, 395, App. pp. 488-9.

Queen's Hall and St. George's Hall sites, 3560-5, 3583-90, 3603-9, 3660-76, 3699-725, 3730, 3738-68, 3771-7, 3806-10, 3830.

Remploy Ltd., 1405, 1409.

FIGURES, Mr. F. E.—*cont.*

- Scientific and Industrial Research Department:
 Expenditure, statutory authority for, 2489-93.
 Grants for investigation and research, Sub-head B, question of splitting up, 2538-45, 2549.
 Radio telescope, 2510, 2529-34, 2535-7.
 Scottish Special Housing Association, 5065, 5067-8, 5076, 5080.
 Supply, Ministry of, 165.
 New works, 4382-5, 4407, 4409, 4414-7.
 Swynnerton, residential training school for Post Office engineering personnel, conversion of buildings, etc., 1940-1, 1945-6, 1950.
 Teachers' Superannuation schemes, 1151-6, 1164-6, 1186-91, 1201, 1206, 1208, 1211-2.
 Transport, Ministry of:
 Commercial shipping services, 2881-2.
 Emigration shipping services, 2683.
 Trooping services, 2653, 2686.
 Virement, exercise of, 2652-3, 2654, 2686.
 Treasury:
 Office machinery, 2113-7.
 Schemes put before, approval in principle and subsequent increase in estimates, 2568-74, 2577.
 University Grants Committee, 2529-33.
 Whitehall Gardens, new Government Offices, 1969.
 Works, Ministry of:
 Building works, cost increases owing to rising prices and changes in plans, 1926-7, 1929-33, 1938-41, 1943-6, 1964, 1970-4.
 Financial control, 405.
 FIRE SERVICES, ENGLAND AND WALES, p. 479.
 FIRE SERVICES, SCOTLAND, p. 480.
 FISHERIES, SCOTLAND, p. 482.
 FISHERY RESEARCH:
 3rd Report 69-70.
 Departments concerned with, and collaboration question, *Lockspeiser* 2578, 2582, 2582-91, 2605-15; *Smith* 2578, 2590; *Tribe* 2579-81; *Figures* 2592-4.
 FLEMMING, Sir GILBERT, K.C.B.: 999-1214.
 Milk in schools scheme, 1004-139.
 Teachers' Superannuation schemes, 1140-51, 1157-63, 1167-91, 1196-8, 1208, 1213.
 FOOD, MINISTRY OF:
 Baking subsidy, effect on small bakers, *Hancock* 3964-87, 3995.
 Cattle:
 Grading, *Hancock* App. pp. 495-6.
 Irregularities in grading at Collecting Centre, 3rd Report 107-9; *Hancock* 4072-112; *Tribe* 4085, 4096, 4097.

FOOD, MINISTRY OF—*cont.*

- Cereals:
 Baking and flour subsidies, working of, *Hancock* 3919-4030; *Tribe* 3958, 3959, 4015-19, 4021-5, 4028.
 Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xx.
 Cold stores, control scheme, *Hancock* 4113-22, 4124; *Figures* 4123-4.
 Food subsidies and financial results, *Hancock* 4031-9, 4033.
 Meat, home-killed:
 Grading, 3rd Report 102-6; *Hancock* 4064-71.
 Losses, 3rd Report 102-6; *Hancock* 4066-71.
 Milk in Schools scheme, *see that title*.
 Milling Company, retention of public funds by, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xx.
 Oils and fats, sales to industrial users, *Hancock* 4034-9.
 Orange juice, purchase of, 3rd Report 98-101; *Hancock* 4040-63.
 Sardines, trading in, *Hancock* 4031-3.
 Strategic Reserves, p. 483.
 FOREIGN OFFICE:
 Arab Legion, *see that title*.
 German Section, p. 483.
 Grants and Services, p. 478.
 FOREIGN SERVICE, p. 478.
 FORESTRY COMMISSION, p. 481.
 FRANCE, loan to, repayment position, *Brittain* 5826.
 FRANCIS, Mr. J. G. L.:
See also LITTLE, Sir ALEXANDER, K.C.B., and others, 514-734.
 Broadcasting, investments, interest and taxation, 626-9, 638-42.
 FRIENDLY SOCIETIES REGISTRY, p. 481.
 FUEL EFFICIENCY ADVISORY SERVICE, *Maud* 4456-60.
 FUEL EFFICIENCY COMMITTEE, SCOTLAND, *Maud* 4557.
 FUEL AND POWER, MINISTRY OF:
 Economical utilisation of fuel, local authorities housing and, *Maud* 4453.
 Experimental heat pump, 3rd Report 74; *Maud* 4460-70, 4474-85; *Figures* 4471-3, 4478.
 Fuel efficiency, research, etc., cost of, and contributions to, *Maud* 4446-52.
 Fuel research, division of functions between Department of Scientific and Industrial Research and Ministry, 4436-9; *Figures* 4440-2.
 House coal distribution emergency scheme, *Maud* 4561-81; *Tribe* 4562, 4566.

FUEL AND POWER, MINISTRY OF—*cont.*

Local Fuel overseers and offices, grants to local authorities, and costs, *Maud* 4541-60, App. pp. 505-6; *Tribe* 4546-7, 4554.

Oil installations:

Scheme and employment of companies for carrying out, *Maud* 4486-99, 4505-14.

Secrecy question, *Maud* 4502-4.

Sites, securing of, *Maud* 4500-5.

Oil pipelines, laying of, during the war, and maintenance position, *Maud* 4515-40; *Ayres* 4523, 4525-7.

Research, statutory authority for, *Maud* 4438-9, 4454-5; *Figgures* 4441.

Underground gasification scheme, *Maud* 4450-2.

G

GERMANY, Army stores brought back from, stocktaking, and disposal of surplus, *Turner*, 3543, 3552-9.

GLASGOW:

Cathedral Choral Society, *Williams* 5991-3.

Fuel control, cost of, *Tribe* 4546; *Maud* 4548-53, 4555-6, 4558.

GLEN, Mr. A., C.B., M.C.: 1679-881.

Agriculture, Department of, for Scotland, fertiliser subsidy schemes, 1685, 1688-91, 1700-9, 1712, 1718-25, 1735-41, 1744-60.

Harris, Island of, road scheme, 1772-93, 1799-879.

GLYNDEBOURNE, Arts Council policy *re*, *Williams* 5948.

GOLDMAN, Mr. S., Income tax, Officials of International Organisations, 254-73.

GOVERNMENT ACTUARY, p. 477.

GOVERNMENT CHEMIST, p. 478.

GOVERNMENT DEPARTMENTS:

Estimating, method of, *Brittain* 469-74.

Schemes, estimating of total costs, *3rd Report* 74.

Supplementary Estimates, Treasury attitude, *Brittain* 474, 476-80.

GOVERNMENT HOSPITALITY, p. 478.

GOVERNMENT WOOL DISINFECTING STATION, *see under* ANTHRAX.

H

HALE, Sir EDWARD, K.B.E., C.B.: 888-998, App. p. 490:

Durham University, 962, 966, App. p. 490.
London University, purchase of property, 951-4, 963-5.

Universities and Colleges:

Capital expenditure, grants from industry, 972-3.

HALE, Sir EDWARD, K.B.E., C.B.—*cont.*

Universities and Colleges—*cont.*

Constructional work by, control, 905-9, 910, 919, 937, 939.

Grants, non-recurrent, saving on, 989.

Grants or loans to, policy *re*, and conversion of loans into grants, 991-4.

Property purchase with loans in aid, rule *re*, 960-1, 966-70.

Students, housing of, cost per place, 981-8.

HANCOCK, Sir HENRY, K.C.B.; K.B.E., C.M.G., and BAILEY, Mr. E. E., C.B., C.B.E., D.Phil., 999-1139, 3919-4140, App. p. 495-6.

Food, Ministry of:

Cattle grading, 4072-1112, App. p. 495.

Cereals, baking and flour subsidies, 3919-430.

Cold stores, control scheme, 4113-22, 4124.

Food subsidies, 4031-9, 4033.

Meat, home killed:

Grading, 4064-71.

Losses, 4066-71.

Oils and fats, sales to industrial users, 4034-9.

Orange juice, purchase of, 4040-63.

Milk in Schools scheme, 1001-139.

Queensland British Food Corporation, failure of scheme, 4125-40.

HARKESS, Mr. L. D., *see* LITTLE, Sir ALEXANDER, K.C.B. and others, 290-397.

HARRIS, ISLAND OF, road scheme, history of, cost, etc., *Glen* 1772-93, 1799-879; *Figgures* 1794-8, 1839, 1841, 1880.

HAWTON, Sir JOHN, K.C.B.: 4608-5058, App. pp. 490-5.

Hospitals:

Accounting system and expenditure control, 4942-7.

Cost accounting, 4730-4, 4738-47.

Costing, 5026-32.

Establishments, review of, 4698-707, 4721-2, 4728-9.

Farms and gardens, 4748-53.

Social Survey, 5032-4.

Stocks, reduction, 4934-6.

Store accounts and inventories, 5018-35, 5048-56.

Wages, method of payment, 5057-8.

National Health Service:

Acquisition of property for hospital purposes, 4755-811, 4803-9, 4829, App. pp. 492-3.

Ambulance service, unit costing, etc., 4834-5, 4849-52, 4855, 4858.

Central Register, App. pp. 493-5.

Chemists:

Allowance to, to cover risk of loss from unpaid charges, 4954-72.

Remuneration, 4611-2, 4614, 4671-4, 4995-8.

HAWTON, Sir JOHN, K.C.B.—*cont.*

National Health Service—*cont.*

Cost investigations and price discussions App. pp. 490-2.

Dentists, remuneration, 4609, 4612-3.

Dispensing, 4659-61.

Drugs:

Central purchase question, 4662.

Prices, 4620-1, 4624-7, 4648, 4656-8, 4666.

Slimming, 4652-3.

Local Authority services, unit costing, 4834-41.

Opticians, remuneration, 4610-1, 4612, 4616-9, 4663-5.

Prescribing 4621-3, 4628-31, 4642-7, 4649-51, 4666-8, 4687-96.

Remuneration and profits, 4830-3.

Awards, 4913-7, 4925-41, 4952-3.

HEALTH, DEPARTMENT OF, SCOTLAND, p. 481.

HEALTH, MINISTRY OF, p. 481.

HELMORE, Sir JAMES, K.C.B. K.C.M.G.: 3254-405, 4141-435, 5082-165.

Air Services, conversion of military transport for carrying of special passengers, 3261-2, 3272-301, 3302-3, 3306-14, 3318, 3320-8, 3334-41, 3344-5, 3346-58, 3362-4, 3365-75.

Industrial Hostels, charges, 4175.

South Africa, Gold Mining Companies, loans to, 4424.

South Australia, State of, loan to Government of, 4425-6.

Supply, Ministry of:

Aircraft engine programme, reviews of, 4141-2.

Contract Officers, 5163-4.

Contractors, assisted, Ministry control of plans and equipment, 4231-52, 4254-86.

Contracts, non-competitive, 5083-164.

Loans outstanding, 4424-35.

Machine tools, 4287-379.

Motor vehicles, 5083, 5085, 5125-46.

New works, 4380, 4408, 4411-3, 4418-23, 4385-40.

Tank factory scheme, 4386-406, 4408, 4411-3, 4418-23.

HENRY WOOD NATIONAL MEMORIAL TRUST, *Figures* 3888-93; *Root* 3890.

HERRING INDUSTRY, p. 482.

HIGHLANDS AND ISLANDS OF SCOTLAND, construction of road, *3rd Report* 71-4.

HITCHMAN, Sir ALAN, K.C.B.: 1579-771, App. p. 495.

Agricultural Improvement Council, 1619, 1622, 1643.

Agricultural Land Commission, land farmed by, 1582.

HITCHMAN, Sir ALAN, K.C.B.—*cont.*

Agriculture and Fisheries, Ministry of:

Common lands, farming of, 1583-5.

Experimental husbandry farms, 1624-34, 1647-60, 1671-6, 1678.

Fertilisers subsidy schemes, 1679-83,

1691, 1696, 1698, 1710, 1713-8,

1725-34, 1742-3, 1761-71. App.

p. 495.

Grants by, 1623.

Horticultural stations, 1631-2, 1640-6, 1654, 1663, 1676.

Lands in possession, 1579-81.

Llanfeirian Estates Company, 1635-8.

National Agricultural Advisory Service, 1620-1, 1625-78.

British Field Products Ltd., 1586-618.

HOLLOW CLAY BLOCK PROJECT, *Emmerson* 2249-50.

HOME DEPARTMENT, SCOTTISH, p. 478.

HOME OFFICE, p. 479.

HONG KONG, grants to, *Lloyd* 2370, 2432, 2433-4; *Tribe* 2432; *Scarlett* 2432; *Figures* 2433.

HOSPITALS:

Cost accounting and expenditure control, *Hawton* 4730-4, 4738-47, 4942-7; *Smith* 4735-7, 4740-2; *Treasury Minute* on 3rd Report, 1952-53, *Special Report* App. p. xi.

Costing, Nuffield Trust investigation, and King Edward Fund and working party re, *Hawton* 5026-32, App. pp. 490-2.

Establishments, review of, *Treasury Minute* on 3rd Report, 1952-53, *Special Report*, App. pp. x-xi.

and Results, *Hawton* 4698-707, 4720, 4728-9; *Smith* 4708-17, 4729; *Figures* 4712.

Farms and gardens, *Hawton* 4748-53; *Treasury Minute* on 3rd Report, 1952-53, *Special Report*, App. pp. xi-xii.

Heating, central boiler scheme, *Smith* 4901-12.

Heating costs at certain Scottish Hospitals, *Treasury Minute* on 3rd Report 1952-53, *Special Report*, App. pp. xiv-xv, 12-3.

Inventories, *3rd Report* 58-61; *Treasury Minute* on 3rd Report 1952-53, *Special Report*, App. p. xii, *Hawton* 5018-35, 5042-5, 5048-56; *Smith* 5022, 5024-5, 5036-41, 5046-7.

Nursing staffs, review of, and results, *Hawton* 4721-8.

Property acquired for hospital purposes, *3rd Report* 42-45; *Hawton* App. p. 492-3; *Treasury Minute* on 3rd Report 1952-53, *Special Report*, App. pp. xii-xiii.

Social Survey, *Hawton* 5032-4.

Stocks, reduction, *Hawton* 4934-6.

Wages, method of payment, *Hawton* 5057-8.

HOTEL INDUSTRY, grants to, by Board of Trade, *Lee* 1495-533; *Tribe* 1530.

HOUSE OF COMMONS, p. 477.

HOUSE OF LORDS, p. 477.

HOUSES OF PARLIAMENT BUILDINGS, p. 482.

HOUSING, ENGLAND AND WALES, p. 480.

HOUSING, SCOTLAND, p. 481.

HOUSING AND LOCAL GOVERNMENT, MINISTRY OF, p. 480.

HULL, fuel control, cost of, *Tribe* 4546.

HUMPHREYS-DAVIES, Mr. G. P., C.B.:

Air Services:

Deliveries from Ministry of Supply, 3192-6.

Works, expenditure control 3078-9.

Bedford Royal Aeronautical Research Station, 3245, 3246.

Farnborough, Air Ministry Medical Research Establishment, 3231, 3245-6.

I

IMPERIAL WAR GRAVES COMMISSION, p. 479.

IMPERIAL WAR MUSEUM, p. 480.

See also NATIONAL MUSEUMS AND GALLERIES.

IMPORT DUTIES, fall in receipts, *Croft* 1-2.

INCE, Sir GODFREY, G.C.B., K.B.E., and MAHER, Mr. C. E.: 1215-426, App. pp. 504-5.

Anthrax, 1215-6, 1231-6, 1254-7.

Government Wool Disinfecting Station, 1217-30, 1238-49.

Labour and National Service, Ministry of, training:

Able-bodied persons, 1258.

Advantages to employers, 1263-6.

Contributions by employers, 1273-4.

Disabled persons in Employers' establishments, 1258, 1261, 1267-72, 1275, 1286-91.

Government training centres, 1294-7, 1300-97.

Industries for which given, 1259-62.

Maintenance allowances, 1263-4, 1281-2.

ex-Regulars, 1259.

Resettlement, difficult cases, 1276-80.

Remploy Ltd., 1395-408, 1411, 1412-7, 1418, App. pp. 504-5.

INCOME TAX, see under INLAND REVENUE DEPARTMENT.

INLAND REVENUE DEPARTMENT:

Fraud and evasion, *Bamford* 134-220, 203.

Income tax:

Balance of tax in assessment and arrears due for collection, *Bamford* 108-16.

Building Societies, collection of tax on income from investments in, arrangements, *Bamford* 221-37.

INLAND REVENUE DEPARTMENT—cont.

Income tax—cont.

Exemption of officials of International Organisations, 3rd Report 1, 2; 3-7; *Bamford* 238-79, 2810-12, 2817, 2830, 2851-7, 2889, 2902; App. pp. 489-90; *Tribe* 239-41, 249, 273, 2801-3, 2804, 2828, 2833-6, 2849; *Goldman* 254-73; *Kirkpatrick* 817, 2780, 2831, 2837-41, 2845-8, 2858-90, 2906-10; *Vallat* 2801-3, 2833-6, 2842-4, 2881; *Webb* 2790, 2822, 2849-50, 2889-91; *Figures* 2908.

Orders in Council, 3rd Report, *Bamford* App. pp. 489-90.

Statutory Orders, position re, *Bamford* 2829-30, 2851-7; *Kirkpatrick* 2846-8, 2858-65, 2877-88, 2899, 2909-12; *Webb* 2849, 2889-90, 2890; *Vallat* 2881; *Figures* 2908.

Fees, royalties, etc., non-disclosure of, *Bamford* 144-200.

Inspectors, recruitment and training, *Bamford* 134-8.

Overlapping payments, p. 478.

P.A.Y.E., under-payments, *Bamford* 108-10.

Remissions and amounts abandoned, *Bamford* 117-33.

Insolvency, *Bamford* 119-20.

Liability not enforceable, *Bamford* 127-33.

Realisation of securities, *Bamford* 121-2.

Settlements, *Bamford* 123-6, 130.

Returns of untaxed interest, *Bamford* 201, 209-20.

Valuation Office:

Salaries, saving on, owing to postponement of valuations, *Bamford* 280-89.

Staff, *Bamford* 287-9.

INTERNATIONAL BANK, Officials, tax exemption position, *Tribe* 2849; *Webb* 2849-50.

INTERNATIONAL ORGANISATIONS (IMMUNITIES AND PRIVILEGES) ACT, 1950, application of, *Kirkpatrick* 2782-5.

INTERNATIONAL ORGANISATIONS, OFFICIALS: Customs position, *Kirkpatrick* 2901.

Income Tax exemption, see under Income Tax.

INTERNATIONAL WHEAT COUNCIL, Officials, exemption from income tax, *Bamford* 275-6.

IRELAND:

Works and Services:

Agency system, *Emmerson*, 398-400, 402, 432-4, 443-61.

Excess expenditure, *Emmerson* 398.

Furniture and fittings, *Emmerson* 398, 409-31, 435-42.

IRISH LAND PURCHASE SERVICES, p. 480.

J

JACOB, Lieut.-General Sir IAN, K.B.E., C.B., *see* LITTLE, Sir ALEXANDER, K.C.B., and others, 514-734.

JAMAICA PUBLIC SERVICE Co., loan to, *Rendell* 5446-6; *Tribe* 5447; *Lloyd* 5448.

JENKINS, Sir GILMOUR, K.C.B., K.B.E., M.C.: 2625-779.
Driving tests, fees, 2635-50.
Faslane Port, 2687-93.
Motor cars, television licences, 2651.
Transport, Ministry of:
Civil defence services, railways, 2655-80, 2685-6.
Landing ships, chartering of, 2694-779.
Virement, exercise of, 2655-80, 2684-5.

JOHNSTONE, Mrs. D. C. L.:
Broadcasting, financing of, 540-2.
East Kilbride Mechanical Engineering Research Station, 2004, 2005.
Office machinery, 2094-7.
Police Training Centres, 2069.
Queen's Hall and St. George's Hall, 3667-8.
Swynnerton, residential training school for Post Office engineering personnel, conversion of buildings, etc., 1942.
Works, Ministry of; building works, cost increases owing to rising prices and changes in plans, 1937, 1942, 1952-3.

JORDAN, Arab Legion, *see that title*.

K

KENYA, housing project, *Rendell* 5434-43; *Lloyd* 5444-5.

KING, Lieut.-General Sir CHARLES, K.B.E., C.B.: 1882-925.
Festival Gardens, 1883-7, 1896-916, 1919.

KING, Sir GEOFFREY, K.C.B., K.B.E., M.C.: 5166-289.
National Insurance:
Cards destroyed or lost, 5244, 5255-86.
Contributions, under-payment, 5166-225, 5226-37, 5240.
Domestic service, 5194-9.
Employers, non-compliance by, 5192-9, 5241-2.
Prosecutions and policy *re*, 5174, 5205-7, 5212-23.
Retirement on pension, taking up further work, 5238-9.
Special contribution record, 5243.
National Insurance Fund, investments, transfer, 5287.

KIRKPATRICK, Sir IVONE, G.C.M.G., K.C.B.: 2780-956.
British Council, 2913-4, 2930-3, 2938-41, 2955-6.

KIRKPATRICK, Sir IVONE, G.C.M.G., K.B.E. —*cont.*

International Organisations, Officials, exemption from income tax and position *re* Statutory Orders, 2781-801, 2805-16, 2831, 2831-2, 2837-41, 2845-8.

KIRWAN, Mr. G. D., C.B., M.C.: 5735-820.
Local authorities, borrowing, 5749.
National Debt Commissioners, functions, 5750-2, 5772-6.
Public Works Loan Commissioners, advances from, system, 5755, 5772-6.

L

LABOUR AND NATIONAL SERVICE, MINISTRY OF:

Anthrax disinfection, Treasury Minute on 3rd Report, 1952-53, *Special Report*, *App. pp. xv-xvi*.

Government Training Centres:

Closures, *Ince* 1326-30.
Cost of, *Ince* 1307-15; *Maher* 1321-5, 1331-3; *Tribe* 1310, 1332.

Location of, *Ince* 1305-6.

Number in operation and occupation, *Ince* 1302-4.

Period of training in, *Ince* 1296-7, 1300.

Placings in employment, *Ince-Maher* 1383-97; *Tribe* 1395.

Premature completion of training, *Ince* 1342-53, 1357, 1360-3, 1367-77; *Tribe* 1357.

Size, *Ince* 1334-6.

Staff, *Ince* 1316-21, 1337-41.

Trainees, selection of, *Ince* 1353-9, 1364-6; *Tribe* 1357, 1378-82.

Type of training, *Ince* 1294-5.

Remploy Ltd., tools and equipment, replacement, accounting, *Ince* 1395-408, 1411, 1412-7, 1418-21; *App. pp.* 504-5; *Figures* 1405, 1409, 1412-7, 1418; *Tribe* 1410, 1421-6.

Training:

Advantages to employers, *Ince* 1265-6.
Contributions by employers, question of, *Ince* 1273-4.

in Employers' Establishments, *Ince* 1267-72, 1275, 1286-91, 1301.

Industries for which training given, *Ince* 1259-62, 1298.

Maintenance allowances, *Ince* 1263-4, 1281-3; *Figures* 1284-5, *Tribe* 1292-3.

Persons whose resettlement presents special difficulty, *Ince* 1276-80.

and Rehabilitation:

Able-bodied persons, *Ince* 1258.

Disabled persons, *Ince* 1258, 1261.

ex-Regulars, *Ince* 1259.

LAND REGISTRY, p. 479.

LANG, Sir JOHN, G.C.B.: 5494-734, *App. pp.* 501-3.

Devonport Dockyard, proposed extension, 5707-31.

LANG, Sir JOHN, G.C.B.—*cont.*

Navy:

- Aircraft, partial cancellation of order for, 5674-81.
- "Britannia," 5526-645, 5604-6; App. pp. 501-3.
- "Daring" class vessels, 5494-513.
- Dockyards, Scottish land, purchases, 5732-4.
- "Eagle" aircraft carrier, 5494, 5497, 5516-8.
- Fleet destroyers, conversion into anti-submarine frigates, 5646-73.
- "Gothic," 5535, 5607-12.
- Hospital ship, cancellation of order for, 5682-9.
- Machinery and machine tools, purchase from America, 5695-702.
- Shipbuilding:
 - Modifications during, 5514-5.
 - in Royal Dockyards and private yards, comparison of cost, 5646-73.
 - Ships, crew accommodation, 5516-25.

LAW CHARGES, p. 479.

LAW CHARGES AND COURTS OF LAW, Scotland, p. 480.

LEE, Sir FRANK, K.C.B., C.M.G.: 1427-578.

- British Travel and Holidays Association, 1427.
- Development areas and trading estates, 1534-68.
- Hotel Industry, grants to, 1495-533.

LEOPARDSTOWN HOSPITAL (IRELAND), excess expenditure, *Emmerson* 462-5.LIGHT OILS PRODUCED IN U.K., Excise duty, *Croft* 37-8.

LITTLE, Sir ALEXANDER, K.C.B., and others: 290-397, 514-734.

Broadcasting:

- Buildings and plant, depreciation, 719-34.
- Capital expenditure and programme, 560-72, 631-6, 647.
- Civil defence, 523.
- Councils for Scotland and Wales, 653-6.
- Expenditure, control of, and audit, 587-95.
- Expenses, 533, 535, 537-8.
- External Services, 527-30, 532.
- Financing of, 517-22, 534, 539, 545-59, 677-9, 687.
- Income tax assessment, 578-80, 584, 586.
- Investments, interest and taxation, 630, 632-8, 643-53.
- Licences:
 - Collection cost, 535-9, 552-4.
 - Fees, evasion question, 524-6.
 - Post Office Agreement, 380-9.
- Monitoring, 529-30, 532.
- Performing rights, royalties, etc., 596, 618, 699-709.

LITTLE, Sir ALEXANDER, K.C.B. and others—*cont.*Broadcasting—*cont.*

- Publications, 658-74, 710-8.
- Staff pension schemes, 680-6.
- Television, financial position, 619-23.
- Post Office:
 - Agreement with B.B.C., 380-9.
 - Cable and telephone production, Monopolies Commission Report, 314.
 - Commercial Accounts, 375, 376, 377-8.
 - Employees, 368-9.
 - Equipment:
 - Bulk supply agreements and non-competitive tendering, 290-332, 341-3.
 - Cables, prices, comparison with German, 308-11.
 - Competitive v. non-competitive tendering, 333-40.
 - Patents, 344-5.
 - Purchase from abroad, 305-7.
 - Purchase from independent firms, 297-8.
 - Incentive scheme of individual awards, question of, 357-9, 362.
 - Losses, 372-4.
 - Money Orders, fraud in connection with, and system of control, 346-50.
 - Postal Orders, 349, 365, 367, 368.
 - Productivity award, 351-62.
 - Savings Bank and Fund Accounts, 390-4, 397.
 - Vehicles, raids on, 374.

LLANBEDR, Airfield and Territorial Army training facilities, *3rd Report* 119-21; *Turner* 3002-3.LLANFEIRIAN ESTATES COMPANY, ANGLESEY, grant from Development Fund, *Hitchman* 1635-8; *Figures* 1639.LLOYD, (Mr. R. J., C.B.E., see *CROFT*, Sir WILLIAM, K.C.B., K.B.E., C.I.E., C.V.O., and LLOYD, Mr. R. J., C.B.E., 1-107.

LLOYD, Sir THOMAS, G.C.M.G., K.C.B.: 2279-478, 5290-493.

Colonial Development Corporation:

- Loans by, 5316-23, 5330.
- Loans to, 5290, 5296-8, 5321-6, 5329.
- Public utilities and works, 5365, 5424.
- Schemes, abandonment of certain, 5536-7, 5349-52.

- Schemes and loans, policy *re*, 53310-7.
- Colonial Development Fund, 5365-6.
- Colonial Food Yeast, Ltd., 2435-72, 2478.

Colonial Services:

- Block grants system and use of surpluses, 2356-64, 2372-87, 2396, 2400-11, 2415-25, 2429-30.
- Colonies receiving grants in aid, Company tax and income tax, 2364-71.
- Dominica, road scheme, 5454-7.
- Hong Kong, grants to, 2370, 2432, 2433-4.

LLOYD, Sir THOMAS, G.C.M.G., K.C.B.—
cont.

Jamaica Public Service Co., loan to, 5448.

Kenya, housing project, 5444-95.

Niger Agricultural Project, 5400-1.

Overseas Food Corporation:

Advances to East African Railways
and Harbours Administration,
2308-29, 2342-51.

Position of, 2311-2.

Receipts, 2352, 2355.

Winding up, 2300-1.

LOBATSI ABATTOIR SCHEME, *Rendell* 5346-7,
5387-94, 5460-8.

LOCAL AUTHORITIES, borrowings of,
Brittain 5737-41, 5756-62, 5767, 5777-807,
5782-4, 5792-807; *Kirwan* 5749, 5757,
5806-15.

for Housing, *Brittain* 5757, 5782-8, 5791,
5798, 5818-9.

for Schools, *Brittain* 5777.

LOCAL LOANS FUND:

Advances from Consolidated Fund, com-
parison with estimates, *Brittain*
5735-43.

Interest rates, *Brittain* 5762-71, 5815-8.

Repayments to, p. 478.

LOCKSPEISER, Sir BEN, K.C.B., F.R.S.:
2479-624.

Fishery research, Departments concerned
with, and collaboration question, 2578,
2582-91, 2605-14.

new Fishery research vessel, provision of,
2562-3, 2595.

Nuffield Trust, grant towards Radio-
astronomy research, 2510.

Scientific and Industrial Research De-
partment:

Activities, 2487-8.

Grants for investigation and research,
Subhead B, question of splitting up,
2545-9.

Radio telescope, 2479-86, 2494-6,
2510-6, 2518, 2524, 2528, 2550-61.

White Fish Authority, 2582-5.

LONDON, Hotel acquisition for nurses' home or training school and abandonment of scheme, *Hawton* 4772-4.

LONDON COUNTY COUNCIL, and Festival Gardens Ltd., *King, Procter* 1888-93, 1903, 1907; *Campbell* 1918.

LONDON MUSEUM, p. 480.

LONDON UNIVERSITY:

Purchase of property from Bedford Estate:

Financing of, Treasury Minute on 3rd Report, 1952-53, *Special Report*, App. ix.

Hale 951-4; *Tribe* 952; *Brittain* 960-1, 963-5, 966.

M

MAHER, Mr. C. E., *see* INCE, Sir GODFREY, G.C.B., K.B.E., and MAHER, Mr. C. E., 1215-426.

MALAYAN ELECTRICITY BOARD, loans to, *Rendell* 5303, 5314, 5355.

MANCHESTER:

Cattle Market, irregularities in grading at, and measures *re*, *Hancock* 4072-112; *Tribe* 4085, 4096, 4097.

Radio-astronomy research, *see* Scientific and Industrial Research Department.

MARETT, Mr. R. H. K., *see* LITTLE, Sir ALEXANDER, K.C.B., and others, 514-734.

MATERIALS, MINISTRY OF: p. 483.

Accumulated chalk residue, *Bowyer* 3490-2.

Grants in aid by, unpaid balances of, procedure *re*, *Tribe* 3406, 3416; *Bowyer* 3408; *Figures* 3409-16.

Storage, precautions *re*, inspection, security, insurance etc., *Bowyer* 3458-73.

Strategic stores:

Committee, *Bowyer* 3459.

Storage organisation, *Bowyer* 3465.

Timber reserve, *Bowyer* 3488-9.

Trading losses, *Bowyer* 3474-87.

MAUD, Sir JOHN, K.C.B., C.B.E.: 4436-607, App. pp. 505-6.

Coal Board, functions of, 4563-81.

Coal industry nationalisation accounts, 4583-93, 4602-7.

Coal Utilisation Council, 4453.

Economic utilisation of fuel, housing, 4453.

Fuel Efficiency Advisory Service, 4456-60.

Fuel efficiency, research, etc., cost and contributions to, 4446-52.

Fuel Emergency Committee, Scotland, 4557.

Fuel and Power, Ministry of:

Experimental heat pump, 4460-70, 4474-85.

House coal distribution emergency scheme, 4561-81.

Local fuel overseers and offices, 4541-60.

Oil installations scheme, 4486-514.

Oil pipelines, laying of, during the war, and maintenance position, 4915-40.

Research, statutory authority for, 4438-9, 4454-5.

Fuel research:

Division of functions between Ministry and Department of Scientific and Industrial Research, 4436-98.

Turbine engines, 4442-5, 4446.

Local Fuel Offices, costs of, App. p. 505-6.

Underground gasification scheme, 4450-2.

MERCANTILE MARINE SERVICES:

p. 481.

- MERCHANT SEAMEN'S WAR PENSIONS:
p. 482.
- MIDDLE EAST, Army stores from, stock-taking, and disposal of surplus, *Turner* 3543, 3552-9.
- MILK MARKETING BOARD:
Financial arrangements with Ministry, Treasury Minute on 3rd Report, 1952-53, *Special Report*, App. p. xix.
- MILK IN SCHOOLS SCHEME:
and Administration of Milk Marketing Scheme, *Hancock* 1001, 1043, 1053, 1098-102.
Over-purchasing, over-consumption, etc., check on, *Hancock* 1039-47, 1051-2, 1066-8, 1070; *Flemming* 1069-70.
Tendering, question of system, *Flemming* 1020-30, 1050, 1071-90, 1110-26; *Hancock* 1084, 1087, 1088, 1091-7, 1103-9, 1116, 1127.
Transfer to Ministry of Education, position *re*, *Figgures* 999-1000; *Flemming* 1003, 1009-19, 1031-33, 1056-60, 1065, 1128-9, 1132-9; *Hancock* 1004-9, 1054-5, 1060-4, 1130-2.
Treasury Minute on 3rd Report, 1952-53, *Special Report*, App. pp. xix-xx.
Working of, by Ministry of Food, *Flemming* 1035-7; *Hancock* 1038.
- MINISTRY OF AGRICULTURE AND FISHERIES, *see* AGRICULTURE AND FISHERIES, MINISTRY OF.
- MINISTRY OF SUPPLY, *see* SUPPLY, MINISTRY OF.
- MINT, p. 478.
- MISCELLANEOUS EXPENSES, p. 478.
- MISCELLANEOUS LEGAL EXPENSES, p. 479.
- MISCELLANEOUS WORKS SERVICES, p. 482.
- MUSGRAVE, Mr. F. C., C.B.: 4141-435.
Industrial Hostels:
Charges, 4144-6, 4174, 4178, 4218-21.
Contribution from industry, question of, charges, 4166, 4222-5.
Deficit on, 4147, 4149, 4151, 4170-1, 4176, 4192-6, 4200-2, 4208, 4226-8.
Future of, 4167-9, 4177, 4199.
Management, 4150-1, 4179-90, 4208-15.
Residents, non-Government employees, 4166, 4172-5, 4179, 4191, 4197-8, 4203-7.
Supply, Ministry of:
New works, 4380, 4402.
Tank factory scheme, 4402-3.
- NATIONAL ASSISTANCE BOARD, p. 481.
Use of Civil Contingencies Fund, *Brittain* 5861-2.
- NATIONAL COAL BOARD, contribution to underground gasification scheme, *Maud* 4450-2.
- NATIONAL DEBT COMMISSIONERS, functions, *Kirwan* 5750-2, 5772-6.
- NATIONAL DEBT OFFICE, p. 478.
- NATIONAL GALLERIES, SCOTLAND, p. 480.
- NATIONAL GALLERY: p. 480.
See also NATIONAL MUSEUMS AND GALLERIES.
- NATIONAL HEALTH SERVICE:
Acquisition of property for hospital purposes:
Cases of, and new arrangements *re* failure to use, *Hawton* 4755-811, 4813-9, 4829; App. pp. 492-3; *Tribe* 4759; *Figgures* 4763, 4792-5, 4812. Scotland, *Smith* 4820-3, 4827-8.
Ambulance Services, unit costing, Treasury Minute on 3rd Report 1952-53, *Special Report* p. 11; *Hawton* 4834-5, 4849-52, 4855, 4858; *Smith* 4844-8, 4853-6, 4859-72.
Central Register, 3rd Report, 53-57; *Hawton* 4873-97, App. p. 493-5; *Smith* 4875; *Figgures* 4898-900; Treasury Minute on 3rd Report 1952-53, *Special Report*, App. p. xiv.
Chemists:
Allowance to, to cover risk of loss from unpaid charges, 3rd Report 46-48; *Hawton* 4954-72; *Tribe* 4961; *Figgures* 4964.
Remuneration, 3rd Report 39, 40, 41; *Tribe* 4973-4, 4978, 4989, 4994; *Smith* 4975-9, 5002-7; *Hawton* 4995-8; *Figgures* 4999-5001.
Investigation, *Hawton* 4611-2, 4614, 4671-4; *Smith* 4681-6, 4615, 4638-41, 4674-5.
Scottish, 3rd Report 49-52.
Cost investigations and price discussions, *Hawton* 4625-6, App. 7, 490-2.
Dentists, remuneration, investigation, 3rd Report 38, 40, 41; *Hawton* 4609, 4612-3.
Dispensing through chemists and in doctors' surgeries, *Hawton* 4659-61.
Doctors, central pool, 3rd Report 57.
Drugs:
Central purchase question, *Hawton* 4662.
Proprietary preparations: 3rd Report 39, 41.
Treasury Minute on 3rd Report, 1952-53, *Special Report*, App. p. xiv.
Price investigations, *Hawton* 4624-7, 4648, 4656-8, 4666.
Proprietary and non-proprietary preparations, *Hawton* 4620-1, 4652; *Smith* 4674-81.
Slimming, *Hawton* 4652-3.

N

NATIONAL HEALTH SERVICE—*cont.*

- Grants to Local Health Authorities, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xiii.
- Local Authority services, unit costing, *Hawton* 4834-41; *Figures* 4840; *Smith* 4842-3.
- Opticians, remuneration, investigation, *3rd Report* 38-39, 41; *Hawton* 4610-1, 4612, 4616-9, 4663-5.
- Prescribing, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xiv; *Hawton* 4621-3, 4628-31, 4642-7, 4649-51, 4666-8, 4687-96.
- Remuneration and prices of commodities, level of, and investigations, *3rd Report* 37-41.
- Remuneration and profits, levels of, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* pp. ix-x. Investigation, *Hawton* 4830-3.
- Salaries and wages awards:
 Estimating for, and saving on, *Hawton* 4913-7, 4925-41, 4937-41, 4952-3; *Tribe* 4917, 4918-22; *Figures* 4918-24, 4941, 4948-51.
 Provision in Estimates for, *3rd Report* 34-6.

NATIONAL HISTORY MUSEUM, *see* NATIONAL MUSEUMS AND GALLERIES.

NATIONAL INSURANCE:

- Cards:
 Destroyed or lost, and procedure in cases of, *King* 5244-52, 5255-86.
 Lost by Government Departments, *King* 5252-5.
- Contributions, underpayment of, *Special Report, App.* p. xxiv; Treasury Minute on 3rd Report, 1952-53, *King* 5166-225; *Tribe* 5199.
- Bankruptcies, etc., of employers, *King* 5224-5.
- Prosecutions, and policy *re*, *King* 5174, 5205-7, 5212-23.
- Women, position after marriage, *King* 5226-37, 5240.
- Domestic service, *King* 5194-9.
- Employers, non-compliance by, *King* 5192-9, 5241-2.
- Retirement on pension, taking up further work, *King* 5238-9.
- Special contribution record, *King* 5243.

NATIONAL INSURANCE FUND, investments, transfer of, *King* 5287.NATIONAL INSURANCE, MINISTRY OF:
p. 481.

NATIONAL LAND FUND:

- Disposal of capital of, *3rd Report* 136, 137.
- Investments, *Brittain* 5883-7.
- Use of, *Brittain* 5874-80, 5890-4.
- Value of, and expenditure from, *Brittain* 5873, 5881, 5888, 5895; *Tribe* 5888.

NATIONAL LIBRARY, SCOTLAND, p. 480.

NATIONAL MARITIME MUSEUM: p. 480.

See also NATIONAL MUSEUMS AND GALLERIES.

NATIONAL MUSEUMS AND GALLERIES:

- Accounting Officer, appointment by Treasury, and responsibility, *Tribe* 861; *Brittain* 863-73.
- Accounts, audit of, *Tribe* 753, 769, 772; *Brittain* 753, 769.
- Assets:
 Disposal and acquisition, position, *Brittain, Vetch* 881.
 Insurance of, position, *Brittain* 878-80.
 Bequests, *Brittain* 840; *Vetch* 849.
- Catering, National Maritime Museum, *Brittain* 760, 762.
- Collections, ownership of articles in, *Brittain* 824-7.
- Directors, appointment, *Brittain* 863-5.
- Publications, financial arrangements for production and sale, *3rd Report* 13-15; *Brittain* 760-6, 773-5; *Tribe* 773-5.
- Purchase tax, position *re*, *Brittain* 749-52, 754-9, 770-2; *Tribe* 770-2.
- Purchases and publications, financial arrangements, *Brittain, Vetch* 735-800; *Tribe* 746, 753, 769, 770, 772, 774, 775, 784-5, 789, 799-800.
- Records and stock surveys of collections, and position of Comptroller and Auditor General in connection with, *3rd Report* 8-10; *Brittain* 801-13, 833, 846-9, 866; *Tribe* 807, 811, 813.
- Trust Funds, *3rd Report* 11-12; *Brittain, Vetch* 737-44, 776-96; *Tribe* 784-5, 789, 799-800.
- Trustees: 882-3; *Vetch* 816, 823, 886-7. *Brittain* 831, 850.
 Duties and responsibilities, meetings, etc., and position *re* Parliamentary control, 840-2, 844-5, 851-9, 866-78; *Tribe* 860. *Brittain* 814-5, 817-30.
 Trading by, *Brittain* 745; *Tribe* 746.

NATIONAL PORTRAIT GALLERY, p. 480.

NATIONAL SAVINGS COMMITTEE, p. 478.

NATIONAL TRUST, use of National Land Fund, *Brittain* 5894.

NATURAL HISTORY MUSEUM, p. 480.

NAVY:

- Aircraft, partial cancellation of Orders for, *3rd Report* 117; *Lang* 5674-81; *Tribe* 5690.
- Appropriation Account, Statement of Excess, p. 43.
- Appropriation Accounts, 1951-52, *Special Report, App.* p. xxvii.
- "Britannia", H.M. Yacht:
3rd Report 112-116; *Lang, App.* pp. 501-3.

NAVY—cont.

- "*Britannia*", H.M. Yacht—cont.
- Building of:
 Cost, contractor's profit, etc., *Lang* 5526-72, 5591-645, 5685.
 Delays and causes of, *Lang* 5594-6, 5612, 5614, 5632, 5637-41, 5643-5.
 Crew accommodation, *Lang* 5585-90, 5621-31.
 Furnishings, etc., *Lang* 5567-8, 5597-604, 5616-20.
 Future use of, *Lang* 5641-2.
 Running and maintenance cost, *Lang* 5573-84, 5604-6.
 Use for Queen's journey from Tobruk, *Lang* 5533-8, 5607-11.
- "*Daring*" class vessels, cost, etc., *Lang* 5494-513.
- Dockyards:
 Accounts, proposed simplification of, *Tribe* 5694.
 Improvement Plan, *Lang* 5727-8.
 Scottish land purchases, *Lang* 5732-4.
- "*Eagle*" Aircraft carrier, H.M.S.:
 Cost, *Lang* 5494, 5497, 5516-8.
 Crew accommodation, *Lang* 5518.
 Fittings, *Lang* 5517.
- Excess expenditure:
 Statement of, p. 43.
 Treasury Minute on 2nd Report, 1952-53, *Special Report, App.* p. vii.
- Excess Vote, 1st Report.
- Fleet destroyers, conversion into anti-submarine frigates, *Lang* 5646-73; *Tribe* 5665.
- "*Gothic*", *Lang* 5535, 5607-12.
- Hospital ship, cancellation of order for, *Lang* 5682-9.
- Landing ships, *Jenkins* 2696, 2721-3, 2741-3.
- Machinery and machine tools, purchase from America, *Tribe* 5694; *Lang* 5695-702.
- Numbers, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* pp. xx-xxi.
- Shipbuilding:
 Crew accommodation, *Lang* 5518-25.
 Estimates, position *re* publication, *Lang* 5530-2.
 Modifications during, *Lang* 5514-5.
 in Royal Dockyards and private yards, comparison of cost, *Lang* 5646-73; *Tribe* 5665.
 Tobacco and drinks, duty free, *Croft* 18, 41.
 Virement between Votes of, 2nd Report.
- NIGER AGRICULTURAL PROJECT, *Rendell* 3395-9; *Lloyd* 5400-1.
- NIGERIAN FIBRE INDUSTRIES, *Rendell* 5402-6; *Tribe* 5403.
- NORTH ATLANTIC TREATY ORGANISATION:
 Officials, exception from Income Tax, and delay in presenting Order in Council, 3rd Report 4-7; *Tribe* 248-51, 253, 272, 275-6, 2804; *Kirkpatrick* 2794-800, 2805, 2858, 2859-66, 2888, 2891; *Vallat* 2801-3; *Bamford* 2810-2, 2817-21; *Webb* 2891.
- NORTHERN IRELAND:
 Customs Control Offices, state of, *Emmerson* 434.
 Ministry of Agriculture, work for Ministry of Food, accounting procedure, *Emmerson* 433.
 Reserved Services, saving on, *Emmerson* 418-9.
- NUFFIELD TRUST, *Lockspeiser* 2510; *Figures* 2510, 2536.
- O**
- ORGANISATION FOR EUROPEAN ECONOMIC CO-OPERATION:
 Arrangement with, *re* customs and excise duties on passengers from distant overseas countries, *Croft* 67-80; *Lloyd* 84, 86-91; *Tribe* 68; *Compton* 81-5.
 Officials, exemption from income tax before Order laid, *Bamford* 252, 275-6.
- OVERSEA SETTLEMENT, p. 479.
- OVERSEAS FOOD CORPORATION:
 Accounts, Auditors' Report, *Scarlett* 2280-93, 2296; *Tribe* 2294.
 Advances in respect of loan to the East African Railways and Harbours Administration, *Scarlett* 2306-7, 2326, 2330-43; *Lloyd* 2308-29, 2342-51; *Tribe* 2325.
 Assets, surplus, disposal of, *Scarlett* 2305.
 Liquidation account, *Scarlett* 2280-93, 2295-9, 2302-5.
 Position of, *Lloyd* 2311-2.
 Receipts, short-fall in, *Lloyd* 2352, 2355; *Scarlett* 2353-4.
 Winding up, *Lloyd* 2300-1.
- P**
- PENRHOS, Territorial Army Training camp, partial construction and abandonment, 3rd Report 119-21; *Turner* 3002-56.
- PENSIONS AND NATIONAL INSURANCE, MINISTRY OF:
 Central Register, *Hawton* 4886, 4893-8; *Figures* 4898-900.
 Use of Civil Contingencies Fund, *Brittain* 5860, 5862.
- PETERHEAD HARBOUR, p. 482.

POLICE:

- England and Wales, p. 479.
 Scotland, p. 479.
 Training Centres, rent and maintenance, *Emmerson* 2051-68, 2073-9; *Tribe* 2052-69; *Figgures* 2069-72; *Mrs. Johnstone* 2069.

POST OFFICE:

- Agreement with B.B.C., *Little* and others, 380-9, 517-21, 539; *Tribe* 522; *Mrs. Johnstone* 540.
 Cable and telephone production, Monopolies Commission Report, *Little* 314.
 Commercial accounts, *Little and others* 375-9.
 Employees, investigation of records before employment, *Little* 368-9.
 Equipment:
 Bulk supply agreements and non-competitive tendering, *Little and others* 290.
 Allocation of orders, *Little* 296.
 Cost investigation and price fixing, *Little and others* 219-332, 341-3.
 Cables, prices, comparison with German, *Radley, Little* 308-11.
 Competitive and non-competitive tendering, question of relative advantages, *Little and others*, 333-40.
 Patents, ownership, *Little, Radley* 344-5.
 Purchase from abroad, *Radley, Little* 305-7.
 Purchase from independent firms, *Harkess* 297; *Little* 297-8.
 Incentive scheme of individual awards, question of, *Little* 357-9, 362.
 Loss by theft, mistake or errors, *Little, Anderson* 372-4.
 Money Orders, fraud in connection with, and system of control, *Little, Anderson* 346-9; *Figgures* 550.
 Postal Orders:
 Control, *Anderson* 349.
 Fraud or irregular action in connection with, *Anderson* 365, 368.
 Void, *Anderson* 367.
 Productivity award and distribution of, *Anderson, Little* 351-62; *Figgures* 363-4.
 Registered parcels and letters, losses of, *Little* 374.
 Savings Banks and Fund Accounts, *Anderson, Little* 390-3, 394, 397; *Figgures* 393, 394, 395, App. pp. 488-9; *Tribe*, 393, 395-6.
 Vehicles, raids on, in street, *Little* 370.

POTARO HYDRO-ELECTRIC COMPANY SCHEME, *Rendell* 5428-33.

PRISONS, ENGLAND AND WALES, p. 479.

PRISONS, SCOTLAND, p. 479.

PRIVY COUNCIL OFFICE, p. 477.

PRIVY SEAL OFFICE, p. 477.

PROCTER, Mr. W. A.: 1882-925.

Festival Gardens, 1887-95, 1901-5, 1917, 1919, 1923.

PUBLIC BUILDINGS, GREAT BRITAIN:

Long-term projects, financing of, *3rd Report* 76-9.

Slaughterhouses, *Emmerson* 2085.

PUBLIC BUILDINGS OVERSEAS, p. 482.

PUBLIC EDUCATION, SCOTLAND, p. 480.

Teachers' Superannuation Schemes, Actuarial deficiencies, *3rd Report* 20-1.

PUBLIC RECORD OFFICE, p. 478.

PUBLIC TRUSTEE, p. 479.

PUBLIC WORKS LOAN COMMISSION: p. 478.

Advances from, system, *Brittain* 5753-61, 5782, 5818-9; *Kirwan* 5755, 5772-6.

Issue of Reports and question of Account, *Brittain* 5744-7; *Tribe* 5748.

PURCHASE TAX:

Assessment by wholesaler and collection from, *Croft* 34-6.

Extra statutory concessions, *Croft* 40.

Receipts, reduction, *Croft* 4-6.

Q

QUEEN'S HALL AND ST. GEORGE'S HALL sites, purchase by Crown Lands Commissioners, *see* Crown Lands.

QUEENSLAND:

British Food Corporation, failure of scheme, *Hancock* 4125-40.

R

RADLEY, Dr. W. G., Kt., C.B.E., *see* LITTLE, Sir ALEXANDER, K.C.B. and others, 290-397.

RATES ON GOVERNMENT PROPERTY, p. 482.

RECORD OFFICE, SCOTTISH, p. 478.

REGISTERS OF SCOTLAND, DEPARTMENT OF THE, p. 480.

REGISTRAR GENERAL'S OFFICE, p. 481.

REGISTRAR GENERAL'S OFFICE, SCOTLAND, p. 481.

REGISTRATION OF ELECTORS, p. 477.

REMPLOY LTD., *see under* LABOUR AND NATIONAL SERVICE, MINISTRY OF.

RENDELL, Mr. W., A.C.A.: 5290-493.

Bechuanaland Cattle Ranch, 5380-3.

Belize, Fort George Hotel, 5408.

Borneo Abaca Ltd., 5374-8.

British Honduras Fruit Company, 5384-5.

Caribbean Islands, loading facilities, 5458-9.

RENDELL, Mr. W., A.C.A.—*cont.*

- Colonial Development Corporation;
Export advisers, 5479, 5490.
Functions, 5449-51.
Government guaranteed loans, 5354.
Loans by, 5301-7, 5310.
Loans to, 5299-300, 5327-9.
Public utilities and works, 5406-20,
5426.
Reorganisation, 5492.
Schemes, abandonment of certain, 5332-
45, 5368-70, 5378-9, 5478-9, 5480-9.
Schemes and loans, policy *re*, 5331,
5358-64, 5371-3, 5386.
Falkland Islands, freezer, 5408.
Jamaica Public Service Co., loan to,
5466.
Kenya housing project, 5434-43.
Lobatsi, Abattoir scheme, 5346-7, 5387-
94, 5460-8.
Malayan Electricity Board, loans to,
5303, 5314, 5355.
Niger Agricultural project, 3395-9.
Nigerian Fibre Industries, 5402-6.
Potaro Hydro-Electric Company scheme,
5428-33.
Tanganyika Roadways Ltd., 5378-9.
Usutu Forests Scheme, 5451.

REVENUE DEPARTMENTS, Appropriation
Accounts, 1951-52, *Special Report*, App.
p. xxvii.

RIO DE JANEIRO, British Embassy, erection
of new building, *Emmerson* 1980-1.

ROADS, ETC., motor cars, television licences
for, *Jenkins* 2651.

ROOT, Mr. F. J., C.B.: 3560-918.

Henry Wood National Memorial Trust,
3890.

Queen's Hall and St. George's Hall,
3693-6, 3854-76, 3890.

ROYAL COMMISSIONS, ETC., 478.

ROYAL IRISH CONSTABULARY PENSIONS, ETC.,
p. 482.

ROYAL PALACES, p. 482.

ROYAL PARKS AND PLEASURE GARDENS,
p. 482.

S

SCARLETT, Mr. E. W. A., O.B.E.: 2279-478.

Colonial Food Yeast, Ltd., 2435, 2445-6,
2465, 2467.

Colonial Services:

Block grants and use of surpluses,
2377-8, 2394-5, 2404, 2407, 2413.

Colonies receiving grants in aid, Com-
pany tax and income tax, 2368-9.

Overseas Food Corporation:

Accounts, Auditors' Report, 2280-93,
2296.

SCARLETT, Mr. E. W. A., O.B.E.—*cont.*

Overseas Food Corporation—*cont.*

Advances to East African Railways
and Harbours Administration, 2306-
7, 2323, 2326, 2330-43.

Assets, surplus, disposal of, 2305.

Liquidation Account, 2280-93, 2295-9,
2302-5.

Receipts, 2353-4.

SCIENTIFIC AND INDUSTRIAL RESEARCH
DEPARTMENT:

Activities, nature of, *Lockspeiser* 2487-8.
East Kilbride Mechanical Engineering
Research Station, *see that title*.

Expenditure, authority for, *3rd Report*
66-8; *Tribe*, *Figures* 2489-93.

new Fishery research vessel, provision of,
3rd Report 69-70; *Lockspeiser* 2562-3,
2595; *Figures* 2564-74, 2577, 2596,
2623; *Smith* 2575-6, 2597-604, 2615-23.

Fuel research, division of functions be-
tween Ministry of Fuel and, *Maud*
36-9, 44; *Figures* 4440-2.

Grants for Investigation and Research
(Subhead B) question of splitting up,
Figures 2538-45, 2549; *Tribe* 2543;
Lockspeiser 2545-9; *Smith* 2547,
2548-9.

Mechanical Engineering Research Station
for, *3rd Report* 76-9.

Radio telescope, *Lockspeiser* 2479-86,
2494-6, 2503-8, 2510-16, 2518, 2524,
2528, 2550-61; *Smith* 2378, 2496, 2499,
2500-2, 2509, 2518, 2527; *Tribe* 2498,
2517; *Figures* 2510, 2529-34, 2535-7.

Schemes put before Treasury, approval
in principle and subsequent increase in
estimates, *S. H. Smith* 2575.

Turbine engines, research, *Maud* 4442-5,
4446.

SCOTTISH GALLERIES, *see* NATIONAL
MUSEUMS AND GALLERIES.

SCOTTISH LAND COURT, p. 480.

SCOTTISH NATIONAL HOUSING Co., LTD.,
Admiralty shareholding in, *Tribe* 5691-3.

SCOTTISH SPECIAL HOUSING ASSOCIATION:

Treasury Minute on *3rd Report* 1952-53,
Special Report, App. pp. xvi-xvii; *Smith*
5059-65, 5066-80; *Tribe* 5064; *Figures*
5065, 5067-8, 5076, 5080; *Callan*
Wilson 5080-1.

SECRET SERVICE, p. 478.

SERVICE DEPARTMENTS:

Stocks, maintenance of, question of certi-
ficates, *3rd Report* 110, 111; *Turner*
App. pp. 496-501.

SICILY, orange juice purchase from, *3rd*
Report 98-101; *Hancock* 4040-63.

SILVER, p. 478.

SIMPSON, Mr. J. R., C.B., and Cox, Mr. W., O.B.E.: 2088-199.

Air Force, office machinery, 2103-4, 2142-6.

Army, office machinery, 2103-4, 2142-6, 2161-3.

Office machinery:

Control, 2089-91, 2093-105, 2110-1, 2118, 2123, 2133-5, 2138-40.

Disposal of, 2136-7.

Issue of, and return to pool, 2106-8, 2130.

Joint user by Departments, 4132-5.

Losses, 2112, 2118-29.

Punch-card machines, 2139, 2147-60.

Sales Offices, losses due to petty thefts, 2164-77, 2185, 2189-99.

SMITH, Mr. H. R., C.B.: 4608-5081.

Hospitals:

Cost accounting, 4735-7, 4740-2.

Heating, central boiler scheme, 4901-12.

Store accounts and inventories, 5022, 5024-5, 5036-41, 5046-7.

National Health Service, Scotland:

Acquisition of property, purposes, Scotland, 4820-3, 4827-8.

Ambulance Service, unit costing, etc., 4844-8, 4853-6, 4859-72.

Chemists, 4975-93, 5002-7.

Remuneration, 4615, 4638-41, 4674-5.

Drugs, prices, 4674-81.

Local Authority services, unit costing, 4842-3.

Scottish Special Housing Association, 5059-65, 5066-80.

SMITH, Mr. S. H.: 2479-624.

Fishery research, Departments concerned with, 2578, 2590.

new Fishery research vessel, 2575-6, 2597-604, 2615-23.

Scientific and Industrial Research Department:

Grants for investigation and research, 2548-9.

Radio telescope, 2496, 2499, 2500-2, 2509, 2518-23, 2527-8.

SOUTH AFRICA, Gold Mining Companies, loans to, *Helmore* 4424.

SOUTH AUSTRALIA, STATE OF, loan to Government of, 4425-6.

SOUTHSEA AND PORTSMOUTH AREA, acquisition of hotels for hospital purposes and failure to use, *Hawton* 4764-71; *Figures* 4812.

STATE MANAGEMENT DISTRICTS:

England and Wales, p. 482.

Scotland, p. 482.

STATIONERY OFFICE:

3rd Report 80-2.

Office machinery:

Dictaphones, *Simpson* 2140-1.

Disposal of, *Cox* 2136-7.

Issue of, control, *Simpson* 2138-40.

Issue of, and return to pool, *Simpson* 2106-8, 2130.

Joint user by Departments, *Simpson* 2132-5.

Losses, *Tribe* 2111; *Simpson* 2112, 2118-29.

Punch-card machines, *Simpson* 2109, 2147-60.

Records, keeping of, by Stationery Office and by Departments, *Simpson* 2089-91, 2093-105, 2110-1, 2118, 2123, 2133-5; *Mrs. Johnstone* 2094-7; *Figures* 2113-5.

Repairs, *Simpson* 2089-93.

Sales Offices, losses due to theft or fraud, 3rd Report 80-2; *Simpson* 2164-77, 2185, 2189-99; *Tribe* 2170; *Cox* 2174-5, 2186-7.

STATIONERY AND PRINTING, *see* STATIONERY OFFICE.

SUEZ CANAL ZONE, Forces in, food supplies, position *re*, and contracts, *Turner* 3494-541.

SUPERANNUATION AND RETIRED ALLOWANCES, p. 482.

SUPPLY, MINISTRY OF:

Aircraft engine programme, reviews of, *Helmore* 4141-2.

Assistance to Industry, Scrap Recovery, etc., p. 482.

Contract officers, *Helmore* 5163-4.

Contractors, assisted, Ministry control of purchases of plant and equipment, *Helmore* 4231-52, 4254-86; *Tribe* 4253, 4260, 4283.

Contracts, non-competitive, 3rd Report 83-8.

Price-fixing, *Helmore* 5083-164; *Tribe* 5092, 5111, 5120, 5148, 5159; *Figures* 5165.

Industrial hostels:

Charges, *Musgrave* 4144-6, 4174, 4148, 4218-21; *Helmore* 4175.

Contribution from industry, question of, *Musgrave* 4166, 4222-5; *Figures* 4229; *Tribe* 4167, 4230.

Deficit on, *Musgrave* 4147, 4149, 4151, 4170-1, 4176-7, 4192-6, 4200-2, 4208, 4222-5, 4226-8.

Future of, *Musgrave* 4167-9, 4177, 4199.

Management by agents, and taking over of certain by Ministry, *Musgrave* 4150-1, 4179-90, 4208-15.

Residents, non-Government employees, *Musgrave* 4156-62, 4166, 4172-5, 4179, 4191, 4197-8, 4203-7; *Tribe* 4160, 4161, 4165, 4166, 4178; *Figures* 4154.

SUPPLY, MINISTRY OF—*cont.*

Iron and steel products, Government purchases, prices, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xviii.

Loans outstanding, *Helmores* 4424-35; *Tribe* 4430.

Machine tools, etc., setting up of pool of, in connection with defence programme, *Helmores* 4287-379; *Tribe* 4297, 4305, 4333, 4370, 4373-9.

Military transport aircraft, conversion for carrying special passengers, *3rd Report* 89-93.

Motor vehicles, non-competitive orders, *3rd Report* 85; *Tribe* 5082, 5120; *Helmores* 5083, 5085, 5125-46.

New works, 4408, 4411-3, 4418-23; *Helmores* 4380, 4385-40; *Musgrave* 4380, 4402; *Figures* 4382-5, 4407, 4407, 4409, 4414-7; *Tribe* 4395.

Research and development, expenditure on, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* p. xix. Strategic Reserves, p. 483.

Tank factory scheme, *Helmores* 4386-406, 4408, 4411-13, 4418-23; *Tribe* 4395; *Musgrave* 4402-3; *Figures* 4407, 4409, 4415-7.

Valves, purchase of, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* pp. xviii-xix.

SUPREME COURT OF JUDICATURE, ETC. (NORTHERN IRELAND), p. 480.

SUPREME COURTS OF JUDICATURE, ETC. p. 479.

SURVEYS OF GREAT BRITAIN, ETC., p. 481.

SWYNNERTON RESIDENTIAL TRAINING SCHOOL FOR POST OFFICE ENGINEERING PERSONNEL, CONVERSION OF BUILDINGS, ETC., TREASURY Minute on 3rd Report, 1952-53, *Special Report*, pp. xvii-xviii; *Emmerson* 1935-6, 1947-9, 1951, 1954-63; *Figures* 1940-1, 1945-6, 1950; *Mrs. Johnstone* 1942.

T

TANGANYIKA ROADWAYS LTD., abandonment of scheme, *Rendell* 5378-9.

TARRANT RUSHTON, underspending, 3247.

TATE GALLERY, *see* NATIONAL MUSEUMS AND GALLERIES.

TERRITORIAL ARMY, *see under* ARMY.

TITHE REDEMPTION COMMISSION, p. 478.

TORRY RESEARCH STATION, new Fishery research vessel, *see under* Scientific and Industrial Research Department.

TRADE, BOARD OF:

Grant in aid to British Travel and Holidays Association, *see that title*. Strategic reserves, p. 483.

TRANSPORT, MINISTRY OF:

Civil Defence Services, railways, under-expenditure, *Figures* 2653, 2654; *Jenkins* 2655-80, 2684-5; *Tribe* 2665, 2673.

Commercial Shipping Services, *Figures* 2681-2.

Driving tests, fees, *Jenkins* 2635-50.

Emigration, shipping services, *Figures* 2683.

Landing ships, chartering of, *Jenkins* 2694-779; *Tribe* 2772, 2777.

Trooping services, excess expenditure, *Figures* 2653, 2686.

Virement, exercise of, *Figures* 2652-3, 2654, 2686; *Jenkins* 2655-80, 2684-5; *Tribe* 2665, 2673.

TRAWSFYNNYDD, Army training area, *3rd Report* 119-121; *Turner* 3002, 3017.

TREASURY:

Minutes on Reports from Committee, Session 1952-53, *Special Report, App.* pp. vi-xxv.

Office machinery, *Figures* 2113-7.

Schemes put before, approval in principle and subsequent increase in estimate, *Figures* 2568-74, 2577; *Smith* 2575-6.

TRIBE, Sir FRANK, K.C.B., K.B.E.:

Admiralty, shareholding in Scottish National Housing Co. Ltd., 5691-3.

Agriculture, fertilisers schemes, 1679, 1685-7, 1691, 1698, 1729.

Agriculture and Fisheries, Ministry of: Experimental Husbandry farms, 1652-7, 1665-6.

Horticultural stations, 1652, 1665-6, 1671-6.

National Agricultural Advisory Service, 1652-3, 1665-6.

Air Services:

Conversion of military transport for carrying of special passengers, 3262, 3304, 3356, 3376, 3378-82, 3386-96, 3399, 3401, 3404.

Farms and gardens and pig-breeding, 3159.

Works, expenditure control, 3080.

Anthrax, Government Wool Disinfecting Station, 1242.

Arab Legion, 3000.

Arts Council:

Grant in aid, 5923.

Treasury Organisation and Methods Branch, investigation, 5901-4, 5906.

Ballachulish Slate quarries, loan to, 2204, 2212, 2240, 2264, 2272.

British Council, 2919.

British Guiana Fibre Research Company, Ltd., grant in aid, 3406-7, 3416.

TRIBE, Sir FRANK, K.C.B., K.B.E.—*cont.*
 British Travel and Holidays Association, 1439.
 Broadcasting:
 Financing of, 522, 542, 554.
 Licences:
 Collection cost, 554.
 Issue to blind people, 543-4.
 Civil Aviation Corporations, Exchequer grants, 2629-34.
 Civil Contingencies Fund, 5867.
 Coal Board, functions of, 4562, 4566.
 Colonial Development Corporation, 5293.
 Colonial Services, block grants, use of surpluses, 2397, 2412, 2413.
 Covent Garden Royal Opera House, Arts Council grant, 5944, 5947.
 Customs and excise duty, remissions on passengers' luggage, 57, 65, 68.
 Development areas and trading estates, 1545, 1547.
 Devonport Dockyard, proposed extension, 5721.
 East Kilbride Mechanical Engineering Research Station, 2004, 2006, 2046, 2046-50.
 Festival Gardens, 1921.
 Fishery research, Departments concerned with, 2579-81.
 Food, Ministry of:
 Baking and flour subsidies, 3958, 3959, 4015-9, 4021-5, 4028.
 Cattle grading, irregularities at collecting centre, 4085, 4096, 4097.
 Fuel and Power, Ministry of:
 House coal distribution scheme, 4562, 4566.
 Local fuel overseers and offices, 4546-7, 4554.
 Hong Kong, grants to, 2432.
 Hotel Industry, grants to, 1530.
 Income tax, Officials of International Organisations, 239-41, 249, 273, 2804, 2828, 2849.
 Industrial hostels, 4160, 4161, 4166, 4167, 4178, 4230.
 Jamaica Public Service Co., loan to, 5447.
 Labour and National Service, Ministry of:
 Government Training Centres, 1310, 1332, 1357, 1378-82, 1395.
 Training, maintenance allowances, 1293.
 London University, purchase of property, 952.
 Materials, Ministry of, grants in aid by, procedure *re* unpaid balances of, 3406, 3416.
 National Health Service:
 Acquisition of property for hospital purposes, 4759, 4759.
 Chemists:
 Allowance to, to cover unpaid charges, 4961.
 Remuneration, 4973-4, 4978, 4989, 4994.

TRIBE, Sir FRANK, K.C.B., K.B.E.—*cont.*
 National Health Service—*cont.*
 Salaries and wages awards, 4917, 4918-22.
 National Insurance, contributions, underpayment, 5199.
 National Land Fund, 5888.
 National Museums and Galleries:
 Accounting Officer, 861.
 Audit of accounts, 753, 759, 772.
 Purchase tax, 770-2.
 Purchases and publications, financial arrangements, 746, 753, 769, 770, 772, 774, 775, 784-5, 789, 799-800.
 Records and Stock survey of Collections, 507, 811, 813.
 Trust Funds, 784-5, 789, 799-800.
 Trustees, 860.
 Navy:
 Aircraft, partial cancellation of order for, 5691.
 Dockyard Accounts, proposed simplification of, 5694.
 Fleet destroyers, conversion into submarine frigates, 5665.
 Machinery and machine tools, purchase from America, 5694.
 Shipbuilding in Royal Dockyards and private yards, 5665.
 Nigerian Fibre Industries, 5403.
 Overseas Food Corporation:
 Accounts, Auditors' Report, 2294.
 Advances to East African Railways and Harbours Administration, 2325.
 Police training centres, 2052-69.
 Post Office Savings Bank and Fund Accounts, 393, 395-6.
 Public Works Loan Commissioners, 5748.
 Queen's Hall and St. George's Hall sites, 3561, 3654, 3655, 3805, 3877-93.
 Remploi, Ltd., 1410, 1421-6.
 Scientific and Industrial Research Department:
 Expenditure, statutory authority for, 2491.
 Department, Radio telescope, 2498, 2517.
 Grants for investigation and research Sub-Head B, question of splitting up, 2543.
 Scottish Special Housing Association, 5064.
 Stationery Office, Sales Offices, losses, 2170.
 Stationery and printing, office machinery, losses, 2111.
 Supply, Ministry of:
 Contractors, assisted, Ministry control of plans and equipment, 4253, 4260, 4283.
 Contracts, non-competitive, 5092, 5111, 5120, 5148, 5159.
 Loans outstanding, 4430.
 Machine tools, etc., 4297, 4305, 4333, 4370, 4373-9.
 New works, 4395.

TRIBE, Sir FRANK, K.C.B., K.B.E.—*cont.*

Teachers' Superannuation schemes, 1149, 1161, 1207.

Transport, Ministry of:

Landing ships, chartering of, 2772, 2777.
Virement exercise of, 2665, 2673.

Universities and Colleges, etc., Great Britain:

Constructional work by, control, 938.
Grants and loans, 995, 998.
Property purchased with loans in aid, rule *re*, 961.

TURNER, Sir GEORGE, K.C.B., K.B.E., J.P.:

2957-3057, 3493-559, *App.* pp. 496-501.

Arab Legion, 2976-3000.

Army:

Commands, local purchases of carpets, 2957-65.

Reserve Forces, 2966-75.

Store accounting and stocktaking, 3542-59.

Territorial Army, training camps, North Wales, 3001-56.

Germany, Army stores brought from, 3543, 3552-9.

Middle East, Army stores from, stocktaking, 3552-9.

Service Departments, Stock Certificates, *App.* pp. 496-501.

Suez Canal Zone, Forces in, position *re* food supplies, 3494-541.

UNIVERSITIES AND COLLEGES, ETC., GREAT BRITAIN—*cont.*

Grants to:

Appropriation Accounts, form of, *Brittain* 977-80.

for Housing of Students, costs of hostels, *Hale* 981-8.

Non-recurrent, *3rd Report* 29-33.

Administration, *Brittain* 888.

Estimates and Appropriation Accounts, information in, *Brittain* 977-81.

Saving on, *Hale, Brittain* 989-90.

Grants and loans, policy as between, and position as to conversion of loans to grants, *Hale, Brittain* 991-7; *Tribe* 995, 998.

Treasury Minute on *3rd Report*, 1952-53, *Special Report, App.* pp. vii-viii.

Property purchased with loans in aid, rule *re, Hale* 960-1, 966-70; *Tribe* 961.
Students, housing of, cost per place, *Hale* 981-8.

UNIVERSITY GRANTS COMMITTEE:

3rd Report 29, 30, 31, 32; *Brittain* 888, 889, 897-9, 901, 909, 931, 935, 938, 944, 949; *Hale* 907-8, 937; *Tribe* 938; *Figures* 2529-33.

Access by Comptroller and Auditor General to records and papers of, *Brittain, App.* p. 486.

USUTU FORESTS SCHEME, *Rendell* 5451.

U

UNITED KINGDOM COMMERCIAL CORPORATION, LTD, winding-up, *Brittain* 5821-4.

U.K. DOMINION WOOL DISPOSALS, LTD., winding-up, payments to staff, *Bowyer* 3432-57.

UNITED NATIONS, p. 478.

UNITED STATES OF AMERICA:

Air Force, services for, *Barnes*, 3091.

Admiralty purchase of machinery and machine tools from, *Tribe* 5694; *Lang* 5695-702.

UNIVERSAL POSTAL UNION, Officials, income tax exemption, position, *Barnford* 2829-31; *Kirkpatrick* 2831; *Vallat* 2833-6; *Figures* 2909-12.

UNIVERSITIES AND COLLEGES, ETC., GREAT BRITAIN:

Capital expenditure, grants from industry, *Brittain* 971, 974-6; *Hale* 972-3.

Constructional work by, control, objections to inquiry by Comptroller and Auditor General and suggestion of independent investigation, *Brittain* 888-950; *Hale* 905-9, 910, 919, 937, 939; *Tribe* 938.

V

VALLAT, Mr. F. A.: 2780-912.

International organisations, officials, exemption from income tax, 2801-3, 2833-6, 2842-4, 2881.

VETCH, Mr. J. H. L.: 735-887.

VICTORIA AND ALBERT MUSEUM, *see* NATIONAL MUSEUMS AND GALLERIES.

VIREMENT, Treasury Minute on *2nd Report*, 1952-53, *Special Report, App.* p. vii.

W

WALLACE COLLECTION, p. 480.

See also NATIONAL MUSEUMS AND GALLERIES.

WAR DAMAGE COMMISSION, p. 483.

WEBB, Mr. J.: 2780-912.

International Organisations, officials, exemption from income tax, 2790, 2822-3, 2849-50, 2899.

WEST MIDDLESEX HOSPITAL, property acquired by, at Hampstead, and use of, *3rd Report*, 42.

- WHEAT AGREEMENT, Order, difficulties *re* issue of, *Kirkpatrick* 2858-9, 2899, 2907.
- WHITE FISH AUTHORITY, p. 481.
3rd Report, 69.
Collaboration with, *re* research, *Lockspeiser* 2582-5.
- WHITEHALL GARDENS, new Government offices, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* pp. xvii-xviii; *Emmerson* 1966-8; *Figures* 1969.
- WIGAN, slaughterhouse scheme, *Emmerson* 2085.
- WILLIAMS, Mr. W. E., C.B.E.: 5896-999.
Arts Council:
Artists, 5981-3.
Financial control over, 5927-9.
Functions, 5896, 5985-90.
Grants by, 5902, 5908-21, 5935-9, 5949-55, 5975-81.
Local Authorities support, 5956-67.
Performing rights, 5993-8.
Picture collections, 5933-5, 5968-74, 5984-5.
Treasury Organisation and Methods Branch, 5899-901, 5902-3.
London and Provinces, distribution, 5908-21.
- WILLIAMS, Mr. W. E., C.B.E.—*cont.*
Covent Garden, Royal Opera House:
Arts Council grant, 5908-21, 5926-7, 5940-3.
Foreign artists, 5931-3.
- WORKS, MINISTRY OF, p. 482.
Building works:
Increases in cost due to rising prices and changes in plan, Treasury Minute on 3rd Report, 1952-53, *Special Report, App.* pp. xvii; *Figures* 1926-7, 1929-33, 1938-41, 1943-6, 1964, 1970-4; *Mrs. Johnstone* 1937, 1942, 1952-3.
Financial control, *Emmerson* 1970-4.
Procedure by Departments, Ministry and Treasury, *Emmerson* 1954.
East Kilbride Mechanical Engineering Research Station, *see that title*.
Excess Votes, *Emmerson* 403, 406-17.
Financial control, reorganisation, *Emmerson* 404-5; *Figures* 405.
Junior officers, delegated authority, *Emmerson* 2061, 2076.
- WORKS AND BUILDINGS IN IRELAND, Excess Vote, 1952-53, 1st Report.
- WORLD HEALTH ORGANISATION, officials, exemption from income tax, *Tribe* 273.

