

FIRST AND SECOND
REPORTS
FROM
THE COMMITTEE OF
PUBLIC ACCOUNTS

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

*Ordered by The House of Commons to be Printed
16th February and 4th July, 1939*

LONDON

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:

York House, Kingsway, London, W.C.2; 120 George Street, Edinburgh 2;

26 York Street, Manchester 1; 1 St. Andrew's Crescent, Cardiff;

80 Chichester Street, Belfast;

or through any bookseller

1939

Price 11s. *od.* net

62, 144.

Thursday, 17th November, 1938.

Sir Irving Albery, Mr. Benson, Sir Edmund Brocklebank, Mr. Culverwell, Sir Haydn Jones, Mr. Morgan Jones, Mr. Lathan, Mr. Mabane, Mr. Peat, Mr. Pethick-Lawrence, Sir Assheton Pownall, Sir Eugene Ramsden, Sir Isidore Salmon, Sir Robert Smith and Captain Euan Wallace *nominated* Members of the Committee of Public Accounts.—(*Mr. James Stuart.*)

Monday, 20th February, 1939.

Ordered, That Mr. Peat and Sir Eugene Ramsden be discharged from the Committee of Public Accounts and that Major Sir George Davies and Mr. Oswald Lewis be added to the Committee.—(*Captain Margesson.*)

Friday, 28th April, 1939.

Ordered, That Captain Wallace be discharged from the Committee of Public Accounts and that Captain Crookshank be added to the Committee.—(*Colonel Harvie Watt.*)

Thursday, 4th May, 1939.

Ordered, That Mr. Jagger be added to the Committee of Public Accounts.—(*Mr. James Stuart.*)

Monday, 26th June, 1939.

Ordered, That Mr. Mabane be discharged from the Committee of Public Accounts and that Sir George Schuster be added to the Committee.—(*Mr. James Stuart.*)

TABLE OF CONTENTS.

	PAGE
FIRST REPORT	iii
SECOND REPORT	iv
PROCEEDINGS OF THE COMMITTEE	xxxiii
LIST OF WITNESSES	xlviii
MINUTES OF EVIDENCE	i
APPENDICES	413
INDEX	460

The cost of preparing for publication the Shorthand Minutes of Evidence taken before the Committee was £219 9s. 4d.

The cost of printing and publishing this Volume is estimated by the Stationery Office at £495 os. od.

FIRST REPORT

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

EXCESS VOTE.

Your Committee have to report that during the year ended 31st March, 1938, expenditure to the amount of £965 2s. 10d. has been incurred in excess of the net grant voted by Parliament for the Foreign Office (Class II, Vote 1).

The gross excess over grants amounted to £1,210 14s. 1d., of which £245 11s. 3d. has been met, with Treasury sanction, from savings on certain sub-heads, leaving a net excess of £965 2s. 10d. Authority is sought to appropriate in aid of this sum £955 2s. 10d. from surplus receipts available in excess of the Estimate, leaving a token sum of £10 to be voted.

The excess occurred mainly on Subhead A., Salaries, etc., and Your Committee were informed that it was due principally to interchanges of diplomatic staff and to abnormally heavy expenditure for overtime during the March Quarter in consequence of the political situation abroad. Insufficient provision had also been made in Estimates for additional temporary staff required in the Passport Office owing to pressure of business. The increased demand for passports resulted in the receipt of £46,000 more than was estimated for fees.

Your Committee see no objection to the sum specified being provided by Excess Vote.

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.

PARTICULAR ACCOUNTS, 1937.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS.

VOTE 2.—INLAND REVENUE.

1. *Repayment of Income Tax in respect of Interest paid to Banks.*

Qs. 74-77. The subject of repayment of tax in respect of bank interest under Form R.62 engaged the attention of the Public Accounts Committee of 1936 and, as recommended in paragraph 6 of their Second Report, was further considered by the Committee of 1937. This year Your Committee were informed that the Board of Inland Revenue were in consultation with the Banks as to what modifications, if any, of practice are needed in consequence of a judgment of the House of Lords affecting the interpretation of the statutory provisions authorizing these repayments of tax. Your Committee note that the Accounting Officer proposes to acquaint the Comptroller and Auditor General with any consequent alterations in procedure for communication to the Public Accounts Committee in due course.

VOTE 3.—POST OFFICE.

2. *Contracts placed without Competition.*

Qs. 81-113.
Apps. 3 & 4. Your Committee have further considered the arrangements made during recent years for the supply of telephone equipment, apparatus and stores under Bulk Supply Agreements.

In paragraph 2 of their Second Report the Public Accounts Committee, 1938, expressed their satisfaction that a standing committee, entrusted by the Postmaster General with the duty of exploring the whole field of Post Office Bulk Supply Agreements, had been engaged in discussions with the contractors with a view to evolving some machinery whereby assurances might be obtained that the prices charged under these non-competitive agreements were fair and reasonable.

Your Committee have been informed that, as a result of the discussions with the contractors for supply of telephone exchange equipment, the manufacturers, whilst demurring to the description of the contracts as non-competitive, offered to afford facilities for the building up of a workable scheme for giving all the information necessary, and proposed to set aside a small group of highly responsible officers to co-operate with corresponding technical and accounting officers from the Post Office to this end. The offer was accepted by the Postmaster General and steps were taken immediately to constitute the Post Office group of officers who would undertake the discussions and investigations. This group has now entered on active discussion with the group constituted by the manufacturers. When satisfactory machinery has been devised in connection with the exchange equipment agreement, the Post Office propose to turn their attention to the other Bulk Supply Agreements under which they obtain telephone apparatus and stores.

Your Committee note the progress which has been made and trust that next year the Accounting Officer will be in a position to inform the Public Accounts Committee that the detailed discussions and investigations now proceeding have enabled the Department to satisfy itself on the question of the prices charged under the Bulk Supply Agreements.

POST OFFICE COMMERCIAL ACCOUNTS.

3. *Interest on Capital Liability.*

The charge in the Telegraph Income and Expenditure Account for 1937 in respect of interest has again been arrived at after allowing a deduction for interest on the cumulative total of the sums required for the cost of renewals of Plant (Depreciation). The rule observed since the institution of the Commercial Accounts in 1912 permitted such a deduction in the case of the Telegraph and Telephone Accounts only when the sums required for depreciation had actually been provided out of revenue—a condition which has not been satisfied in the Telegraph Service. The effect on the Telegraph Account of the altered method applied by the Post Office for computing interest in the 1936 and 1937 Accounts is to reduce the charge for interest and consequently the deficit by approximately £35,000 in each of those years.

Para. 3 of
C. & A.G.'s
Report on
Post Office
Commercial
Accts.
Qs. 238-
282,
1517-1525.
App. 8.

The Public Accounts Committee of 1938 stated in paragraph 3 of their Second Report that they were not satisfied that adequate reasons had been advanced for a departure from the practice hitherto followed. As stated, however, in the Treasury Minute dated the 20th December, 1938, on that Report, the Accounts

for 1937 were prepared on the same basis as those for 1936 pending further consideration of the matter by the Public Accounts Committee.

Your Committee have accordingly taken further evidence. As the result of careful consideration they agree with the conclusion of the Committee of 1938 that a case has not been made out for the departure in the Telegraph Accounts from the rule for computing interest which was followed until 1936, and they accordingly recommend that that rule should be maintained.

4. *Form of Telephone Balance Sheet.*

During the proceedings, the attention of Your Committee was again drawn to the change made in 1936 in the form of the Telephone Balance Sheet resulting in a form of presentation identical with that of the Telegraph Balance Sheet. In particular, both balance sheets include as an asset the liability of the Exchequer in respect of accrued depreciation. Having regard to the fact that in the Telephone Service provision for this liability has been made out of earnings, whereas in the Telegraph Service it has not, the use of an identical description appears to Your Committee to be apt to cause misapprehension and, with a view to avoiding possible misconceptions, they think that the form of presentation might with advantage be reconsidered.

Your Committee were informed that there is no present intention on the part of the Post Office or the Treasury to propose the amalgamation of the accounts of the Telegraph and Telephone Services, and in these circumstances they make no recommendation on this matter.

5. *Statutory Authority for Accounts and Audit.*

Qs. 282-
286.

Your Committee also considered the representations made by the Treasury in their Minute dated 20th December, 1938, as to the suitability in present circumstances of the provisions of Section 2 of the Telegraph (Money) Act, 1920, in regard to the presentation and audit of the Accounts of the Telegraph and Telephone Services. It was suggested that it would be desirable to repeal those provisions and to deal with these accounts solely under Section 5 of the Exchequer and Audit Departments Act, 1921.

Your Committee note that the Comptroller and Auditor General has not felt any practical difficulty in the existing arrangements for his audit of these accounts. In view, however, of the fact that there appears to be some ambiguity in the statutory provisions, Your Committee see no objection to the Treasury proposal to seek amending legislation on the lines

proposed, if opportunity offers, subject of course to the understanding that, pending legislation, the accounts will be prepared and audited as hitherto.

CLASS I, VOTE 2.—HOUSE OF COMMONS.

6. *Salary of Deputy Chairman.*

There are two Members of Parliament who receive a salary from the Vote for the House of Commons in virtue of their positions as officers of the House, viz.:—the Chairman of Ways and Means and the Deputy Chairman. The salary of the Deputy Chairman was increased from £1,000 to £1,500 per annum from 1st July, 1937, and Your Committee learnt that this increase was decided by the Commissioners for regulating the Offices of the House of Commons. The Supplementary Estimate presented for the cost of the increased salary paid to the general body of Members from the same date made no mention of the increase in the Deputy Chairman's salary and Your Committee were informed that no provision for it was included therein, as savings on the Vote were available for the purpose.

Para. 7 of
C. & A.G.'s
Civil
Report.
Qs. 479-
533.

The Commissioners for regulating the Offices of the House of Commons are a statutory body, deriving their powers from the House of Commons Offices Acts, 1812 and 1849. They clearly have the power of settling the emoluments of the permanent officials of the House, but it is not clear to Your Committee that their powers extend also to determining the amount, as distinguished from the method and conditions of payment, of the remuneration of those officers who are also elected Members. It was suggested in evidence that such powers have been exercised as a matter of practice and not of law, and that in course of time the Commissioners have come to regard themselves as responsible.

Qs. 486,
505-508.

The occasions for varying the amount of the salaries of these officers naturally occur but rarely, and it would seem that in the past no change, whether initiated by the Commissioners or other authorities, has been carried into effect without specific provision being sought from the House by means of an Estimate. While Your Committee recognize that as regards the last occasion on which the salary of the Chairman was increased, namely, in 1875, the evidence does not show conclusively that the Estimate was presented specifically to secure the approval of the House to the change, they are of opinion that on the present occasion there has been, possibly inadvertently, some departure from the procedure hitherto considered requisite. They think that it would be both in accordance with precedent and also in keeping with the special position of these officers that the final decision affecting their emoluments should rest with the House itself, and

they recommend that any proposal for the revision of the salaries attached to these appointments should become effective only after the House has agreed to an Estimate on the face of which specific provision for the new salary is clearly set out.

CLASS I, VOTE 19.—PUBLIC WORKS LOAN COMMISSION.

7. *Financing of Farming Operations by means of Bank Overdrafts.*

Para. 10 of
C. and
A.G.'s Civil
Report.
Qs. 1064—
1160.
Apps. 5 & 6.

The Comptroller and Auditor General drew attention to the use of bank overdrafts to finance the cultivation, pending disposal, of certain farms of which the Public Works Loan Commissioners have taken possession as their security on the default of borrowers under the Agricultural Credits Act, 1923. The farms are managed by local agents, who in some instances have supplemented the overdrafts by delay in payment for supplies.

As this method seemed to the Comptroller and Auditor General open to objection from the point of view both of Treasury and Parliamentary control, the matter was referred by him to the Treasury for an expression of their views. The Treasury agreed that in normal circumstances it is undesirable that a Government Department should finance its operations by bank overdrafts, but considered the Public Works Loan Commissioners to be in a special position in the matter, as they have a statutory duty to operate the farms of which they take possession. It was stated that, while the statutes do not make explicit provision for meeting any deficiency in the expenses of the farming operations, the Commissioners are advised that they have power to borrow for such a purpose, by bank overdraft or otherwise, under the Public Works Loans Act, 1875. Your Committee were glad to learn that the conditions under which the Commissioners may continue to have recourse to bank overdrafts have been defined, but, while they recognise that the amounts involved are not large, they think that further consideration might with advantage be given to the possibility of making more satisfactory arrangements for the supply of the funds required in these cases. In any event they are strongly of opinion that the conditions of regular payment for supplies and the systematic recording of the agents' transactions in the books of the Commission should in future be strictly observed.

CLASS II, VOTE 2.—DIPLOMATIC AND CONSULAR SERVICES.

Para. 13 of
C. & A.G.'s
Civil
Report.
Qs. 298—
310.

8. *Consular Office Expenses and Fee Allowances.*

Attention was drawn in the Report of the Comptroller and Auditor General to a somewhat anomalous situation which has developed in relation to the expenditure under the heading

of Office Expenses and Fee Allowances of the General Consular Service. Sums amounting to upwards of £200,000 annually are distributed to Consular Officers in the form of lump sum allowances by way of provision for the remuneration by them of locally recruited subordinate staffs and for payment of rent of offices, and other incidental expenses. Originally, allowances of this character were granted on terms which left the Consular Officer under no obligation to account for their application; they were not regulated in detail by the Foreign Office and the Treasury and the responsibility of the Auditor was limited to seeing that the sums issued were at authorized rates and reached the proper officer. The practice of charging the Vote with the sums actually issued to the Consuls, regardless of the amounts remaining unexpended in their hands at the close of the year, has persisted until the present time, but in recent years there has been an increasingly closer regulation by the Foreign Office and the Treasury of the manner in which each allowance should be expended in detail. In these circumstances the Comptroller and Auditor General came to the conclusion that the character of the allowances had changed, that the charge to the Vote ought not to exceed the actual disbursements of the Consuls, and that his statutory responsibilities required the verification of such charges by examination of supporting vouchers.

Your Committee agree with this conclusion and were glad to learn that arrangements have now been made, with the approval of the Treasury, under which the Consuls will account quarterly for their expenditure, furnishing vouchers which will be examined in the Foreign Office and transmitted to the Comptroller and Auditor General in support of the charges to which they relate.

CLASS III, VOTE I.—HOME OFFICE.

AIR RAID PRECAUTIONARY SERVICES.

9. *Purchases of Sandbags and Fire Hose.*

Attention was drawn by the Comptroller and Auditor General to the arrangements made for the supply of sandbags in accordance with which orders were placed with the Scottish jute industry as a whole and not with individual firms.

Owing to the state of unemployment in the industry, and to the danger of dislocation of trade if the orders were put out to competitive tender in the usual way, it was considered desirable, as a matter of policy, to place the orders with the industry. Accordingly it was decided to invite the industry to nominate a panel of experts to consult with Government experts on the arrangements to be made. It was agreed that orders should be

Para. 23 of
C. & A.G.'s
Civil
Report.
Qs. 1552-
1571.

placed with the trade as a whole and that the trade representatives should allocate them amongst the manufacturing firms, at a price of general application. The flat price for the initial order was negotiated after investigation of certain costs by a committee of Government experts including representatives of the Board of Trade and the War Office.

Your Committee were informed that the price was subject to variation in accordance with fluctuations in the price of raw jute and statutory changes in wages. At a later date a costing enquiry established that this price had yielded little profit and in some cases produced a loss. Subsequent orders were placed with the industry on the same basis as for the initial order, and the price has been readjusted in accordance with fluctuations in the price of raw jute.

Qs. 1588-
1589.

10. As regards fire hose it appears that the demand on behalf of the Home Office Emergency Fire Brigade Organisation was so great as to make it imperative to obtain the maximum production possible from the whole industry. In these circumstances competitive tendering was not practicable and orders have been placed in negotiation with the Canvas Fire Hose Manufacturers Association on the basis of the ascertained cost of production for each firm with the addition of a fixed rate of profit.

Your Committee have no criticisms to make at this stage on the unusual arrangements made in these two instances to meet the exceptional circumstances.

CLASS III, VOTE 19.—SUPREME COURT OF JUDICATURE, ETC., NORTHERN IRELAND.

II. *Lunacy Administration in Northern Ireland.*

In paragraph 8 of their Second Report the Public Accounts Committee of 1938 commented on the fact that, whereas in England since 1933 the whole of the expenses and receipts in connection with Lunacy Administration have been included in the Vote for the Supreme Court of Judicature, the corresponding Vote for Northern Ireland contains only a part of the expenses, while receipts, if collected in stamps, are credited to the Exchequer of Northern Ireland, or, if collected in cash, to the Lunacy Fund established under the Lunacy, Regulation (Ireland) Act, 1871, which also bears certain expenses not met from the Vote. The Committee recommended that the arrangements in Northern Ireland should be put upon the same footing as in England.

Para. 27 of
C. & A.G.'s
Civil
Report.
Qs. 969-
1025.

12. Your Committee have had their attention drawn to a case which in their opinion emphasises the importance of this recommendation. During the year under review the Chief Clerk of the Supreme Court of Judicature, Northern Ireland,

who receives a salary of £1,400 per annum from the Vote, was paid from the Lunacy Fund, which had at the time over £6,000 in hand, a lump sum of £2,000 for services as Acting Registrar in Lunacy from October, 1921, to October, 1937, and a quarter's instalment (£75) of salary at the rate of £300 per annum as Registrar in Lunacy from 1st November, 1937. This salary is still in payment from the Fund.

The payments were made on an order of the then Lord Chief Justice of Northern Ireland in the exercise of powers under the Lunacy Regulation (Ireland) Act, 1871. He notified his intention to make this order to the Treasury, who in reply took note of the fact that he had absolute discretion under the statute to give from the Fund any remuneration he thought fit, but stated their opinion that the remuneration of officers of the public service who are required to devote their whole time to their official duties should be paid wholly from moneys voted by Parliament, and that the supplementation of their salaries from other sources was open to objection. It was mentioned that in fixing the rate of salary paid from the Vote consideration had already been given to the officer's duties in connection with Lunacy, and Your Committee were informed that on two occasions since 1921 the Treasury had refused to increase the salary. The Lord Chief Justice informed the Treasury that with a full knowledge of all the circumstances he considered it just and right to make the order.

13. Your Committee do not question that the action of the Lord Chief Justice was fully within his statutory powers, but they desire to endorse emphatically the opinion expressed by the Treasury in this case and they hope that it will be an accepted principle throughout the public service that public or quasi-public funds should not be available for supplementing the remuneration of civil servants at the sole discretion of an officer of State, however highly placed. Further, Your Committee regard this incident as powerful evidence of the urgency of the recommendation made by the Public Accounts Committee last year for the assimilation of the financial arrangements for lunacy administration in Northern Ireland to the system in force in England, and they trust that the discussions in progress to this end will speedily be brought to a satisfactory conclusion.

CLASS VI, VOTE 8.—MINISTRY OF AGRICULTURE AND FISHERIES.

14. *Allowances for Use of Private Motor Cars.*

In accordance with arrangements agreed by a Committee of the Civil Service National Whitley Council, general regulations were issued governing allowances payable to officers using their private motor vehicles on official business. Under these regulations, which were discussed by the Public Accounts Committee

Para. 44 of
C. & A.G.'s
Civil
Report.
Qs. 1796-
1804.

of 1933, the normal rate is 1½d. a mile for the mileage run. In certain circumstances (e.g., when a public conveyance is not available) a higher rate, dependent on the horse power of the car, ranging from 2¾d. to 4d. a mile may be granted, and in any case in which the amount of travelling is considerable and not less than 50 per cent. of the mileage would qualify for the higher rate, Departments are authorized, on application by an officer, to grant a compounded allowance of 2¼d. to 3d. a mile, according to horse power.

The Comptroller and Auditor General drew attention in his Report to a number of instances occurring in the Ministry of Agriculture and Fisheries in which, under the above arrangements, the regular use of private cars on official business over a period of twelve months had resulted in payments of approximately £300 to individual officers, the greater part of the travelling in each case having been paid for at the maximum rate of 4d. a mile. Your Committee understand that the Treasury, on investigation, have formed the conclusion that no general modification of the existing regulations is necessary, but are engaged on a comparison of running costs with a view to determining whether it would be advantageous to provide a limited number of official cars for use by certain of the officers concerned.

In the circumstances Your Committee can only express the hope that it may be found possible to adopt some more economical alternative to the present arrangements, which appear to them to be expensive.

CLASS VI, VOTE 9.—BEET SUGAR SUBSIDY, GREAT BRITAIN.

15. *Effect of Subsidy on the Profits of the Beet Sugar Corporation.*

Para. 46 of
C & A.G.'s
Civil
Report.
Qs. 1719-
1748.

The Comptroller and Auditor General drew attention to certain difficulties which had arisen in connection with his audit of the subsidy payable to the Beet Sugar Corporation, Ltd., under the Sugar Industry (Reorganization) Act, 1936.

In the Government's Sugar Policy Proposals (Cmd. 4964 of July, 1935) it was stated that the prescribed rate of subsidy for the initial year 1936 was to be determined on the evidence before them so as to provide for normal amortization of plant and factories and a reasonable return on the Corporation's approved capital. A prescribed rate of 5s. 3d. per cwt. was accordingly fixed by the Act for that year and payment on this basis amounted to £2,562,113 6s. 11d. The Comptroller and Auditor General stated, however, that he was unable to say whether this payment fulfilled the conditions contemplated, as he had seen no official directions regarding the amount considered to be a reasonable return on capital and he does not audit the accounts of the Corporation.

In the course of evidence Your Committee were informed that the Corporation's trading profit for the year, as shown by their published accounts, amounted to £1,245,000 and had enabled the Corporation, after payment of income tax, to establish substantial reserves in addition to providing a prescribed sum for depreciation and paying a dividend of 4 per cent. It was admitted that the subsidy rate for the initial year 1936 was based upon calculations as to the out-turn of the sugar factories in 1934 and that it was recognized at the time that that would give the Corporation an advantage in the first year of its operations, because in fixing the rate no account was taken of economies which might be effected at once as a result of the amalgamation of the constituent undertakings. While many factors were uncertain at that time, it was definitely contemplated that the Corporation should be able to provide reserves out of the profits of the first year's trading. This intention, however, seems nowhere to have been brought specifically to the notice of Parliament.

Qs. 1720-
1724.

While Your Committee do not desire, in the special circumstances of this subsidy, to criticise the policy under which the Corporation was permitted to build up reserves at the expense of the State in the first year of its activities in order to provide for equalization of dividends in subsequent years, they think it would have been better had the relative White Papers made it clear that the prescribed rate to be fixed by the Act did in fact render possible the establishment of such reserves in addition to provision for normal amortization and a reasonable return on capital.

16. With regard to 1937 and subsequent years, the Act placed on the Ministry of Agriculture and the Treasury the responsibility for prescribing a rate of assistance to the Corporation which is largely based on hypothetical considerations and estimates, and which, after adjustment for variations in certain standard conditions and allowing for amortization of plant, etc., is to enable the Corporation to earn such profits as the Treasury consider reasonable. For 1937 the subsidy rate was fixed at 2s. 7·7d. per cent., subject to a certain addition in accordance with various provisions of the Act, and based on a rate of profit of 4 per cent.

Paras. 47-
49 of
C. & A.G.'s
Civil
Report.
Qs. 1749-
1795.

As he does not audit the accounts of the Corporation the Comptroller and Auditor General stated that, in his view, technically his functions are concluded when he has ascertained what rate of interest on capital the Treasury have fixed as reasonable and that they and the Ministry of Agriculture have addressed themselves in the prescribed manner to the various

conditions and circumstances and have given effect to their conclusions in the prescribed statutory form. The necessary statutory orders having been obtained for the payments made he has, therefore, felt able to give a clear certificate to the Account for 1937, although drawing attention to certain apparent anomalies arising from the statutory procedure.

17. Your Committee see no reason to dissent from the Comptroller and Auditor General's view of his functions in connection with this subsidy, but they consider that if they, in their turn, are to exercise their traditional function of ascertaining whether, broadly speaking, appropriate effect has been given to the intentions of Parliament, it is desirable that they should be furnished with such additional information as will enable them to judge how the actual out-turn of the Corporation's activities compares with that contemplated by the Act and the White Papers explanatory of it. For this purpose they suggest that each year the Public Accounts Committee should be supplied with particulars of the rate of interest on capital which the Treasury have determined to be reasonable and of the net profit actually earned, after making the prescribed allowance for depreciation, as shown by the published accounts of the Corporation, together with a statement of the sums held in reserve. It would probably be the most convenient course for the Ministry of Agriculture to furnish this information in the first place to the Comptroller and Auditor General in time for him to incorporate it in his annual reports to Parliament. Your Committee consider that on the basis of this information the Public Accounts Committee should next year be in a position to form an opinion as to the effect of the statutory arrangements upon the actual out-turn of the activities of the Corporation for the years 1937 and 1938.

TRADING ACCOUNTS.

18. *Farm Settlement Accounts.*

The Public Accounts Committee have from time to time considered whether, with the cessation of farming operations, the accumulated charges for interest not covered by profits should be written off the Balance Sheets of the Farm Settlement Accounts prepared by the Ministry of Agriculture and Fisheries. When this question was under discussion in 1935 the Committee of that year had before them a memorandum prepared by the Treasury, in which it was contended that reconstruction of these accounts on a new basis would obscure the facts of the situation and impair their value, inasmuch as the true cost to the State of these land settlement operations would no longer be disclosed. As an alternative the Treasury suggested for the

App. 20 to
and para.
20 of
P.A.C.
Report,
1935.

Committee's consideration the substitution for the accounts in their present form of a simple cash account, taking no account of assessed charges.

The Committee agreed that ultimately the alternative suggested by the Treasury should be adopted, but did not think the time then opportune for the step and recommended that the existing form of the accounts should be maintained for another three years, when the position could again be reviewed.

19. The three years having elapsed, Your Committee have considered the question in the light of a further memorandum prepared by the Treasury, from which it appears that the Treasury have been investigating this subject as part of a general review of the various accounts in the Trading Accounts Volume, with particular reference to the treatment of interest and the form of the Balance Sheets. It has become clear to them, however, that owing to the complexities of the problem a satisfactory solution of general application which could be recommended to Your Committee after discussion, and, if possible, in agreement with the Comptroller and Auditor General, is not readily forthcoming and that further consideration is desirable. The Treasury accordingly recommend that the general question should be postponed until next year, when they hope to be in a position to submit positive proposals for consideration. Your Committee concur in this suggestion.

Qs. 4054-
4056.
App. 18.

20. With regard to the particular case of the Ministry of Agriculture Farm Settlement Accounts, however, the Treasury see no reason to modify the views they expressed in 1935, and are fully prepared to agree to the discontinuance of these Accounts. Somewhat similar considerations apply to the Scottish Small Holding Colonies Accounts, but as there is the distinction that in Scotland land settlement by the State is still proceeding, the Treasury propose to explore the possibility of substituting accounts of the more recent settlements for the present combined accounts.

The Comptroller and Auditor General, in concurring generally with the views of the Treasury, suggested that the Farm Settlement Accounts of the Ministry of Agriculture have served their purpose. He did not think that their continuance would show more than the fact that, generally speaking, the undertakings meet their cash expenditure out of receipts but do not provide anything for interest on capital or depreciation. He doubted whether any further lesson was to be learnt from them, pointing out, moreover, that they relate only to a very small part of land settlement operations in England and Wales, the bulk of which has been effected through the local authorities. In the light of these considerations Your Committee are now prepared to agree

that these Accounts should be discontinued and that there should be substituted for them cash accounts of receipts and payments, to be appended to the Ministry of Agriculture Appropriation Accounts.

Your Committee recommend that the proposals of the Treasury on the Scottish Land Settlement Accounts, as well as on the general treatment of interest and the form of the Balance Sheets in the Trading Accounts Volume, should be examined by the Public Accounts Committee next year.

COLONIAL DEVELOPMENT FUND.

21. *Estimated Cost of certain large Undertakings.*

Paras. 3 & 4
of
C. & A.G.'s
Report on
the Colonial
Develop-
ment Fund,
1936.
Paras. 2 & 3
of
C. & A.G.'s
Report on
the
Colonial
Develop-
ment Fund,
1937.
Qs. 3890-
3953.
App. 16.

Your Committee have observed with much concern that in several instances the cost of a colonial scheme which was the subject of assistance from the Colonial Development Fund has proved to be much in excess of the estimate which was framed by the Colony and on which the decision to give assistance from the Fund was based. This leads to an application for further assistance from the Fund to complete the scheme. The Comptroller and Auditor General drew attention last year to a programme of road construction in Newfoundland, financed by a loan from the Fund, the cost of which so far exceeded expectation that it was necessary both to seek additional aid and to curtail the programme. Both this year and last year he pointed out that additional grants had been sought and sanctioned to carry to completion road schemes in British Honduras. A loan for land settlement in Newfoundland has provided for fewer families than was originally anticipated, without succeeding in rendering them self-supporting, and continuing liabilities will be incurred on this account by Newfoundland revenues which are assisted by grants in aid from the British Exchequer. In each of these cases the conditions appear to have been unfavourable for accurate estimating, but Your Committee feel that the principal cause was that the estimate was framed by local officers with inadequate experience of operations on the scale contemplated, and that as a result unduly optimistic anticipations were formed.

Para. 11 of
C. & A.G.'s
Air Report.
Qs. 3571-
3593.

The Comptroller and Auditor General also referred to the Newfoundland Air Base which is being constructed mainly at the cost of the Air Ministry. In this case an Air Ministry Works expert visited Newfoundland early in 1937 and reported that the cost of construction would be £368,210, but it became evident as the work progressed that the costs had been seriously under-estimated, and further investigation made locally by Air Ministry officers has led to this figure being raised to £818,517.

The under-estimating in this case is attributed largely to the peculiar natural difficulties of the site, but is due also in some measure to lack of experience and capacity on the part of the Public Works Department of Newfoundland (which has since been strengthened) in dealing with a work of unusual magnitude. It was stated that there is no evidence of extravagance or unnecessary expenditure.

In view of the danger to financial control from embarking on large capital undertakings without full appreciation of the extent of the commitments which they may entail, Your Committee would urge on all concerned the importance of a careful examination of the probable accuracy of the estimates on which it is proposed to base action. They also recommend that the authorities in this country who may be responsible for approving developments of this nature should take care to satisfy themselves that the Colonies concerned are equipped with, or have placed at their disposal, administrative and technical staff competent to prepare and carry out the necessary operations.

22. Bermuda: Air Transport Scheme.

Among the grants issued from the Colonial Development Fund during the year 1937 was one of £34,500 to the Government of Bermuda to enable the Colony to make a grant of that sum to Imperial Airways, Ltd., for the provision of a flying boat and two spare engines for use in a proposed air service between Bermuda and the United States of America. The Comptroller and Auditor General raised the question whether such provision was a proper charge upon the Colonial Development Fund. The purpose of the Fund is defined by the Colonial Development Act, 1929, as aiding and developing agriculture and industry in certain colonies and territories, and thereby promoting commerce with or industry in the United Kingdom, and the means admissible are set out in a series of specific headings, followed by the final general category of "any other means which appear calculated to achieve the purpose aforesaid". The Accounting Officer admitted that it is only by reference to this general heading that the case can be brought within the provisions of the Act, but he urged that, by reason of the advantage of an air service to the tourist traffic from the United States to Bermuda, and the dependence of the island on that traffic, the scheme could be argued to be well within the general sense of the Act.

Your Committee do not consider this argument to be convincing, and hesitate to accept such a wide interpretation of the Act as it involves. They have ascertained that, in addition to the grant in question, Imperial Airways receive a subsidy from Air Votes, averaging about £50,000 a year for five years, for

Para. 4 of
C. & A.G.'s
Report on
the Colonial
Develop-
ment Fund
Qs. 3954-
4010.
App. 17.

operating the service between Bermuda and New York (Cmd. 5870 of 1938). A similar service is also operated by Pan-American Airways. The information on the subject furnished to Your Committee does not provide any evidence that the tourist traffic of the Colony has been appreciably increased by these services, and it is not clear to them that the substantial expenditure incurred from Imperial funds can be justified as promoting commerce with or industry in the United Kingdom.

NAVY.

23. *Arrangements for Financial Control at the Admiralty.*

In connection with two cases in which the cost of conversion of commercial ships to naval use assumed proportions out of all reasonable relation to such estimates as were originally framed in the Admiralty, the Committee of Public Accounts for 1938 in their Second Report recorded (paragraph 15) the feeling of grave uneasiness with which they were left as to the machinery of financial control within the Department, and strongly recommended (paragraph 19) that the existing arrangements for financial criticism and control at the Admiralty should be carefully examined in order to secure that they operate effectively at all stages.

Paras. 15-
19 of
Treasury
Minute,
20/12/38.
App. 2.

Following this recommendation, the Lords Commissioners of the Admiralty appointed a Departmental Committee under the chairmanship of the Parliamentary Secretary to the Admiralty, to review existing arrangements for financial control and any standing instructions on which they are based, and to make recommendations for their improvement; and it was agreed that a representative of the Treasury should be brought into consultation at an appropriate stage before the Departmental Committee finally formulated their recommendations.

Qs. 3091-
3107.

Your Committee were informed that this Departmental Committee had had several meetings but had not yet reached the stage at which the Treasury could be brought into consultation. Although appreciating fully the many difficulties that have confronted the Admiralty during the past year, Your Committee feel bound to record their regret that definite results have not yet been achieved.

Paras. 11-
15 of
C. & A.G.'s
Navy
Report.

Qs. 3323-
3331.

24. The need for urgency in this matter has been emphasized by three further cases to which attention has been drawn by the Comptroller and Auditor General in his Report on Navy Accounts.

Dealing first with the two smaller cases, it appears that, in connection with a contract for construction of catapults of a new design, the Admiralty technical officers required the contractors to rebuild one catapult and to complete the others to

modified specifications. As the action taken was not reported for approval, no official instructions to the contractors to carry out this work were issued, but the Admiralty were nevertheless placed in the position of having to pay an additional sum of £14,500. In giving approval for this payment the Treasury commented upon the failure of the technical officers to report their actions for approval and Your Committee were glad to note that the Admiralty have since issued instructions that in such circumstances the technical departments are immediately to report the facts for any necessary approval and contract action.

In the case of additional accommodation at the Royal Naval Barracks, Chatham, although Treasury sanction was only given on the understanding that the cost of the work should be reduced from £41,920 to £38,920, actual expenditure of £49,300 was incurred by the local officers responsible and with the addition of certain items subsequently found necessary the total cost amounted to £50,360. The evidence given to Your Committee suggests that there was lack of co-ordination between the local officials supervising the work and Admiralty Headquarters, the latter not being adequately informed of the progress of expenditure notwithstanding the standing instruction in that connection, until the estimate had already been exceeded. Moreover the Admiralty failed to report the position to the Treasury as soon as they became aware that the condition on which the service had been authorised would not be observed.

25. The chief case into which Your Committee inquired was the building of the magnetic survey vessel "Research," a ship of seven hundred and seventy tons. The construction of this vessel was undertaken by the Admiralty in replacement of a former vessel, the "Carnegie," built and maintained by the Carnegie Institution of Washington, which had cost some £23,000 in 1909 and was destroyed by fire in 1929. When in 1935 the Treasury accepted the Admiralty's view that it fell to the United Kingdom as the leading maritime nation to provide a new vessel for this purpose, it appears that the cost of construction envisaged by the Admiralty was between £60,000 and £70,000. This estimate contemplated the construction of a ship with a completely wooden hull, and it was not until a later stage that the Admiralty found that no firm was willing to build a wooden ship of the dimensions required. It was then decided to use brass framing and wood planking and the lowest tender for a ship so constructed was £175,830. At this stage, the project had clearly become one of quite a different order from that originally put to the Treasury for approval, but there is nothing in the evidence given to Your Committee to suggest that the

Admiralty considered the project *de novo* in the light of the considerably greater expenditure involved.

There was also clearly every reason why the Treasury, on whom Parliament must rely to safeguard public expenditure in detail, should have been made fully acquainted with the developments, and afforded the earliest opportunity of reconsidering their sanction to the proposal, in view of the original underestimate. In this connection Your Committee note that the total expenditure on the ship is now expected to be in the neighbourhood of £235,000 and that the estimate of annual maintenance, originally £9,000, has been increased to £11,400. The reason given by the Admiralty for not informing the Treasury is that the relevant documents were mislaid within the Department. Your Committee cannot but express surprise that the arrangements for financial control within the Admiralty are liable to be frustrated by such an occurrence.

Qs. 3341-
3342.

26. Your Committee have been given to understand that the above cases, in addition to those referred to by the Public Accounts Committee of 1938, have all been examined by the Departmental Committee mentioned in paragraph 23 above. Your Committee's review of the later cases leads them not only fully to endorse the findings of their predecessors, but also to urge strongly that the improvement of financial control within the Admiralty should be treated as an immediate matter of pressing importance.

DOCKYARD ACCOUNTS.

27. Total Cost of Year's Programme of Shipbuilding.

The Public Accounts Committee of 1938 in paragraph 23 of their Second Report expressed the opinion that the aggregate anticipated cost of ships proposed to be built should be regularly given in the Estimate or Supplementary Estimate in which the programme is introduced.

Qs. 3384-
3385.

Your Committee observe that the statement of total cost of the 1939 programme was included in the Statement of the First Lord of the Admiralty accompanying the Navy Estimates, 1939, instead of in the Estimates themselves, and understand that this practice will be observed in future years. In view of the explanations given to them, they see no objection to this method of meeting the views of their predecessors.

28. Estimated Cost of Individual Ships under Construction.

The Public Accounts Committee last year drew attention in paragraph 24 of their Second Report to the fact that the Dockyard Accounts did not offer comparison of the total expenditure

on individual ships under construction with the original estimate as first published in the Estimates, and considered that the usefulness of these Accounts would be increased, if, when a ship was completed, the original estimate was also stated, and variation from that basis explained.

Your Committee were informed that the Board of Admiralty were prepared to show, in the Programme Estimates and Dockyard Accounts of the financial year in which a ship was expected to be completed, the estimate of cost in existence at the time the Board approved the design of the ship. At the same time the Board sought leave to omit in future the separate totals for contract work on hull, machinery and gun mountings now given in the Programme Estimates. Qs. 3385-3395.

After careful consideration of the views expressed by the Admiralty in evidence Your Committee recommend the adoption of these proposals, while reserving the right to be furnished in confidence with the separate figures, should they require them.

ARMY.

29. *Vote A.—Comparison of Actual Strengths with Numbers Voted.*

In accordance with the recommendation of the Public Accounts Committee of 1879, the Comptroller and Auditor General compares the actual numbers of men borne on the Home and Colonial Establishments, as recorded in the official returns, with the numbers provided in Vote A of the Army Estimates, and reports whether or not the numbers voted have been exceeded. Epit. p. 89.
Para. 1 of
C. & A.G.'s
Army
Report and
Appendix
(p. ix of
Report).
Qs. 3025-
3030.

A table showing the total numbers actually borne on Regimental Establishments at Home and Colonial Stations at the beginning of each month, compared with the numbers voted, is provided under Vote A in the Appropriation Account. It is the practice of the Comptroller and Auditor General, confirmed by a recommendation of the Public Accounts Committee of 1890, to append to his Report a separate statement which incorporates the information given under Vote A of the Appropriation Account and, in addition, includes a comparison between the numbers of British troops serving in India and Burma and the numbers on the corresponding Regimental Establishments as shown in the Army Estimates. The original reasons for the publication of this separate statement cannot be ascertained, and the information additional to that provided under Vote A, namely, the strength of British forces serving in India and Epit. pp.
246-247.

Burma, is not technically of interest to the Public Accounts Committee as these forces are maintained out of Indian revenues. Further, the Comptroller and Auditor General has no statutory duty to report on Indian Establishments.

Your Committee have had regard to the general question of the desirability of publishing military information, and after careful consideration they are of opinion that the separate statement need no longer be appended to the Comptroller and Auditor General's Report.

30. Arising out of discussion of this general question, consideration has also been given to the statements presented by the Defence Departments under Vote A in their respective Appropriation Accounts, showing the actual numbers borne for each month in the year. Your Committee do not regard the presentation of the figures on this basis as necessary from the point of view of Parliamentary control, and they are of opinion that a statement of the highest monthly total reached during the year would be sufficient. Examination and report upon Vote A by the Comptroller and Auditor General should continue as hitherto, and information as to any excess over authorised numbers will thus still be brought to the notice of Parliament.

31. *Contracts for Warlike Stores.*

The Public Accounts Committees of 1937 and 1938 referred to the practice, adopted in certain circumstances by the Air Ministry, under which contractors are offered, in addition to their actual costs and a fixed profit, a share of any savings effected below a certain agreed figure, known as "basic cost".

Para. 7 of
C. & A.G.'s
Army
Report.
Qs. 2946-
2971.

The War Office are now providing a similar incentive to economy in certain contracts usually for articles capable of mass production, where, in the absence of normal competition, provision is made for the payment, within the limit of a maximum price, of actual costs plus profit at a specified rate. The contract provides for agreement on a figure known as "target price", similar to the figure of basic cost used by the Air Ministry, which excludes profit and represents the net amount to which the contractor might reasonably be expected to reduce his direct costs and overhead expenses. This target price is assessed either in the light of previous experience or, more particularly in the case of new stores, on the basis of costs actually ascertained during an initial period of manufacture. Where the contractor succeeds through his own efforts in reducing his costs below the target price, he receives by way of bonus a percentage (generally 25 or 33½ per cent.) of the saving, in addition to his costs and the profit specified in the contract.

The primary object in offering an incentive bonus is to reduce the total price but the success of this procedure must largely depend on the sound estimating of the target price. If too low it may prove ineffective as an inducement to economy, but it is important that it should be based on the latest information available regarding the trend of production costs. As a result of this procedure, although it is the practice of the War Office when agreeing rates of profit to have regard to the rate of turnover of the capital employed, contractors may earn a somewhat higher overall profit or remuneration than would normally be allowed. Your Committee were informed that settlements of contracts of this type have as yet been too few to enable a proper judgment to be formed of the effect of the incentive either on costs or total profits, but they hope that care will be taken to secure that too high a rate of profit will not be allowed after maximum efficiency and economy have been reached.

32. *Government Factories constructed, maintained or operated by Firms acting as Agents.*

The War Office have entered into arrangements with a number of firms, acting not as ordinary contractors but as direct agents of the Department, for the construction, and maintenance or operation, of factories and stores intended for the production or storage of various commodities likely to be required in the event of war. In some cases the output of the factories is intended also to meet the needs of other Departments, whose Votes are accordingly bearing an appropriate share of the cost. Whereas the Air Ministry factories are intended for immediate operation, some of those erected for the War Office may not be brought into production during peace time.

Paras. 9-12
of
C. & A.G.'s
Army
Report.
Qs. 2972
3018.

A general outline of the agreements made between the War Office and their agents can be gathered from the arrangements made with one large firm which is responsible for the greater part of the undertakings in question. The actual cost of construction and equipment of the factories and stores, which is carried out under the general supervision of the War Office, is met from public funds. This expenditure is examined by departmental accountants, and the Comptroller and Auditor General has the right to make a direct examination of the books of account. The agent firm is remunerated for its services in planning and supervising erection by agreed fees of fixed amount, which are based on the estimated cost of construction and are payable on completion of the work. Provision is made for the agent to be paid a fee for maintaining and safeguarding any factory not in use.

Where it is intended that the agent shall operate a factory on behalf of the War Office as soon as it is completed, the arrangements provide for the payment of the ascertained costs of production, the agent receiving a specified management fee. No provision is made for the payment of a bonus as an incentive to economy, the War Office being satisfied that the firm chosen can be relied upon to produce efficiently and economically without such an inducement.

Further experience of the working of these arrangements is necessary before their adequacy and effectiveness can be properly judged, but Your Committee feel that special care is called for in the supervision of costs of production as there is no direct incentive to economy, and in the case of these agency services it is hardly practicable to fix a maximum price.

While, in the assessment of the fee or rate of profit to be paid under arrangements such as these, the agent firm should be offered reasonable remuneration for its skill and experience, Your Committee regard it as important that full account should be taken of any gain which the firm, or its associates, may derive from supplies furnished to the Government factory which it operates, as well as of the absence of financial risk and of the provision of capital assets out of public funds.

ROYAL ORDNANCE FACTORIES.

33. *Chorley Ordnance Factory.*

Para. 5 of
C. & A.G.'s
Royal
Ordnance
Factories
Report.
Qs. 2832-
2883.

Your Committee have considered the circumstances in which the estimated cost of the Chorley Ordnance Factory, including ancillary services and equipment outside the main contract for construction, but excluding land, rose from £6,050,000 in 1937 to £10,375,500 in 1939.

The question of the removal from Woolwich of some of the more vulnerable factories was considered shortly after the War and again in 1934. Eventually a suitable site was found at Chorley and in August, 1936, the Office of Works, acting as agents for the War Office, were entrusted with the work. The early completion of the factory was held to be a matter of great importance and only three months were available for planning and design, a task which it was explained might have been expected to take twelve months. The main part of the constructional work was put out to tender in November, 1936, at which date it had only been possible to design certain typical buildings, and also the lay-out had not been finally determined. While the tenders were under consideration, constant changes were taking place as a result of consultations between the War Office and Office of Works designing staffs.

The lowest tender, which was based on a fixed price for work already designed, with provision for valuing additional work *pro rata*, was accepted in January, 1937. Before the contract was signed, however, the contractor claimed that the considerable changes made in lay-out and design would alter the organisation of the work. In these circumstances he asked that the contract should be modified, and, after the Treasury Solicitor had been consulted, certain modifications were introduced, the main effect of which was to provide that changes in the conditions of execution of the work should be taken into consideration in assessing rates or prices.

It is difficult to determine the additional expenditure actually resulting from these modifications as, in order to make good time lost owing to factors outside the control of the contractor, exceptional measures were taken in August, 1937, to accelerate the work. As a result the contract conditions were still further modified and it was agreed that the contractor should be entitled at least to his prime costs plus a profit fixed between certain limits. After allowing for the extra cost of the acceleration measures Your Committee are inclined to the opinion that a substantial proportion of the increase in estimated expenditure is due to the alterations in the scope or character of the work after tenders had been invited.

34. The successive changes made in this case have had the effect of assimilating what was originally a lump sum contract to a contract virtually on the basis of cost plus profit. Your Committee do not dissent from the view of the Office of Works that a lump sum contract is preferable to start with, even if considerable modifications have subsequently to be made. But while they appreciate the special difficulties which confronted the Departments in the present case, they feel bound to point out that, unless reasonable finality in planning and design is reached before tenders are invited, full benefit cannot be secured from the system of competitive tendering.

35. *New Factories: Accounting Arrangements.*

The normal Ordnance Factory procedure provides that the depreciation of capital assets shall be charged as part of the expenditure incurred on production and included in the prices for work done for customers. Special considerations arise in the case of the new Royal Ordnance Factories, capital expenditure on which is now being met out of issues from the Consolidated Fund under the Defence Loans Acts, 1937 and 1939. It was explained that, while certain of the new factories will be fully employed for a period, it is expected that later they will to a considerable extent be in reserve. It is not at present possible to make any useful prediction of the extent to which these

Para. 7 of
C. & A.G.'s
Royal
Ordnance
Factories
Report.
Qs. 2884-
2891.

factories will be active or in reserve or to forecast whether expenditure of new capital will be needed, and in these circumstances it is not practicable to determine the amount of annual depreciation.

The Treasury have accordingly agreed that, during the period in which money is available from the Consolidated Fund, no provision for depreciation shall be made in the accounts of the new factories and the writing down of the value of their fixed assets shall be deferred. Although during this period depreciation will not be included in charges for work done at the new factories on behalf of the Defence Departments, it is proposed that, for the purposes of comparison of factory with trade prices and of assessing charges against non-Exchequer customers, an addition will be made of the amount customarily included for depreciation in respect of comparable products at the old factories.

In the exceptional circumstances now obtaining Your Committee see no objection to these temporary arrangements. They note that in due course the financial procedure for these factories will be specially reviewed.

AIR SERVICES.

36. Aircraft Prices: Profit Element in relation to Capital employed.

The Public Accounts Committee of 1937 were informed (Evidence, Question 5271) that the Treasury Inter-Service Committee had considered the question of ensuring that no more than a fair and reasonable profit should be allowed to contractors furnishing the supplies necessary to carry out the Defence programme and had come to the conclusion that the method which would be likely to lead most directly to an equitable result was to assess profits by reference to a fair percentage upon the capital engaged, for the time for which it is employed.

Para. 4 of
C. & A.G.'s
Air Report.
Qs. 3484-
3509.

In the course of his examination the Comptroller and Auditor General found that the information furnished to him by the Air Ministry in connection with the fixing of aircraft prices did not indicate the extent to which the profit element in prices had been assessed in accordance with this principle. Your Committee were, however, assured by the Air Ministry that, while there were practical difficulties, as had been recognised by the Treasury Inter-Service Committee, in the way of applying this principle rigidly, it had, in fact, been taken into account to the fullest extent practicable. In pre-expansion days the standard rate of profit on government contracts was broadly ten per

cent. on turnover and a similar rate of profit was appropriate during the early days of the expansion when the increased capital necessitated by the increased turnover was found by the aircraft industry itself. From April, 1938, the ratio between turnover and capital employed became disturbed, partly as the result of a more rapid rate of turnover and partly as the result of the introduction of capital supplied by the State, and it was necessary to reconsider the rate of profit permissible. The Ministry have no exact means of determining the capital employed and can only make an assessment from such information as is available in individual cases. It has, however, been found possible to make progressive reductions in the rate of profit on turnover from ten per cent. down to, in some cases, six per cent.

37. As a consequence of the conditions justifying a reduction in the rate of profit, negotiations have recently been opened with the Society of British Aircraft Constructors for a revision of the agreement governing the contractual relations of the Air Ministry with the aircraft industry. This agreement, known as the McLintock Agreement, the terms of which were set out in paragraph 26 of the Second Report of the Public Accounts Committee, 1937, provides that in cases in which prices cannot be fixed by the normal methods of negotiation the rate of profit to be allowed shall not be less than five per cent.

It was explained to Your Committee that, in the case of contracts placed since 1st March, 1939, contractors have been informed that prices will be assessed on the basis of the revised agreement now being negotiated and it was hoped that it would be possible to make the revised terms applicable to all aircraft delivered after the operative date of the new agreement.

Your Committee are glad to learn that the Air Ministry accept the principle recommended by the Treasury Inter-Service Committee and they hope that, as a result of the negotiations with the Society of British Aircraft Constructors, the fullest possible effect will be given to the application of that principle.

38. *Extension of Manufacturing Capacity: Capital Assistance by the Air Ministry.*

Where airframe and aero-engine contractors, who have necessarily incurred capital expenditure in extending their works for the purpose of completing orders under the Air Ministry expansion programme, find on the completion of that programme that the capacity of their extended works is in excess of that required for the execution of orders then available, there is a contingent liability for the Air Ministry to pay compensation. The maximum contingent liability of the Ministry is approximately £6½

Paras. 5
& 9 of
C. & A.G.'s
Air Report.
Qs. 3510 &
3538-3552.

millions, being the total expenditure claimed by contractors to rank for inclusion in possible claims.

Para. 5 of
C. & A.G.'s
Air Report.

As a result of the accelerated expansion programme, it became necessary for the Air Ministry to supply the capital required for a further increase in the manufacturing capacity of airframe and aero-engine manufacturers and provision has been made in Air Estimates 1938 and 1939 for that purpose. Similar assistance, by way of provision of plant and machinery at Air Ministry expense, had already been given in 1937 to firms who produce for the Ministry materials and equipment other than airframes and engines. The plant and machinery paid for by the Ministry remain the property of that Department and the contracts provide for the additional manufacturing capacity to be retained for a period of years. Except in one special case the contractors receive no remuneration for acting as agents of the Ministry in the purchase of the plant and machinery.

The total commitments under these arrangements up to May, 1939, amounted to nearly £16 millions, and in these circumstances Your Committee desire to emphasise the need for the closest scrutiny of estimates before extensions to works or purchases of plant, etc., are authorised. They note that the financial assistance provided by the Ministry is taken into account when fixing the prices to be paid for the articles subsequently produced by the assisted firms.

39. *Air Ministry Factories erected, equipped and managed by Agents: Accounting Records.*

Paras. 6-8
of
C. & A.G.'s
Air Report.
Qs. 3511-
3537.

The Air Ministry factories, which are erected, equipped and managed by contractors as agents of the Ministry are required for the immediate production of airframes, aero-engines, air-screws, carburettors and bombs and also as a potential source of supply in the event of war. The financial arrangements between the Secretary of State for Air and the agents for the airframe and engine factories were dealt with in paragraphs 30 and 31 of the Second Report of the Public Accounts Committee, 1938. The agreements with the other agents follow the same general lines and in all cases an incentive to economy is provided by the arrangements for allowing to the agents a share in the amount by which the actual costs of production are less than agreed basic prices which are fixed after sufficient manufacturing experience has been attained. It will be realised that the effectiveness of this incentive to economy depends to a very large extent on the maintenance by the agents, as required in the agreements, of costing records adequate to produce the information necessary for the fixing of basic prices.

The Public Accounts Committee last year expressed the hope that agents would accommodate themselves to the accounting requirements of the Air Ministry and of other Departments with similar schemes, and Your Committee were consequently concerned to learn of delays in the production of cost statements and of the failure by agents to maintain adequate records. As a result, by April, 1939, at two only of the eleven factories which had entered into production during 1937 had it been found possible to begin negotiations for the fixing of basic prices. In some cases where there had been delay it was expected that the figures necessary for fixing basic prices would be available at an early date but in two cases the inadequacy of the accounting arrangements made it necessary to design modified systems of cost accounting which have only recently been put into operation. It was explained that the breakdown was caused, partly by attempts to obtain rather more detailed information than was strictly necessary, but chiefly by difficulty in obtaining suitable staff and by the fact that the energies of the directing staff were largely concentrated on efforts to meet the insistent demands for production.

Where the agents have maintained records as required by their agreements, the delay in furnishing the cost statements, leading to delay in fixing basic prices, is not expected by the Ministry to result in any disadvantage. Your Committee trust that this will also prove to be true of those cases in which it has been necessary to introduce modified systems of accounting. They desire to emphasize the necessity for the closest co-operation between agents and the Departments and to repeat the hope that the agents will find it possible to accommodate themselves at all times to the accounting requirements of the Departments.

DEFENCE SERVICES: GENERAL

40. *Issues from the Consolidated Fund under the Defence Loans Acts: Effect on Outcome.*

For a period of five years from 1st April, 1937, the Defence Loans Acts, 1937 and 1939, provide that issues out of the Consolidated Fund shall be available as appropriations in aid of the expenditure on defence services, subject to an aggregate limit of £800,000,000 and to an annual limit of the amount proposed to be issued as appropriations in aid in the Estimates for each service. In the Estimates for the Defence Departments the sums to be issued from the Consolidated Fund are in practice allocated to the Votes which provide for the main capital expenditure under the rearmament programme, e.g., the amount provided in aid of Army expenditure in 1937 was divided between Vote 9 (Warlike Stores) and Vote 10 (Works, Buildings and Lands).

Paras. 2 & 3
of
C. & A.G.'s
Army
Report.
Qs. 2926-
2928.
Para. 2 of
C. & A.G.'s
Navy
Report.

The amounts finally issued in 1937 from the Consolidated Fund were determined by the Treasury towards the close of the year after they had received a forecast of the surpluses and deficits arising on all the Votes of each Department. The Treasury decided that the annual issues within the estimated totals should be limited to an amount sufficient to avoid a deficit on each Department's Votes as a whole and should not be determined solely by reference to the particular Votes to which the issues would be allocated. Their object, as was explained in evidence, was to avoid the borrowing of sums which would not be required within the year and would subsequently fall to be surrendered to the Exchequer.

Although there may have been considerable savings on gross expenditure, the restriction of issues from the Consolidated Fund may result in a Department's total Vote showing a net deficit, i.e., net expenditure in excess of the net Parliamentary grant. Such a position arose in 1937 on the Navy and Army Appropriation Accounts, but in each case it was known that there would be a surplus of realised over estimated receipts sufficient to meet the net deficit. Under their powers of virement the Treasury were able to authorise the temporary application of so much of the realised surpluses as was necessary to make good the deficits on the various Votes.

The system adopted for restricting the issues from the Consolidated Fund tends to obscure the outcome of the Accounts as compared with the Estimates, but Your Committee are prepared to accept the position as one peculiar to the present abnormal situation.

4I. *Special Advances to Contractors.*

Para. 3 of
C. & A.G.'s
Army
Report.
Qs. 2929-
2944.
Para. 5 of
C. & A.G.'s
Navy
Report.
Qs. 3165-
3173.

The attention of Your Committee was drawn to the effect of the Defence Loans procedure on the system under which the Defence Departments are accustomed to make special advances to contractors at the end of each financial year. As explained in the preceding paragraph, the sums issued to a Department from the Consolidated Fund are in practice restricted to an amount sufficient to avoid a deficit on its Votes as a whole and in consequence the Department is unlikely to have a substantial surplus for surrender.

The conditions under which special advances may be made to contractors have been approved by Committees of Public Accounts in the past. Although such advances are not strictly covered by the terms of the contracts, they must have been really earned by work done and materials used under the contracts. Their primary justification has been one of public advantage in that money voted for a particular purpose and actually earned in the fulfilment of that purpose should be paid

away for that purpose, instead of being surrendered to the Exchequer with the consequent necessity of voting it in the next year for the same purpose. This justification has lost much of its weight in the light of the greater flexibility at present introduced into the financing of the Defence Departments' expenditure.

The Defence Departments were, however, reluctant to abandon the system of special advances for the limited period during which the Defence Loans procedure is to operate. Your Committee were informed that contractors had become accustomed to the system, and that it was important to keep them in funds having regard to the growth in the scale of orders and in the number of firms participating. The continuation of the practice of making these advances was regarded not merely as a concession to the contractor but as of real benefit to the Departments which would be likely to gain by prompter deliveries and, in the case of costed contracts, by cheaper production. The Treasury had fully considered the arguments put forward and had agreed that the accepted practice of special advances should continue.

42. It was a condition under the original arrangements that a Department should obtain prior Treasury sanction before payment of an advance which would cause an excess on a Subhead or a Vote. In the special circumstances now existing it had been found necessary to modify this condition, and the Treasury had agreed generally that in order to meet an excess on a Vote caused, or partly caused, by special advances they would be prepared to authorise virement of savings on other Votes, provided that they were given the assurance that postponement of expenditure would be detrimental to the public interest.

With this exception, the rules prescribed to govern the issue of special advances remain unaltered, and on these conditions Your Committee are not disposed to object to their continuance during the period of the operation of the Defence Loans Acts. They take this opportunity, however, of emphasising the importance which they attach to the condition that special advances should not be made unless they have been really earned and that they should be limited to 80 per cent. of the value of the work done and materials used.

43. *Information supplied to the Comptroller and Auditor General.*

The Public Accounts Committee of 1938 in paragraphs 32 and 33 of their Second Report, reviewed the various cases, where Defence Departments' expenditure does not come under

Qs. 2914-
2916,
3482-3483.

the direct audit of the Comptroller and Auditor General, but the examination is conducted by professional accountants on the staff of the Departments who certify and report upon the expenditure to their respective Accounting Officers. In such cases the Comptroller and Auditor General is largely dependent upon the Departments for the supply of information and of material necessary to satisfy himself on behalf of Parliament, in pursuance of his statutory functions, that the expenditure has been properly examined, and that the various checks and safeguards designed to protect the public purse conform to approved procedure and are being made effective for that purpose.

The Comptroller and Auditor General's audit requirements have naturally increased as a result of the extension of the activities of the Departments and arrangements have recently been made with the Air Ministry for the purpose of obtaining the necessary additional information as to the costing methods of that Department and the methods of reaching fixed prices by negotiation. Your Committee trust that these arrangements will prove adequate and they feel confident as a result of the assurances of the Accounting Officers of the Defence Departments that the requirements of the Comptroller and Auditor General will be satisfactorily met in the future, as they have been in the past.

44. *Purchase of Plant and Machine Tools.*

The Public Accounts Committee of 1938 enquired into the methods of purchase of plant and machine tools on behalf of the Defence Departments by firms who were to use the machinery, and suggested, in paragraph 35 of their Second Report, that consideration should be given to the possibility of making arrangements under which the reasonableness of prices could be more definitely checked.

Qs. 3145-
3151,
3877-3878.

Your Committee were informed that negotiations had been entered into with the Machine Tool Trades Association and had reached the stage at which an offer had been made by the Association to the Defence Departments which was being explored and considered. Since this evidence was taken the House of Commons has been informed (Official Report 14th June, 1939, Vol. 348, cols. 1300-2) that an arrangement has been concluded between the Government and the Association.

Your Committee have not had an opportunity of examining this arrangement and cannot express any opinion on it. They recommend that it should be considered by the Public Accounts Committee next year.

PROCEEDINGS OF THE COMMITTEE

TUESDAY, 6TH DECEMBER, 1938.

Members present:

Sir Irving Albery.	Sir Assheton Pownall.
Sir Edmund Brocklebank.	Sir Eugene Ramsden.
Mr. Lathan.	Sir Isidore Salmon.
Mr. Pethick-Lawrence.	Sir Robert Smith.

Resolved, That Mr. Morgan Jones be Chairman of the Committee.—
(*Sir Assheton Pownall*.)

Resolved, That during the absence of the Chairman Mr. Pethick-Lawrence do take the Chair.—(*Sir Assheton Pownall*.)

The Committee deliberated.

[Adjourned till Thursday, 2nd February, at half-past two o'clock.

THURSDAY 2ND FEBRUARY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Mr. Benson.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Lathan.	

The Revenue Departments Appropriation Accounts, 1937, Vote 1, Customs and Excise, and Vote 2, Inland Revenue, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Evelyn Murray, K.C.B., and Sir Gerald Canny, K.B.E., C.B., were examined.

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

TUESDAY, 7TH FEBRUARY, 1939.

Members present:

Sir Irving Albery.	Mr. Mabane.
Mr. Benson.	Sir Assheton Pownall.
Sir Edmund Brocklebank.	Sir Isidore Salmon.

In the absence of Mr. Pethick-Lawrence, Sir Assheton Pownall was called to the Chair.

The Revenue Departments Appropriation Accounts, 1937, Vote 3, Post Office; the Post Office Fund Account, 1937; and the Civil Appropriation Accounts, 1937, Class IV, Vote 12, Broadcasting, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Raymond Birchall, K.B.E., C.B., and Mr. G. Ismay were examined.

[Adjourned till Thursday at half-past two o'clock.

THURSDAY, 9TH FEBRUARY, 1939.

Members present:

Sir Irving Albery.	Sir Assheton Pownall.
Mr. Benson.	Sir Eugene Ramsden.
Sir Edmund Brocklebank.	Sir Isidore Salmon.
Mr. Lathan.	Sir Robert Smith.
Mr. Mabane.	

In the absence of Mr. Pethick-Lawrence, Sir Isidore Salmon was called to the Chair.

The Post Office Commercial Accounts, 1937; and the Civil Appropriation Accounts, 1937, Class II, Vote 1, Foreign Office; Class II, Vote 2, Diplomatic and Consular Services; and Class II, Vote 3, League of Nations, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Raymond Birchall, K.B.E., C.B., Mr. G. Ismay, the Hon. Sir Alexander Cadogan, G.C.M.G., C.B., and Mr. C. Howard Smith, C.M.G., were examined.

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

TUESDAY, 14TH FEBRUARY, 1939.

Members present:

Sir Irving Albery.	Mr. Mabane.
Mr. Benson.	Sir Assheton Pownall.
Sir Haydn Jones.	Sir Eugene Ramsden.
Mr. Lathan.	Sir Isidore Salmon.

In the absence of Mr. Pethick-Lawrence, Sir Isidore Salmon was called to the Chair.

The Civil Appropriation Accounts, 1937, Class VIII, Vote 1, Merchant Seamen's War Pensions; Class VI, Vote 1, Board of Trade; Class VI, Vote 2, Mercantile Marine Services; and Class VI, Vote 3, Assistance to British Shipping; the British Shipping (Assistance) Act, 1935, Account, 1937; the Cunard Insurance Fund Account, 1937; the General Lighthouse Fund Account, 1937; the Civil Appropriation Accounts, 1937, Class I, Votes 1 and 5; the Cinematograph Fund Account, 1937; and the Civil Appropriation Accounts, 1937, Class I, Votes 7, 8, 11, 12, 14, 17, 18 and 26 were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Mr. A. E. Overton, C.M.G., M.C., and Mr. E. J. Elliot were examined.

[Adjourned till Thursday at half-past two o'clock.

THURSDAY, 16TH FEBRUARY, 1939.

Members present:

Sir Irving Albery.	Sir Assheton Pownall.
Mr. Benson.	Sir Isidore Salmon.
Sir Edmund Brocklebank.	

In the absence of Mr. Pethick-Lawrence, Sir Isidore Salmon was called to the Chair.

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

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

TUESDAY, 21ST FEBRUARY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lathan.
Mr. Benson.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Major Sir George Davies.	Sir Robert Smith.
Sir Haydn Jones.	

The Civil Appropriation Accounts, 1937, Class I, Vote 2, House of Commons; Class IV, Vote 1, Board of Education; Class IV, Vote 7, National Maritime Museum; Class IV, Vote 13, Public Education, Scotland; Class III, Vote 14, Approved Schools, etc., Scotland; and Class VIII, Vote 2, Ministry of Pensions, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Gilbert Champion, K.C.B., Mr. J. Luxford, O.B.E., Sir Maurice Holmes, K.C.B., O.B.E., Mr. D. du Bois Davidson, Professor Sir Geoffrey Callender, F.S.A., Sir James Peck, C.B., F.R.S.E., Sir Adair Hore, K.B.E., C.B., and Mr. R. A. Ledgard, O.B.E., were examined.

[Adjourned till Thursday next at half-past two o'clock.]

THURSDAY, 23RD FEBRUARY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Mr. Benson.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Major Sir George Davies.	Sir Isidore Salmon.
Mr. Lathan.	Sir Robert Smith.

The Civil Appropriation Accounts, 1937, Class II, Vote 12, Imperial War Graves Commission; Class II, Vote 11, India and Burma Services; Class VI, Vote 6, Mines Department of the Board of Trade; Class VI, Vote 14, Ministry of Transport; and Class VI, Vote 15, Roads, etc.; the Road Fund Accounts, 1937; and the Civil Appropriation Accounts, 1937, Class VI, Vote 20, Clearing Offices, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Major-General Sir Fabian Ware, K.C.V.O., K.B.E., C.B., C.M.G., Sir Findlater Stewart, G.C.I.E., K.C.B., C.S.I., Sir Alfred Faulkner, C.B., C.B.E., Sir Leonard Browett, K.C.B., C.B.E., and Mr. D. J. Wardley, M.C., were examined.

[Adjourned till Tuesday next at half-past two o'clock.]

15417

B 2

TUESDAY, 28TH FEBRUARY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Sir Haydn Jones.
Mr. Benson.	Mr. Lewis.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Major Sir George Davies.	

The Civil Appropriation Accounts, 1937, Class V, Vote 10, Commissioner for Special Areas (England and Wales); Class V, Vote 8, Ministry of Labour; and Class V, Vote 9, Grants in Respect of Employment Schemes; the Unemployment Fund Accounts, 1937; and the Civil Appropriation Accounts, 1937, Class V, Vote 11, Unemployment Assistance Board, and Class I, Vote 9, Exchequer and Audit Department, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Thomas Phillips, K.C.B., K.B.E., Mr. H. C. Emmerson and Mr. G. T. Reid, C.B., were examined.

[Adjourned till Thursday at half-past two o'clock.]

THURSDAY, 2ND MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Sir Edmund Brocklebank.	Mr. Mabane.
Mr. Culverwell.	Sir Assheton Pownall.
Major Sir George Davies.	Sir Isidore Salmon.
Mr. Lathan.	

The Civil Appropriation Accounts, 1937, Class III, Vote 19, Supreme Court of Judicature, etc., Northern Ireland; the Supreme Court of Judicature, Northern Ireland, Land Purchase Account, 1937; the Civil Appropriation Accounts, 1937, Class III, Vote 20, Irish Land Purchase Services; the Irish Land Purchase Fund Accounts, 1937; the Civil Appropriation Accounts, 1937, Class I, Vote 16, National Debt Office; and Class I, Vote 10, Friendly Societies' Deficiency; the Local Loans Fund Accounts, 1937; the Sinking Funds Account, 1937; and the Civil Appropriation Accounts, 1937, Class I, Vote 19, Public Works Loan Commission, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Mr. W. T. Barry, Mr. E. S. Jones, O.B.E., I.S.O., and Mr. H. G. H. Barnes, were examined.

[Adjourned till Tuesday next at half-past two o'clock.]

TUESDAY, 7TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Sir Haydn Jones.
Mr. Benson.	Mr. Lathan.
Sir Edmund Brocklebank.	Mr. Mabane.
Mr. Culverwell.	Sir Assheton Pownall.
Major Sir George Davies.	Sir Isidore Salmon.

The Civil Appropriation Accounts, 1937, Class V, Vote 1, Ministry of Health; Class V, Vote 1A, Grants to Public Assistance Authorities (England and Wales); and Class IX, Vote 1, Exchequer Contributions to Local Revenues, England and Wales; the National Health Insurance Funds Accounts, 1937; the Widows', Orphans', and Old Age Contributory Pensions Act, 1936, Accounts, 1937; the Civil Appropriation Accounts, 1937, Class V, Vote 13, Department of Health for Scotland; and Class VI, Vote 7, Office of Commissioners of Crown Lands; and the Crown Lands Abstract Accounts, 1937, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir George Chrystal, K.C.B., Mr. S. H. G. Hughes, C.B.E., Mr. W. R. Fraser, C.B., Mr. C. L. Stocks, C.B., and Mr. T. R. Oswin were examined.

[Adjourned till Thursday at half-past two o'clock.

THURSDAY, 9TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lathan.
Mr. Benson.	Mr. Lewis.
Sir Edmund Brocklebank.	Mr. Mabane.
Major Sir George Davies.	Sir Isidore Salmon.

The Civil Appropriation Accounts, 1937, Class III, Vote 9, Public Trustee; and Class III, Vote 6, Supreme Court of Judicature, etc.; the Supreme Court of Judicature Account, 1937; the Civil Appropriation Accounts, 1937, Class III, Vote 7, County Courts; and the County Courts Account, 1937, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Ernest Fass, K.C.M.G., C.B., O.B.E., and Sir Claud Schuster, G.C.B., C.V.O., K.C., were examined.

The Committee deliberated.

The Post Office Commercial Accounts, 1937, were further considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain and Mr. D. F. C. Blunt were further examined.

Sir Raymond Birchall, K.B.E., C.B., and Mr. G. Ismay were examined.

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

TUESDAY, 14TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lathan.
Mr. Benson.	Mr. Lewis.
Mr. Culverwell.	Mr. Mabane.
Major Sir George Davies.	Sir Assheton Pownall.
Sir Haydn Jones.	Sir Isidore Salmon.

The Civil Appropriation Accounts, 1937, Class III, Vote 1, Home Office; the Trading Accounts, Home Office; the Civil Appropriation Accounts, 1937, Class III, Vote 3, Police, England and Wales; the Metropolitan Police Fund Account; the Civil Appropriation Accounts, 1937, Class III, Vote 5, Approved Schools, etc., England and Wales; Class III, Vote 18, Northern Ireland Services; and Class VI, Vote 19, State Management Districts; the Trading Accounts, State Management Districts; and the Civil Appropriation Accounts, Class III, Votes 2, 4, 8 and 10, and Class IV, Votes 2, 3, 4, 5, 6, 8 and 9, were considered.

Sir Francis Dixon, C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Alexander Maxwell, K.C.B., K.B.E., Mr. C. B. Hains, M.B.E., Sir John Moylan, C.B., C.B.E., and Mr. H. H. C. Prestige were examined.

[Adjourned till Thursday at half-past two o'clock.

THURSDAY, 16TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Edmund Brocklebank.	Mr. Lathan.
Mr. Culverwell.	Mr. Lewis.
Major Sir George Davies.	Sir Assheton Pownall.

The Civil Appropriation Accounts, 1937, Class VI, Vote 9, Beet Sugar Subsidy, Great Britain, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, and Sir Donald Fergusson, K.C.B., were examined.

Mr. Pethick-Lawrence was called away from the Committee, and Sir Assheton Pownall was called to the Chair.

The Civil Appropriation Accounts, 1937, Class VI, Vote 9, Beet Sugar Subsidy, Great Britain, were further considered.

The Civil Appropriation Accounts, 1937, Class VI, Vote 8, Ministry of Agriculture and Fisheries; the Trading Accounts, Ministry of Agriculture and Fisheries; and the Civil Appropriation Accounts, 1937, Class VI, Vote 11, Livestock Industry and Cattle Fund, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt and Sir Donald Fergusson, K.C.B., were further examined.

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

TUESDAY, 21ST MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lathan.
Sir Edmund Brocklebank.	Mr. Lewis.
Mr. Culverwell.	Mr. Mabane.
Major Sir George Davies.	Sir Assheton Pownall.
Sir Haydn Jones.	Sir Isidore Salmon.

The Civil Appropriation Accounts, 1937, Class VI, Vote 11A, Land Fertility Improvement; the Land Fertility (Research) Fund Account, 1937; the Civil Appropriation Accounts, 1937, Class VI, Vote 10, Milk (England and Wales and Northern Ireland); Class VI, Vote 21, Department of Agriculture, Scotland; the Trading Accounts, Department of Agriculture for Scotland; the Civil Appropriation Accounts, 1937, Class VI, Vote 22, Milk (Scotland); the Wheat Fund Accounts, 1937-38; the Civil Appropriation Accounts, 1937, Class V, Vote 2, Board of Control; Class V, Votes 3, 4, 5 and 6; and Class VI, Vote 4; the Trading Accounts, Department of Overseas Trade; and the Civil Appropriation Accounts, 1937, Class VI, Vote 18, and Class VIII, Votes 3 and 4, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Donald Fergusson, K.C.B., Mr. P. R. Laird, C.B., and Mr. H. D. Vigor, O.B.E., were examined.

[Adjourned till Thursday at half-past two o'clock.]

THURSDAY, 23RD MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Sir Edmund Brocklebank.	Mr. Mabane.
Mr. Culverwell.	Sir Assheton Pownall.
Major Sir George Davies.	Sir Isidore Salmon.

The Civil Appropriation Accounts, 1937, Class VII, Vote 1, Art and Science Buildings, Great Britain; Class VII, Vote 2, Houses of Parliament Buildings; Class VII, Vote 3, Labour and Health Buildings, Great Britain; Class VII, Vote 4, Miscellaneous Legal Buildings, Great Britain; Class VII, Vote 5, Osborne; Class VII, Vote 6, Office of Works and Public Buildings; Class VII, Vote 7, Public Buildings, Great Britain; and Class VII, Vote 8, Public Buildings, Overseas, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Patrick Duff, K.C.B., K.C.V.O., and Mr. A. G. Barnett, C.B.E., were examined.

[Adjourned till Tuesday next at half-past two o'clock.]

TUESDAY, 28TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Sir Haydn Jones.
Mr. Benson.	Mr. Lewis.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.

The Civil Appropriation Accounts, 1937, Class VII, Vote 9, Royal Palaces; Class VII, Vote 10, Revenue Buildings; and Class VII, Vote 11, Royal Parks and Pleasure Gardens; the Trading Accounts, Office of Works; the Civil Appropriation Accounts, 1937, Class VII, Vote 15, Works and Buildings in Ireland; and Class I, Vote 15, the Mint; and the Trading Accounts, The Mint, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Patrick Duff, K.C.B., K.C.V.O., Mr. A. G. Barnett, C.B.E., and Mr. J. H. McC. Craig, C.B., were examined.

[Adjourned till Thursday at half-past two o'clock.

THURSDAY, 30TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Mr. Benson.	Mr. Mabane.
Mr. Culverwell.	Sir Assheton Pownall.
Major Sir George Davies.	Sir Isidore Salmon.
Mr. Lathan.	

The Civil Appropriation Accounts, 1937, Class V, Vote 16, Commissioner for Special Areas (Scotland); and Class VI, Vote 24, Herring Industry; the Herring Industry Act, 1935, Account, 1937; the Civil Appropriation Accounts, 1937, Class I, Vote 27, Scottish Office; Class III, Vote 12, Police, Scotland; Class V, Vote 17, Grants to Public Assistance Authorities (Scotland); Class IX, Vote 2; Class III, Votes 13, 15, 16 and 17; Class IV, Votes 14 and 15; and Class VI, Vote 23, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Mr. P. J. G. Rose, C.B., and Mr. A. B. Valentine, were examined.

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

TUESDAY, 4TH APRIL, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Mr. Benson.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Mr. Lathan.	

The Civil Appropriation Accounts, 1937, Class VI, Vote 5, Export Credits; the Trading Accounts, Export Credits Guarantee Department; the Civil Appropriation Accounts, 1937, Class VI, Vote 13, Forestry Commission; the Trading Accounts, Forestry Commission; the Civil Appropriation Accounts, 1937, Class VI, Vote 12, Surveys of Great Britain; and Class VII, Vote 13, Stationery and Printing; and the Trading Accounts, Stationery Office, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Mr. F. H. Nixon, C.B., Sir Roy Robinson, O.B.E., Major-General M. N. MacLeod, D.S.O., M.C., and Sir William Codling, C.B., C.V.O., C.B.E., were examined.

[Adjourned till Thursday, 20th April, at half-past two o'clock.

THURSDAY, 20TH APRIL, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Sir Edmund Brocklebank.	Sir Isidore Salmon.
Mr. Culverwell.	Sir Robert Smith.
Major Sir George Davies.	

The Civil Appropriation Accounts, 1937, Class II, Vote 4, Dominions Office, Class II, Vote 5, Dominion Services; Class II, Vote 6, Irish Free State Services; Class II, Vote 7, Oversea Settlement; Class II, Vote 8, Colonial Office; and Class II, Vote 9, Colonial and Middle Eastern Services, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Edward Harding, K.C.B., K.C.M.G., Mr. W. G. Ives, M.B.E., Sir John Shuckburgh, K.C.M.G., C.B., Mr. H. Palmer, Mr. H. C. H. Bull and Mr. F. Whittle, were examined.

[Adjourned till Thursday next at half-past two o'clock.

THURSDAY, 27TH APRIL, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Sir Edmund Brocklebank.	Mr. Mabane.
Mr. Culverwell.	Sir Isidore Salmon.
Mr. Lathan.	Sir Robert Smith.

Sir Gilbert Upcott, K.C.B., Mr. B. W. Gilbert, C.B., Mr. H. Brittain and Sir Herbert Creedy, G.C.B., K.C.V.O., were called in.

Resolved, That the Committee, having learnt with deep regret of the death of Mr. Morgan Jones, who has been Chairman of the Committee during the past eight years, desire to put on record their high appreciation of his services in that office, which he discharged with conspicuous dignity, ability and impartiality, at the same time inspiring the warmest feelings in all his colleagues; and they tender to Mrs. Morgan Jones and the other members of his family sincere sympathy on their untimely loss.—(*Mr. Pethick-Lawrence.*)

Ordered, That the Clerk to the Committee do communicate this resolution to Mrs. Morgan Jones.—(*Mr. Pethick-Lawrence.*)

Resolved, That Mr. Pethick-Lawrence be Chairman of the Committee.—(*Sir Isidore Salmon.*)

The Army (Royal Ordnance Factories) Accounts, 1937, were considered.

Sir Gilbert Upcott, K.C.B., Mr. B. W. Gilbert, C.B., Mr. D. F. C. Blunt, Sir Herbert Creedy, G.C.B., K.C.V.O., Mr. C. N. McLaren, Mr. G. H. Clamp, I.S.O., and Mr. W. Leitch, C.B., were examined.

[Adjourned till Tuesday next at half-past two o'clock.]

TUESDAY, 2ND MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Mr. Lathan.	Sir Robert Smith.
Mr. Lewis.	

The Army Appropriation Account, 1937, and the Royal Hospital, Chelsea, Account, 1937, were considered.

Sir Gilbert Upcott, K.C.B., Mr. B. W. Gilbert, C.B., Mr. D. F. C. Blunt, Sir Herbert Creedy, G.C.B., K.C.V.O., and Mr. A. R. McBain, O.B.E., were examined.

[Adjourned till Thursday at half-past two o'clock.]

THURSDAY, 4TH MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Mr. Lathan.	Sir Robert Smith.
Mr. Lewis.	

The Navy Appropriation Account, 1937, was considered.

Sir Gilbert Upcott, K.C.B., Mr. B. W. Gilbert, C.B., Mr. D. F. C. Blunt, Sir Archibald Carter, K.C.B., K.C.I.E., Mr. C. B. Coxwell, O.B.E., Mr. E. C. Jubb, O.B.E., and Captain M. H. A. Kelsey, D.S.C., R.N., were examined.

[Adjourned till Tuesday next at half-past two o'clock.]

TUESDAY, 9TH MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Sir Edmund Brocklebank.	Mr. Mabane.
Mr. Culverwell.	Sir Assheton Pownall.
Sir Haydn Jones.	Sir Isidore Salmon.
Mr. Lathan.	Sir Robert Smith.

The Greenwich Hospital and Travers Foundation Accounts, 1937, were considered.

The Navy Appropriation Account, 1937, was further considered.

The Navy Dockyard Accounts, 1937; and the Civil Appropriation Accounts, 1937, Class VII, Vote 14, Peterhead Harbour, were considered.

Sir Gilbert Upcott, K.C.B., Mr. B. W. Gilbert, C.B., Mr. D. F. C. Blunt, Sir Archibald Carter, K.C.B., K.C.I.E., Mr. T. Fry, Mr. C. B. Coxwell, O.B.E., Mr. A. L. Anderson, C.B., M.I.C.E., Mr. H. McM. Rigg, M.B.E., and Mr. A. W. Watson, M.B.E., were examined.

[Adjourned till Thursday at half-past two o'clock.]

THURSDAY, 11TH MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Mabane.
Mr. Culverwell.	Sir Assheton Pownall.
Mr. Jagger.	Sir Isidore Salmon.
Mr. Lathan.	Sir Robert Smith.
Mr. Lewis.	

The Air Services Appropriation Account, 1937, was considered.

Sir Gilbert Upcott, K.C.B., Mr. B. W. Gilbert, C.B., Mr. D. F. C. Blunt, Sir Arthur Street, K.B.E., C.B., C.M.G., C.I.E., M.C., Mr. L. V. Meadowcroft and Mr. J. T. Cotton, O.B.E., were examined.

[Adjourned till Tuesday next at half-past two o'clock.]

TUESDAY, 16TH MAY, 1939.

Members present:

Sir Irving Albery.	Mr. Lathan.
Sir Edmund Brocklebank.	Mr. Lewis.
Mr. Culverwell.	Sir Assheton Pownall.
Mr. Jagger.	Sir Isidore Salmon.
Sir Haydn Jones.	Sir Robert Smith.

In the absence of the Chairman, Sir Assheton Pownall was called to the Chair.

The Air Services Appropriation Account, 1937, was further considered.

The Trading Accounts, Dominions Office, were considered.

Sir Gilbert Upcott, K.C.B., Mr. B. W. Gilbert, C.B., Mr. D. F. C. Blunt, Sir Arthur Street, K.B.E., C.B., C.M.G., C.I.E., M.C., Mr. L. V. Meadowcroft, Mr. H. W. Clothier, C.B.E., Mr. H. Brittain, Sir Edward Harding, K.C.B., K.C.M.G., and Mr. A. S. Gaye, C.B., were examined.

[Adjourned till Thursday at half-past two o'clock.

THURSDAY, 18TH MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Mr. Benson.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Mr. Jagger.	Sir Robert Smith.
Mr. Lathan.	

The Public Income and Expenditure Account, 1937; the Consolidated Fund Abstract Account, 1937; the Civil Appropriation Accounts, 1937, Class I, Vote 3, Expenses under the Representation of the People Acts; Class I, Vote 4, Treasury and Subordinate Departments; Class I, Vote 6, Privy Seal Office; Class I, Vote 13, Government Hospitality; Class I, Vote 20, Repayments to the Local Loans Fund; Class I, Vote 21, Royal Commissions, etc.; Class I, Vote 22, Miscellaneous Expenses; Class I, Vote 23, Secret Service; and Class I, Vote 24, Treasury Chest Fund; the Treasury Chest Fund Account, 1937; the Civil Appropriation Accounts, 1937, Class I, Vote 25, Coronation of His Majesty; and Class I, Vote 28, Repayments to the Civil Contingencies Fund; and the Civil Contingencies Fund Account, 1937, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt and Sir Richard Nind Hopkins, K.C.B., were examined.

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

TUESDAY, 23RD MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Mr. Benson.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Mr. Jagger.	Sir Robert Smith.
Mr. Lathan.	

The Tithe Act, 1936, Accounts, 1937; the Civil Appropriation Accounts, 1937, Class II, Vote 10, Colonial Development Fund; and the Colonial Development Fund Accounts, 1937, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Richard Nind Hopkins, K.C.B., and Mr. T. W. Davies, were examined.

The Chairman was called away from the Committee, and Sir Assheton Pownall was called to the Chair.

The Colonial Development Fund Accounts, 1937, were further considered.

The Civil Appropriation Accounts, 1937, Class III, Vote 11, Miscellaneous Legal Expenses; Class IV, Vote 10, Scientific Investigation, etc.; and Class IV, Vote 11, Universities and Colleges, Great Britain, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt, Sir Richard Nind Hopkins, K.C.B., and Mr. T. W. Davies, were further examined.

The Chairman returned to the Committee and resumed the Chair.

The Civil Appropriation Accounts, 1937, Class V, Vote 7, Widows', Orphans' and Old Age Contributory Pensions; Class V, Vote 12, Special Areas Fund; Class V, Vote 12A, Financial Assistance in Special and other Areas; and Class VI, Vote 16, Development Fund; the Development Fund Accounts, 1937; the Civil Appropriation Accounts, 1937; Class VI, Vote 17, Development Grants; and Class VII, Vote 12, Rates on Government Property; and the Agricultural Research Council Accounts, 1937, were considered.

Sir Gilbert Upcott, K.C.B., Mr. H. Brittain, Mr. D. F. C. Blunt and Sir Richard Nind Hopkins, K.C.B., were further examined.

Mr. E. H. E. Havelock, O.B.E., was examined.

[Adjourned till Tuesday, 4th July, at half-past two o'clock.]

TUESDAY, 4TH JULY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lathan.
Mr. Benson.	Sir Assheton Pownall.
Sir Edmund Brocklebank.	Sir Isidore Salmon.
Mr. Jagger.	Sir Robert Smith.
Sir Haydn Jones.	

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

Ordered, That the Draft Second Report, proposed by the Chairman, be read a second time, paragraph by paragraph.

Paragraphs 1 to 20 agreed to.

Paragraph 21:—

“ 21. Your Committee have observed with much concern that in several instances the cost of a colonial scheme which was the subject of assistance from the Colonial Development Fund has proved to be much in excess of the estimate which was framed by the Colony and on which the decision to give assistance from the Fund was based. This leads to an application for further assistance from the Fund to complete the scheme. The Comptroller and Auditor General drew attention last year to a programme of road construction in Newfoundland, financed by a loan from the Fund, the cost of which so far exceeded expectation that it was necessary both to seek additional aid and to curtail the programme. Both this year and last year he pointed out that additional grants had been sought and sanctioned to carry to completion road schemes in British Honduras. A loan for land settlement in Newfoundland has provided for fewer families than was originally anticipated, without succeeding in rendering them self-supporting, and continuing liabilities will be incurred on this account by Newfoundland revenues which are assisted by grants in aid from the British Exchequer. In each of these cases the conditions appear to have been unfavourable for accurate estimating, but Your Committee feel that the principal cause was that the estimate was framed by local officers with inadequate experience of operations on the scale contemplated, and that as a result unduly optimistic anticipations were formed.

The Comptroller and Auditor General also referred to the Newfoundland Air Base which is being constructed mainly at the cost of the Air Ministry. In this case an Air Ministry Works expert visited Newfoundland early in 1937 and reported that the cost of construction would be £368,210, but it became evident as the work progressed that the costs had been seriously under-estimated, and further investigation made locally by Air Ministry officers has led to this figure being raised to £818,517. The underestimating in this case is attributed largely to the peculiar natural difficulties of the site, but is due also in some measure to lack of experience and capacity on the part of the Public Works Department of Newfoundland (which has since been strengthened) in dealing with a work of unusual magnitude. It was stated that there is no evidence of extravagance or unnecessary expenditure.

In view of the danger to financial control from embarking on large capital undertakings without full appreciation of the extent of the commitments which they may entail, Your Committee would urge on all concerned the importance of a careful examination of the probable accuracy of the estimates on which it is proposed to base action. They also recommend that the authorities in this country who may be responsible for approving developments of this nature should take care to satisfy themselves that the Colonies concerned are equipped with administrative and technical staff competent to prepare and carry out the necessary operations.”

Amendment proposed in line 41, after the word “ of ”, to insert the words “ and the qualifications of those making ”.—(*Sir Irving Albery.*)

Question, “ That those words be there inserted ”, put and negatived.

An Amendment made.

Paragraph, as amended, agreed to.

Paragraphs 22 to 24 agreed to.

Paragraphs 25 and 26 amended and agreed to.

Paragraph 27 agreed to.
Paragraph 28 amended and agreed to.
Paragraphs 29 and 30 agreed to.
Paragraph 31 amended and agreed to.
Paragraphs 32 to 43 agreed to.
Paragraph 44 amended and agreed to.

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

Ordered, That the Papers forwarded in pursuance of undertakings given in evidence on 2nd February, 1939, and 2nd and 23rd May, 1939 by His Majesty's Treasury; on 20th April, 1939, by the Dominions Office; on 9th May, 1939, by the Admiralty; on 7th and 9th February, 1939, and 9th March, 1939, by the General Post Office; on 16th and 21st March, 1939, by the Ministry of Agriculture and Fisheries; on 7th March, 1939, by the Ministry of Health; on 23rd March, 1939, by His Majesty's Office of Works; on 2nd March, 1939, by the Public Works Loan Board; and on 2nd March, 1939, by the Comptroller and Auditor General, be printed as Appendices to the Minutes of the Evidence taken before the Committee.

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

Adjourned *sine die*.

LIST OF WITNESSES.

Thursday, 2nd February, 1939.

	Page.
Sir Evelyn Murray, K.C.B.	1
Sir Gerald Canny, K.B.E., C.B.	2

Tuesday, 7th February, 1939.

Sir Raymond Birchall, K.B.E., C.B., and Mr. G. Ismay	8
--	---

Thursday, 9th February, 1939.

Sir Raymond Birchall, K.B.E., C.B., and Mr. G. Ismay	24
Hon. Sir Alexander Cadogan, G.C.M.G., C.B., and Mr. C. Howard Smith, C.M.G.	36

Tuesday, 14th February, 1939.

Mr. A. E. Overton, C.M.G., M.C., and Mr. E. J. Elliot	44
---	----

Tuesday, 21st February, 1939.

Sir Gilbert Champion, K.C.B., and Mr. J. Luxford, O.B.E.	57
Sir Maurice Holmes, K.C.B., O.B.E., and Mr. du Bois Davidson	64
Professor Sir Geoffrey Callender, F.S.A.	73
Sir James Peck, C.B., F.R.S.E.	74
Sir Adair Hore, K.B.E., C.B., and Mr. R. A. Ledgard, O.B.E.	75

Thursday, 23rd February, 1939.

Major-General Sir Fabian Ware, K.C.V.O., K.B.E., C.B., C.M.G.	80
Sir S. Findlater Stewart, G.C.I.E., K.C.B., C.S.I. ...	83
Sir Alfred Faulkner, C.B., C.B.E.	85
Sir Leonard Browett, K.C.B., C.B.E.	87
Mr. D. J. Wardley, M.C.	94

Tuesday, 28th February, 1939.

Sir Thomas Phillips, K.C.B., K.B.E., and Mr. H. C. Emmerson	96
Sir Thomas Phillips, K.C.B., K.B.E.	101
Mr. G. T. Reid, C.B.	103
Sir Gilbert Upcott, K.C.B.	106

Thursday, 2nd March, 1939.

	Page.
Mr. W. T. Barry	108
Mr. E. S. Jones, O.B.E., I.S.O.	114
Mr. H. G. H. Barnes	119

Tuesday, 7th March, 1939.

Sir George Chrystal, K.C.B., and Mr. S. H. G. Hughes, C.B.E.	128
Mr. W. R. Fraser, C.B.	138
Mr. C. L. Stocks, C.B., and Mr. T. R. Oswin	140

Thursday, 9th March, 1939.

Sir Ernest Fass, K.C.M.G., C.B., O.B.E.	148
Sir Claud Schuster, G.C.B., C.V.O., K.C.	150
Sir Raymond Birchall, K.B.E., C.B., and Mr. G. Ismay	160

Tuesday, 14th March, 1939.

Sir Alexander Maxwell, K.C.B., K.B.E., and Mr. C. B. Hains, M.B.E.	164
Sir Alexander Maxwell, K.C.B., K.B.E.	172
Sir Alexander Maxwell, K.C.B., K.B.E., and Sir John Moyle, C.B., C.B.E.	174
Sir Alexander Maxwell, K.C.B., K.B.E.	175
Sir Alexander Maxwell, K.C.B., K.B.E., and Mr. H. H. C. Prestige	176

Thursday, 16th March, 1939.

Sir Donald Fergusson, K.C.B.	179
-------------------------------------	-----

Tuesday, 21st March, 1939.

Sir Donald Fergusson, K.C.B.	196
Mr. P. R. Laird, C.B.	205
Mr. H. D. Vigor, O.B.E.	210

Thursday, 23rd March, 1939.

Sir Patrick Duff, K.C.B., K.C.V.O., and Mr. A. G. Barnett, C.B.E.	213
---	-----

Tuesday, 28th March, 1939.

Sir Patrick Duff, K.C.B., K.C.V.O., and Mr. A. G. Barnett, C.B.E.	225
Mr. J. H. McC. Craig, C.B.	233

Thursday, 30th March, 1939.

	Page.
Mr. P. J. G. Rose, C.B., and Mr. A. B. Valentine ...	237
Mr. P. J. G. Rose, C.B.	243

Tuesday, 4th April, 1939.

Mr. F. H. Nixon, C.B.	250
Sir Roy Robinson, O.B.E.	256
Major-General M. N. MacLeod, D.S.O., M.C.	260
Sir William Codling, C.B., C.V.O., C.B.E.	265

Thursday, 20th April, 1939.

Sir Edward Harding, K.C.B., K.C.M.G., and Mr. W. G. Ives, M.B.E.	271
Sir John Shuckburgh, K.C.M.G., C.B., and Mr. H. Palmer	278
Sir John Shuckburgh, K.C.M.G., C.B., Mr. H. Palmer and Mr. H. C. H. Bull	279
Sir John Shuckburgh, K.C.M.G., C.B., Mr. H. Palmer and Mr. F. Whittle	281
Sir John Shuckburgh, K.C.M.G., C.B., and Mr. H. Palmer	281

Thursday, 27th April, 1939.

Sir Herbert Creedy, G.C.B., K.C.V.O., Mr. C. N. McLaren, Mr. G. H. Clamp, I.S.O., and Mr. W. Leitch, C.B.	284
--	-----

Tuesday, 2nd May, 1939.

Sir Herbert Creedy, G.C.B., K.C.V.O., and Mr. A. R. McBain, O.B.E.	294
---	-----

Thursday, 4th May, 1939.

Sir Archibald Carter, K.C.B., K.C.I.E., Mr. C. B. Coxwell, O.B.E., Mr. E. C. Jubb, O.B.E., and Captain M. H. A. Kelsey, D.S.C., R.N.	312
---	-----

Tuesday, 9th May, 1939.

Sir Archibald Carter, K.C.B., K.C.I.E., and Mr. T. Fry	326
Sir Archibald Carter, K.C.B., K.C.I.E., Mr. C. B. Coxwell, O.B.E., Mr. A. L. Anderson, C.B., M.I.C.E., Mr. H. McM. Rigg, M.B.E., and Mr. A. W. Watson, M.B.E.	328

Thursday, 11th May, 1939.

	Page.
Sir Arthur Street, K.B.E., C.B., C.M.G., C.I.E., M.C., Mr. L. V. Meadowcroft and Mr. J. T. Cotton, O.B.E....	345

Tuesday, 16th May, 1939.

Sir Arthur Street, K.B.E., C.B., C.M.G., C.I.E., M.C., Mr. L. V. Meadowcroft and Mr. H. W. Clothier, C.B.E.	363
Sir Edward Harding, K.C.B., K.C.M.G., and Mr. A. S. Gaye, C.B.	374

Thursday, 18th May, 1939.

Sir Richard Nind Hopkins, K.C.B.	378
---	-----

Tuesday, 23rd May, 1939.

Sir Richard Nind Hopkins, K.C.B.	392
Sir Richard Nind Hopkins, K.C.B., and Mr. T. W. Davies	393
Sir Richard Nind Hopkins, K.C.B.	407
Mr. E. H. E. Havelock, O.B.E.	410

COMMITTEE OF PUBLIC ACCOUNTS

THURSDAY, 2ND FEBRUARY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Mr. Benson.
Sir Edmund Brocklebank.
Mr. Lathan.

Mr. Mabane.
Sir Assheton Pownall.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITTAI and Mr. D. F. C. BLUNT called in and examined.

Mr. *Pethick-Lawrence*,

1. I will ask the Treasury to hand in the official papers which they usually hand in at the beginning?—(Mr.

Brittain.) There are two: the Statement of Audited Expenditure* and the Treasury Minute on last year's Report of the Public Accounts Committee.†

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1937.

VOTE I.

CUSTOMS AND EXCISE.

Sir EVELYN MURRAY, K.C.B., called in and examined.

Mr. *Pethick-Lawrence*.

2. We are now taking the Revenue Departments Appropriation Accounts and we start with the Comptroller and Auditor General's Report. We will take paragraphs 1 and 2. Unless anybody has anything to say I will take those as formally dealt with. Then we come to paragraph 3. I should like to ask the reasons for the action taken under the second paragraph of paragraph 3 on page iv: the decision not to replace the vouchers destroyed in the fire?—(Sir *Evelyn Murray*.) The reason was that it was practically impossible to reconstruct them owing to the loss of all these documents, and the Treasury agreed with us that it was no use making the attempt.

3. It was better to leave it alone?—Yes.

4. And you are satisfied that that was the best course of action?—That is so.

5. I understand the Treasury take the same view?—(Mr. *Blunt*.) Yes. The Department have promised a further communication giving, as far as possible, the value of the stores, and they will be written off in due course.

Sir *Assheton Pownall*.

6. Is it possible to take any steps to see that issue vouchers in future are not consumed in this way, as I gather was the case last May?—(Sir *Evelyn Murray*.) I am afraid they are always subject to some fire risk.

7. Were they in a place that is specially vulnerable?—No, I do not think so. It was a warehouse that is used for these stores, and has been for years. I do not think it is possible to produce completely fire-proof accommodation for vast quantities like that.

8. It was the whole warehouse that went, was it?—Yes, the whole warehouse.

Mr. *Pethick-Lawrence*.] Paragraph 4 and paragraph 5.

Sir *Assheton Pownall*.

9. On paragraph 5, what is the type of case where there is an extra-statutory remission of duty? Will you give us one or two instances of the sort of thing?—They are mostly claims that cannot be collected.

10. Duty which should have been paid by merchants?—Yes, or Excise duties.

* See Appendix No. 1.

† See Appendix No. 2.

2 February, 1939.]

Sir EVELYN MURRAY, K.C.B.

[Continued.]

11. Owing to bankruptcy or something like that?—Bankruptcy, or we have failed to get hold of it.

Mr. *Pethick-Lawrence*.

12. Are there any other questions on the Comptroller and Auditor General's Report? Then we will turn to the Accounts, page 4, Vote 1. I notice, Sir Evelyn, in the explanation to A there is a reference to the higher cost of the Land Boundary Patrols in Northern Ireland, £1,500. Can you give us a little further explanation with regard to that?—Those are members of the Ulster Constabulary who were employed on protecting the frontier for Customs purposes, and we pay the cost. At this time there was a great deal of smuggling and the patrols were strengthened. Of course that has disappeared now.

13. It was a temporary increase?—It was a temporary increase. It was during the period when the Special Duties were in existence.

Mr. *Pethick-Lawrence*.] Are there any further questions on page 4?

Mr. *Lathan*.

14. The acceptance of responsibility in connection with that, I take it, is a statutory obligation?—Yes. It is a statutory obligation on the Customs to collect revenue.

15. I am speaking now of the additional police and other provision which had to be made because of developments that, I imagine, were of a political character?—They were the result of the imposition of the Special Duties on certain exports from Ireland.

16. The point that I am endeavouring to put is, that whatever may be the cause of the trouble that arises, statutory obligations impose on us the responsibility of meeting these charges?—Yes.

17. You are quite clear about that?—Yes.

(*Sir Evelyn Murray withdrew.*)

VOTE 2.

INLAND REVENUE.

Sir GERALD CANNY, K.B.E., C.B., called in and examined.

Mr. *Pethick-Lawrence*.

22. Will you turn to the Revenue Departments Appropriation Accounts, pages iv and v? There are a few questions I should like to put to you with regard to that table on page v. In

Mr. *Pethick-Lawrence*.

18. Are there any further questions on page 4? Now we come to page 5. I would like to ask you a question with regard to Z. Perhaps you will explain a little further the note with regard to the money in Z?—This was an unfortunate case where an offender was charged with false valuations of imports under two Sections of the Customs Act, 1876. One of those Sections gives a power of arrest, and the other does not. The offender was convicted under the Section which does not give power of arrest and acquitted under the Section which does. He then brought an action for false imprisonment as a result of his being arrested, and we were legally advised that, he having been acquitted under this Section, we had better settle the matter out of Court.

19. You did so, and this is the result?—We did so, and this is the result.

20. Are you satisfied that the law, as it exists, is drafted in a way that meets the case?—I think it covers most cases. On the evidence, I think we had every ground to expect that we should get a conviction under both these Sections, and then the question of false imprisonment would never have arisen. These cases are tried before Petty Sessional Courts and sometimes we think they acquit when they ought to convict.

21. I suppose the particular wording of the Section really contemplates a man taken almost red-handed in the commission of the offence?—Yes, that is so. The Consolidation Act of 1876 was before the days of the present *ad valorem* duties.

Mr. *Pethick-Lawrence*.] Has anyone else any further questions to ask on page 5 or on page 6? May I take it that this Account is approved? (*Agreed.*)

the first place, I notice that the total arrears at the end of the previous year amounted to slightly over £41,000,000, and they now amount to about £41,500,000. I think that you did express an opinion on the last occasion

2 February, 1939.] Sir GERALD CANNY, K.B.E., C.B.

[Continued.]

when you were before us that you thought probably the reduction in the amount of arrears had nearly reached its limit. Perhaps you could give us some ground why they appear now to have turned in the opposite direction and whether you think that we are unfortunately likely to see an increase still further in this as years go by?—(Sir *Gerald Canny*.) The position, Sir, is that the charge for this year is considerably higher than the charge for last year. Last year's balance of £41,000,000 was out of a total charge of £297,000,000. The present outstanding balance of £41,500,000 is out of a total charge of £328,000,000 odd, so that there has been an increase of £31,000,000 in the charge and an increase in the balance of £500,000. As I indicated last year, Sir, the £41,000,000 seems to me to be just about as low as we will be able to get this outstanding balance at the end of the year, and indeed next year I think there will probably be a slight rise again, but there again there will be an increased charge, and as you know, since 1929 we have come down a great deal. That year we were £113,000,000; in 1933, £66,000,000; in 1934, £46,000,000, and last year £41,000,000.

23. With regard to the items that are called "1933 and prior", those amounted at the beginning of the year to a little over £12,000,000, and they still amount to a little over £9,000,000?—Yes.

24. That is, of course, a reduction of £3,000,000, but are you satisfied with the progress that you are being able to make with this old stuff?—Yes, Sir, we are, on the whole. I am afraid that probably the great bulk of that will have to be written off either on discharge or remission, but we keep a great deal of that in charge just in the hopes that people who do not seem able to pay may find themselves able to pay later on.

25. Some of it goes back quite a long time, does it not?—Yes, I think it does. I am afraid I have not the actual years, but it must go back quite a long time.

26. On this page v there are these two items "Tax for local collection" and "Tax of other classes." Does that include the whole of the Revenue that you collect, or are there other items, and if so what, that are excluded from

that category?—No, those items "Tax for local collection" £287,249,000, and down below "Tax of other classes", £78,034,000, represent the whole of the tax charged in that year. Of course, the actual years covered by this table do not correspond with the Exchequer year. The Exchequer year runs to the end of March, and these assessments run to various dates for the convenience of accounting purposes.

27. But there are no classes of taxation which are outside this table?—No, this covers the lot.

Mr. *Pethick-Lawrence*.] Are there any questions from other members of the Committee on that point?

Mr. *Benson*.

28. I should like to ask with regard to the outstanding balance whether that tends to fluctuate according to conditions of prosperity or depression?—The £41,000,000?

29. The £41,000,000?—Of course, in times of depression there is a tendency for it to be up, because people are unable to pay, but generally speaking it is extraordinary how well people do pay.

30. You could not trace any very clear and definite results from depression?—No, I am afraid I could not at the moment. I might be able to get it. On the whole, I should like to say that the taxpayers of this country do pay up extraordinarily well, even in times of depression.

Mr. *Lathan*.

31. There is nothing in the present circumstances, I suppose, to indicate any special difficulty at the moment?—No, Sir. Of course, the charge that will be paid in the current year will be different from this, although some of the ingredients of this will still be present in the current charge.

32. I wondered whether the fact that normally you receive comparatively prompt payment is any indication of difficulty at the moment?—No.

33. There is nothing pointing in that direction?—No, I do not think so.

34. There is nothing here allowed for remission in 1937. Probably it is a little too early?—No; it is a bit early yet. We do not remit in the current year. I think it comes after the current year. That will appear in next year's

2 February, 1939.] Sir GERALD CANNY, K.B.E., C.B.

[Continued.]

accounts. The remissions on the year 1937 will appear in the next year's account.

35. I was wondering whether current remissions would include outstandings for the previous years?—Yes, you have in the fifth column the remissions for previous years. Next year we shall have 1938 below, and in the remission column, opposite 1937, will appear the remissions against that year.

Sir *Assheton Pownall*.

36. Is there anything in the nature of a time-limit after which these claims cannot be prosecuted?—No, Sir, once the assessment is made there is no time-limit for collection.

37. Not a seven-year rule, or anything of that sort at all?—No, Sir.

38. Are you in the habit, where it is possible to collect it, of charging interest?—No, there is no charge for interest.

39. No charge for interest at all?—No.

40. I understood there had been one?—There was one on the Excess Profits Duty.

Sir *Assheton Pownall*.] I had that in mind.

Mr. *Pethick-Lawrence*.

41. We pass on to page vi. With regard to the remissions, I think I am correct in saying that the total of remissions is falling year by year. Is that the case?—Yes.

42. What sort of figures are they?—This year, you will see, is £2,600,000. In 1936 it was £3,300,000 and in 1935 £4,200,000, so we are gradually coming down.

43. Does that mean that you do not have to grant as much remission as before, or that you are working through the arrears of remission?—I think we are working through the arrears, but I think times are somewhat better than they were in the last three or four years, and that people are more able to pay than they were in the past.

44. I have an amount about the middle of the page which says "Miscellaneous, £29,000." I believe that is a good deal larger than it was last year. What is the principal item that that covers? It is a remission?—They are all small cases, bankruptcy or liquidation. In one case a certificate of no profits was accepted under the regulations between the Board of Inland Revenue and the Board of

Trade. Then there were remissions because people could not pay small amounts or because there was considerable doubt as to the legal liability or as to whether in one fairly big case a certain payment was or was not interest liable to tax. There are really a large number of small cases. There was one big sum of £15,000, where liability was doubtful. That was a case which went to the Courts and was concerned with a question of back payments under settlements between two different parties. It was ultimately decided in the Court of Appeal that a large payment was due to the taxpayer, and it was very questionable as to how much of that payment represented interest and how much did not, and in the end, on legal advice, we fixed the liability, and we had to remit £15,000 over what was assessed.

Mr. *Pethick-Lawrence*.] Has anyone else any further questions on page vi?

Mr. *Benson*.

45. I should like to ask this, Mr. Chairman: both under the heading of "Remissions" and "Amounts Irrecoverable," there is the item "Composition settlements". Why are they split?—The composition settlement is where we take less than the assessed tax. If we take the amount that can be obtained on bankruptcy, the difference between the tax assessed and the amount we get on bankruptcy is written off as irrecoverable. If, under the arrangements which the Public Accounts Committee have already sanctioned, we take less than what we could get on bankruptcy, then the difference between the bankruptcy figure and the tax is written off as irrecoverable, and the difference between what we take and the bankruptcy figure is written off as remitted.

46. Under what circumstances do you take less than the bankruptcy figure?—That was under an arrangement which was sanctioned by the Public Accounts Committee several years ago to deal with old outstanding cases. (*Sir Gilbert Upcott*.) 1933. (*Sir Gerald Canny*.) 1933. It was to deal with old outstanding cases, where it would practically break up the concern if we were to put them into liquidation, and throw lots of people out of employment.

47. General public policy?—Yes.

2 February, 1939.] Sir GERALD CANNY, K.B.E., C.B.

[Continued.]

Mr. Lathan.

48. The amount of remission on the ground of equity, Sir Gerald, is rather large, £103,000. Am I correct in assuming that they are cases where it has been found that the assessment was not strictly equitable?—Yes, and probably there were some doubts as to whether the assessment was really enforceable, and where it was probably too expensive to pursue the question of liability.

49. I imagine that if you find there has been a misunderstanding as to the basis on which an assessment may be made, in order to avoid the expense associated with investigation you would indicate what was necessary to the quarters responsible for that?—Yes, all these are reported to Sir Gilbert.

50. I have in mind now the local assessors who were responsible for an assessment that you subsequently, after time and trouble had been spent upon it, found to be uncollectable?—I do not think the assessors would be responsible for the inequity. The assessors, if necessary, form a judgment as to what the assessment is. On top of that the assessment is made by the local commissioners and possibly accounts may be put in or may not be put in. The question of inequity arises after the assessment has been made.

51. That is to say, an assessment may be strictly accurate according to the rules and regulations, so to speak?—Yes, but on grounds of equity, tax has been remitted.

52. Do I gather that the responsibility for determining the remission rests with you?—Yes, with the Board of Inland Revenue. (Sir Gilbert Upcott.) All these cases are reported to me.

Sir Assheton Pownall.

53. On Excess Profits Duty, which ended in 1921, 18 years ago, have you much in charge?—(Sir Gerald Canny.) There was £3,500,000 outstanding on 31st December last.

54. You told me a moment ago it was usual on Excess Profits Duty to charge interest?—Yes.

55. In about 18 years interest has a way of doubling itself?—Interest was not charged until 1926.

56. Even then we have 13 years' interest accruing?—That is all included in the £3,500,000.

Mr. Pethick-Lawrence.

57. We will now turn to the paragraph at the bottom of page vi, paragraph 9. Perhaps you will explain a little the second paragraph on page vii, "In Class I, securities," etc. Will you explain a little what happened there, because offhand it appears as though you only got about £100,000 out of about £700,000?—Those represent the class of case where the interest or annual payment, as it may be, is paid to the taxpayer not in cash but in scrip or bonds, and in those cases we take the appropriate amount of tax on those bonds in the form of scrip or bonds. For instance, if a taxpayer were entitled to £100 interest and received a bond for the £100, he would get £75 and we should get £25, assuming the tax was 5s. in the £, and that would be quite irrespective of what the value of that £75 or £25 bond may be. In ordinary cases we bring in the bonds received in respect of tax at the nominal figure, and sell them ultimately and get what we can, and the difference is written off as a loss on securities. There is, of course, really no real loss in that class of case, because we have got our quarter, or whatever it was.

58. You have got your full bargain?—Yes.

59. I was wrong in referring to the figures in that paragraph. I was thinking of the next paragraph. So far as the second paragraph on the page is concerned, you are really getting your full tax, although the full tax is not quite so large as you originally anticipated, because the income on which you have to collect tax is less owing to the bond not realising its face value?—Yes. The £100 bond is not worth £100, but £30 or £40, and, of course, the great bulk of the figures in that paragraph relate to these German bonds.

60. With regard to the next subparagraph, are you satisfied that what you are doing in that case is good policy, in view of the fact that you are only getting about £108,000 as against an original tax debt of £727,000? Is it a matter of Hobson's choice?—Yes.

61. Or could you adopt some other method?—You will remember the Public Accounts Committee laid it down quite definitely that we were only to take bonds or scrip in the last resort, and we are most unwilling to do so. We only take this when there is no

other means of paying it, and unfortunately we do find that they do not realise what we should expect they would. If I may say so, the Class II tax debt was £727,000, for which we took bonds or scrip to the nominal value of £425,000, and they realised £108,000, but there were two large items in that; one was a South American railway where we had to take a large amount of bonds, and the other was a case of a motor company in this country.

Mr. Benson.

62. On Class I, the defaulting bonds, were these the type of bonds we were dealing with in the Finance Bill?—Yes.

63. Secondly, what is your policy? Is it to sell securities under Class I or Class II which you get hold of as soon as possible?—We are always in consultation with the Government brokers. We give them a list and from time to time they advise us. They suggest to us we should sell, and we are constantly in touch with them as to whether we should or should not sell. In addition to that, where there is any big or important security which we hold, we are in fairly close touch with the Treasury on the subject.

64. If you hold a deferred bond, I take it you would prefer to take the immediate market value, than to hold the bond until it matured?—If we were advised by the Government brokers or the Treasury that that was the proper thing to do. As I say, we consult them.

Mr. Pethick-Lawrence.

65. Now we turn to paragraph 10 on page vii. Do you consider that we are being successful in getting full cash payment in these cases, and does what we collect include interest on the amount that we ought to have had and did not have some years before?—It does not include interest as such, but it generally includes penalties which really cover interest.

66. Do they amount to anything like the same sum?—On the whole I should think so, Sir. I think we are getting all we are entitled to really under those cases.

67. Now we turn to the Accounts, page 7. I should like to ask on the matter of Salaries whether the collection of the National Defence Contribution has involved much additional staff and expenditure on account of staff?—It has added a little, Sir, but not a great deal.

I do not think we have a special figure on that, but it has added a little in the Accountant-General's collection branch. Apart from that, and possibly two or three posts in the Secretaries' office and a little extra staff in the Inspectors' offices, I do not think there is anything in it other than that.

68. Are there any other questions on page 7? On page 8, sub-head Q, I notice that, in spite of the hope that you expressed last year that as you were submitting these figures to the Government Actuary you hoped you would keep within the estimated amount; in fact you were £9,700 deficient in your estimate?—Yes.

69. And that in spite of the fact that the total amount has been very rapidly rising for the last few years. Have you any comments to make on that?—No, I do not think so, Sir. As I said last year, we have had the estimate on this of the Government Actuary, and it just happens to be an under-estimate. I think the answer is that there are some unforeseen retirements and probably more deaths than he anticipated. I should perhaps just like to point out that the superannuation figure of £406,000 is not very large compared with our total expenditure of nearly £8,000,000, but I imagine that that figure, which must be dependent on retirements and deaths, always tends to be a little conjectural.

70. I am sure the Committee quite appreciate that you cannot estimate this figure with the same accuracy that you estimate other figures of expenditure, and I suppose the Committee will have to be prepared for a continuous growth in this figure?—I think so.

71. In view of the increasing staff of the whole Civil Service?—Yes, I think so.

72. And also the increasing salaries?—Yes.

73. You cannot hold out any special hope to us that we may expect to get very much nearer to the estimate in future?—All we do is, we put all the information before the Government Actuary, and we take his figure, I am afraid. I think that is really all we can do.

Mr. Pethick-Lawrence.] Are there any further questions?

Mr. Benson.

74. I think sub-head O is the appropriate place to raise this question. A year or two ago I raised the question of

2 February, 1939.] Sir GERALD CANNY, K.B.E., C.B.

[Continued.]

the payment of tax on bank interest under form R.62. When I raised it the matter was rather complicated by the fact that the Paton case was still under appeal?—Yes.

75. Since last year, that has been settled in favour of the Board?—Yes.

76. Has the Board taken any steps to deal with the matter?—Yes, at the moment we have the whole matter under review with the banks. As you say, the judgment in the Paton case did support the view taken by the Board that on the particular facts of that case the mere addition of the interest to the outstanding loan or overdraft did not, on the facts of that case, constitute payment, and the judgment in effect said that there must be some kind of payment, whether actual or constructive, before you could get the benefit of this Section and say that the interest was, in fact, paid. I do not think it actually said that in every case where the interest was added to the overdraft, therefore, there was no payment, so we have been in consultation with the banks, and indeed, are at the present moment in consultation with the banks as to what modifications, if any, of their practice are needed in consequence of the Paton decision. The banks themselves, indeed, are aware of that decision, and one of them at least has issued a notice to its staff calling attention to the terms of that decision. As soon as we reach a conclusion, I would propose to send to Sir Gilbert a note indicating any alterations in our procedure.

Mr. Benson.] And that, I take it, will be reported to the Committee?

Mr. Pethick-Lawrence.

77. I suppose you will report that to the Committee, Sir Gilbert?—(Sir Gilbert Upcott.) Yes.

Sir Assheton Pownall.

78. On page 10, sub-head O, there is an individual amount of £1,204 7s. which was over-repaid and you could

not collect. That seems a rather substantial amount of repayment to a person who presumably had not any assets afterwards?—(Sir Gerald Canny.) £1,204 7s.?

79. Yes, on the top of page 10?—First of all, on your question, I would say this, Sir, that when an over-repayment is made by us, and is due to a mistake in law, we have no power to compel the taxpayer to refund to us. In all these cases we do, in fact, suggest to him that he might like to refund, but in this particular case, which was a case where trustees were concerned, they expressed their unwillingness to do so, and therefore we were powerless, and had to write it off. It was really a rather peculiar case where trustees were engaged in administering an estate where there were large numbers of properties, and they put in maintenance claims in respect of these properties and claimed repayment of tax. It was their policy to sell from time to time properties included in the estate. The claim extended over a period of six years, and it was necessary to frame the maintenance claim by excluding from time to time those properties which had been sold within the preceding six years. The Inspector and the trustees arranged a basis for computing the liability, having regard to those sales, and tax was repaid on that basis. When the claim was reviewed later on, it was found that that basis was too liberal to the taxpayer. It was impossible to arrive at the figure which really had been actually over-repaid. I think it was probably less than £1,204, but the trustees thereupon agreed to the new basis for future years, but were unwilling to repay the tax over-repaid to them for earlier years.

80. An exceptional case?—Yes, it is rather an exceptional case.

Mr. Pethick-Lawrence.] Has anyone any further questions on the whole of these pages, up to and inclusive of page 12? If there are no further questions, may I take it that the Account is approved? (Agreed.)

(The witnesses withdrew.)

(Adjourned till Tuesday next at 2.30 p.m.)

TUESDAY, 7TH FEBRUARY, 1939.

Members present:

Sir Irving Albery.	Mr. Mabane.
Mr. Benson.	Sir Assheton Pownall.
Sir Edmund Brocklebank.	Sir Isidore Salmon.

In the absence of Mr. PETHICK-LAWRENCE, Sir ASSHETON POWNALL was called to the Chair.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT called in and examined.

TREASURY MINUTE ON PARAGRAPH 2 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir RAYMOND BIRCHALL, K.B.E., C.B., and Mr. G. ISMAY, called in and examined.

Sir Assheton Pownall.

81. The Post Office Accounts: Will the Committee turn to the Treasury Minute of the 20th December, 1938, with regard to our Report of last year, paragraph 2, Post Office? In the Second Report there is a mention of discussions with contractors which are now proceeding, and I want to know, Sir Raymond, how those negotiations are going on, and what the position now is with regard to them?—(Sir *Raymond Birchall.*) The Comptroller and Auditor General's Report last year mentioned that the Assistant Postmaster General had called a conference of the manufacturing interests concerned, to consider how far the Post Office could be given greater facilities to satisfy itself that costs were fair and reasonable and I think Sir Thomas Gardiner told the Committee last year that meetings had taken place and the contractors had shown a real appreciation of our difficulties and that they were showing a willingness to co-operate with us. Perhaps I ought to explain that there are several of these bulk agreements with contractors. They differ in detail, and it is not always the same contractors who are concerned; but we selected for these discussions the most important agreement, the one on exchange equipment. That covers expenditure of about £4,000,000 a year. The manufacturers concerned in that agreement are five of the leading telephone firms. They formed an Association. Perhaps I should say it is not a ring in the usual meaning of the term at all. It is an Association which was formed on the initiative of the Post Office a good many

years ago, because the Post Office wanted to get standardisation of its automatic equipment, pooling of patents, and so on. It is one of the difficulties in these negotiations that, while they are a ring for the purpose of Post Office orders, on non-Post Office orders they are still highly competitive and they are not willing to disclose among themselves a certain amount of information. This agreement dates back a good many years and the price list in it covers about 40,000 items, so it is a pretty complex affair. We have got five firms manufacturing, and their individual costs vary, but, quite apart from that, we have tried to avoid getting on to any basis of simply cost plus percentage. What we are aiming at is getting facilities for obtaining direct costs by technical costing methods, with inspection of processes and so on, in the factories, and also getting facilities for discovering the overhead charges from the firms' own records. I think Sir Thomas explained last year, that on the technical costing side, we already had pretty full facilities. Those have been in existence for a good many years. What we are really trying to get now, is information as regards overhead costs. We have explored a good many lines of approach, and at one stage the manufacturers offered us an auditor's certificate to show overhead charges over a series of years in some detail. We came to the conclusion that that would not be altogether satisfactory. Recently the manufacturers have come forward again in the course of our discussions, and they have offered us now a plan

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

which we think is likely to lead to the full satisfaction we want on this question. I would rather like to read you the headings of what they have suggested. It is rather involved. The contractors propose to set aside a small group of highly responsible officers to co-operate with corresponding technical and accounting officers from the Post Office. The group will explore the various ways of tackling the job, and determine to what extent it will be necessary to go into detailed investigations of figures. The group will be provided with the basic data on which pre-costs are determined, and will discuss the adequacy of the various percentages used for loadings, having in mind that the Department cannot constitutionally guarantee the volume of business to be placed ahead, and that risks of fluctuation are left to the manufacturers to carry. They would be able to examine the method of pre-costing so that their check on overhead expenses may be complete. They would then consider how best to apply such information to the 40,000 items representing an automatic exchange. It is suggested that the procedure will probably be to test representative blocks of equipment which will represent a very high proportion of the expenditure involved. The contractors suggest that, owing to the different organisations and methods within the companies involved, the initial work should be carried out at one of two factories contemplated, and for convenience they have suggested the London factory of one of the firms. The contractors promise the utmost support in an endeavour to make the scheme a success. We attach a good deal of importance to their co-operation in this matter, because, all along, we have felt that we have got to get a system which the manufacturers are really willing to work, because without full co-operation from them, we certainly cannot get the output and run the telephone system as we want to. During these negotiations I might say they have been very suspicious of the Post Office. In the first place, they resented very strongly a sort of campaign they suggested had been run indicating that in the past they had been exploiting the Post Office. That has had a rather serious effect, they say, on foreign orders, and so on. Also they say that the existing costing methods are, in fact, very

highly developed (that is really on the technical costing side, not as regards overheads), and they are suspicious that there is some concealed motive behind it; that what we really want is not genuine satisfaction as regards costs, but that there is some intention of interfering with the management of the business. In fact, one of them said we really are out to try and teach them how to run their business; so we have had to overcome those suspicions. But I think they do now generally accept the fact that we are merely after satisfying ourselves and that, however well designed and drawn up the costs originally were, as an agreement of this type gets older, the costs are bound to get further away from reality, of course. The Postmaster General feels that this does afford real ground for thinking we may reach a fully satisfactory solution, and he proposes to set up a group of Post Office people to co-operate with the group the manufacturers are setting up. I think really that is the position as it stands, except that I ought perhaps to add this, that the existing agreement expired last March, and we have extended it for a couple of years on very much the same lines as it existed.

82. With these five firms?—With these five firms, except that we have got a slight additional discount. That gives us time to work out the machinery on the new basis.

83. It gives you until next Spring?—We have got another year for it. What I was quoting just now is an extract from the manufacturers' letter putting forward their scheme. I do not know if the Committee would care to have a copy of that letter? It goes into it in a good deal more detail than I have done.

84. I think that letter might be circulated.* It would be appreciated. You mentioned that this applied to five firms and £4,000,000. Are there many others, amounting to a considerable amount in all, who have similar arrangements?—The figure last year has gone down under these bulk agreements. The previous year, I think, we gave it as £11,500,000. It is £10,500,000 this year.

* See Appendix No. 3.

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B., [Continued.
and Mr. G. ISMAY.

85. So there is rather less than half covered by this agreement?—This agreement covers rather less than half.

86. What about the balance?—The balance we propose to tackle once we have got satisfactory machinery for this equipment agreement, which is the most difficult of the lot, really. There are much the same firms concerned. There are some additional firms and all these five are not concerned in each of the other agreements, although they are spread over them, and we think once we have settled it on the exchange equipment agreement, the information we shall have got available then will enable us to tackle the other agreements in their turn. They do not fall due just yet.

87. You mentioned these five firms which have been competing, except for your business? In your business, do I understand they simply send in the same price?—It is a price schedule really, which is agreed for a period of years, and the manufacturers undertake to provide equipment for the period of the agreement at those prices which are agreed in advance of the period.

88. I wonder if you could make a note to let us know by say 1st May, which would be prior to our Report, how things then stand, because the matter is of very considerable public interest. If you would not mind letting us know not later than 1st May, which would give you another three months for your negotiation, I think the Committee would be glad to know how the matter then stands?—Certainly.*

Mr. Benson.

89. What percentage of the output of these five firms does the £4,000,000 represent?—I do not think I could give you any real idea of that. Some of these firms are very large firms, manufacturing heavy machinery, electric light plant and so on, going well outside the telephone industry, and in those cases I should not think the Post Office requirements would come to more than say 20 per cent., but one or two of the firms are mainly telephone equipment firms, and there it would probably be as high as 50 per cent. or more.

90. It is a very considerable item in their output, even a minimum figure of 20 per cent.?—Yes, it would occupy the whole time of some of their factories.

91. You say apart from Post Office orders they are highly competitive. Does that mean in similar products?—In similar products. There is a certain amount of telephone business done in this country, apart from the Post Office—private installations and so on—but I was thinking mainly of telephone business abroad, in the Dominions and in Europe generally, and of course they compete amongst themselves as regards radio equipment and a lot of things like that.

92. Have you compared the prices you pay with the prices they quote in their competitive business?—Yes, so far as we are able to. We do know the prices which are paid abroad, and how they stand as compared to the prices the Post Office pay.

93. What is the result of the comparison? Do we get equally good figures?—If anything rather better. In fact, the price paid by the Post Office almost settles the world price.

Sir Assheton Pownall.

94. It settles the world price?—Practically, on telephone equipment.

Mr. Benson.

95. Have you noticed any gradual change in prices? For instance, are their non-Post Office prices falling where ours are stationary?—No, I think the tendency is the other way. The costs, undoubtedly, of wages and materials have been rising.

96. You said you throw on to the firms themselves the risk of fluctuation?—Yes.

97. Are you sure that that is an economical method of doing it?—That is in this particular agreement. We have tried to work out formulae for cost variations and in some of the other bulk agreements we have managed to do it—on cables for instance. But this exchange equipment agreement is so complicated that we have been unable to find any formulae to represent cost variations of either materials or labour.

98. I assume when you used the words "risk of fluctuation" you were referring to quantities ordered?—I was also thinking of prices of materials and so on. On quantities ordered I do not think the fluctuation counts very much with them, except when there is a major change as regards Government policy generally, re-armament and so on, but we are not in a position to guarantee orders ahead, as we should like to be,

* See Appendix No. 4.

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

of course. We cannot go far beyond the current year for which we have got Parliamentary sanction.

99. No, but you could make some arrangement so that the risk of fluctuation of quantities was borne by you?—That is done to some extent by a discount arrangement. There is a discount arrangement which is dependent on the volume of business.

100. If you throw the risk on the manufacturer, as a rule he covers himself amply?—It is taken into account broadly in a discount arrangement.

101. With regard to methods of production, do you see that your firms are reasonably up to date?—I think you would regard them as quite as up to date as any American firms, for instance. I think they are the leading firms in the world for telephone equipment. I think they stand quite alone on that.

Sir *Irving Albery*.

102. I understood you to say that you specially endeavour to avoid having a basis of cost plus profit?—Yes.

103. I was rather interested to know for what particular reason you wished to avoid that?—I have perhaps two reasons in my own mind. One: Any arrangement of that kind tends to kill initiative, but I think in dealing with this type of business too it is almost impossible to ascertain what is cost as a fact. I think in the long run you largely get down to questions of opinion on it. The thing is so complicated and you are dealing with a number of firms. If you were dealing with one individual firm for a particular contract, I have no doubt you could take out a cost, but we have to settle a price which will hold good under unknown conditions for the future, and which is really a group price, not a price for an individual firm.

104. When you have fixed a price recently, what is the longest period ahead that it has been fixed for?—Five years would be the normal period.

105. Would you agree that apart from general fluctuation in the cost of materials the tendency has been for the manufacturers to reduce the cost of manufacturing articles. Take almost any kind of article, whether it is a bicycle or a radio machine or whatever you like?—Certainly, the prices to us over each period of five years have been reduced. Each time we have renewed the agreement we have got a reduction in

the basic price, and during the currency of the agreement itself we get a reduction by means of discounts, to look after the fact that the business is growing the whole time.

106. Under your present system of fixing prices, is not that in fact arrived at precisely in the same way—although the question of checking does not come in—as they would arrive at the price if it were cost-plus-profit? They must make an estimate of cost-plus-profit?—I do not think we know yet the detailed accounting systems of the different firms. That is part of the problem which has to be explored when our technical people get together. I do not think I could give an answer to that. I do not know if Mr. Ismay could help you. (Mr. *Ismay*.) On that issue this Committee has many times condemned Government Departments for cost-plus-profit contracts. I agree with you that the price as made is in effect a cost-plus-profit price; all prices at the initial stages are. On the other hand, if we entered into a bargain which over a period of years was going avowedly to rest on cost-plus-profit, then there is no incentive on the manufacturers to get down their costs.

107. Surely that applies equally under the present arrangement. If they come to an arrangement for a period of years, they have no incentive to get their costs down?—A new price is fixed every five years. If they during that period, as they allege, work very hard to make a profit on our new price, they get the benefit of it during that five years. At the end of the five years we make an entirely new price and we on our side negotiate hard to get the lowest price we can, but it leaves them quite rightly with the incentive of some additional profit during that period, if they can improve their processes, and we get the benefit of that at the second negotiation.

Sir *Isidore Salmon*.

108. Could you, Sir Raymond, give any idea of the amount of the £4,000,000 worth of goods they produce for you which they sub-contract?—(Sir *Raymond Birchall*.) I do not think I could put a figure on it, but it is not very large. The main sub-contract is in regard to power plant, batteries and so on. Apart from that, we supply a certain amount of components for them to make up. That comes to about £370,000 worth a year, I think it is.

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

But there is very little sub-contracting except on the batteries and power plant side. That would not be more than about something like 15 per cent., at a sheer guess.

109. Fifteen per cent. of the total?—Yes, something like that, on exchange equipment.

110. Therefore, it is fair to say that most of the firms who are your contractors are really the manufacturers of the article they supply you with?—Yes.

111. Has not the real trouble that has arisen in connection with these contracts rather been the fact that when you originally entered into the arrangement some years ago, it was a new process altogether; the automatic telephone was an innovation and therefore they were not in a position to give a very definite price, because firstly, you did not know the quantity that you would require, and secondly, they had not brought it down to such a fine art as they have to-day?—I do not think that is quite the position. They had been manufacturing different systems of automatic plant for a good many years and quoting for them. In fact, the first automatic exchange we installed was about 1912. It was certainly pre-War. We did not make up our minds to go for a full automatic policy until about 1924 or 1925.

They had been quoting all different systems of their own, entirely different, from a technical point of view. When we decided to go for automatics as a general policy, we said: "We do not want a lot of different systems. It is quite hopeless. We must standardise on one system," and instead of selecting one of four different systems which were then available, we said we would make one standard, taking the best points from all of them, and we insisted on the pooling of patents and research, and so on. That is what led to the Association for this purpose.

112. Then presumably, when you gave a large order for automatics they were enabled, by the introduction of mechanised methods and processes, to cheapen the prices of production?—They have been able to improve, no doubt, by re-organising their factories and so on, ever since we have been placing these orders.

113. Because it has been repetition work to a large extent?—Progress has been so rapid that I do not think you could take an automatic exchange of to-day and recognise it compared with one of ten years ago. That is one of the manufacturers' complaints; that in all our prices we have not made sufficient allowance for improvements that have to be carried in on the jobs. That is one of their strong points.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1937.

VOTE 3.

POST OFFICE.

Sir *Assheton Pownall*.

114. Will members turn to Revenue Departments Appropriation Accounts, 1937, page vii, "Re-organisation of Post Office Administration"? Sir Gilbert speaks of the regional organisation in his first paragraph, Sir Raymond. Will you expand the description of some of the arrangements you have of regional organisation?—(Sir *Raymond Birchall*.) When it came before the Committee last year, the whole scheme was still experimental. There were then four Regions in existence, one in Scotland, one in the North-East of England, and two in London—one postal and one telecommunications. The Postmaster General has been greatly struck by the efficiency of the regional organisation as tried out in these experimental Regions. A very notable feature of it has been the

greater rapidity with which you can get work done. Also the great advantage of local knowledge which is thrown up in a Region, which enables decisions to be taken with much greater confidence than they could under the old organisation.

115. When everything had to be referred to London?—London still may have to take some of the important decisions, but it has better information to work on now. The Regions all have functional experts much closer to the actual work in the field.

116. It is a measure of decentralisation?—It is a large measure of decentralisation. The Postmaster General is satisfied that it has proved entirely satisfactory; that various difficulties which were anticipated have been or can be overcome; and he has agreed now to

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

make the experimental Regions permanent and to extend the organisation to cover the whole of the Kingdom.

117. Have you any idea with regard to the cost, when it is in full working order?—No. I think last year you were asking as to the cost of staff. I do not think one can give any better figure than Sir Thomas Gardiner gave last year. The cost of a staff at Regional Headquarters is a very small proportion of the turnover, and I think there is little doubt that the gain in efficiency would outweigh any figures like that. (Sir Gilbert Upcott.) Sir Thomas gave a figure last year, when he was asked by the Committee. He said: "Our present estimate is that this system of regionalisation will cost us about £150,000 a year," but he afterwards appended a footnote which said: "This figure represents the cost of regionalisation excluding the setting-up of Telephone Areas."

118. Could you throw a little light on the cost of it?—(Sir Raymond Birchall.) Yes, the Telephone Area organisation is really independent of regionalisation. Even if you had carried on with a central organisation you would have still gone in for the Telephone area organisation in the field. All that meant was collecting the local experts who were in the field and putting them under common control. Under the old organisation the engineers worked on a line of authority straight up to headquarters, and the commercial people again worked quite independently of the engineers. The Telephone Area organisation has brought those together under one control in the field. That is quite separate really from regionalisation.

119. Sir Gilbert mentions that it is understood that a Region for North-West England will be established during 1939. What is the position as regards developments in the near future?—I think the North-Western Region will come into being in April of this year with headquarters at Manchester, and that will be followed by one rather limited form of region in Northern Ireland in the summer, and then other Regions in the Home Counties, the Midlands, the South-West of England and Wales and the Border Counties, I think, some time during 1940.

120. So you will finish the scheme by the end of 1940?—The end of 1940 or very early in 1941.

15417

121. From the revenue point of view it really does not affect it, I presume, except as regards giving great efficiency?—Simply from the efficiency point of view, yes.

Mr. Benson.

122. Have we ever had the cost of the telephone regionalisation?—No, I do not think you can get a cost of it. The whole system is expanding so rapidly that although the costs in the Regions have gone up it is quite impossible to say how much of the additional cost is really due to the increase in work, or how much is due to the change in organisation.

123. You really cannot say at all?—I do not think you ever will be able to say what the real cost of a change in organisation was.

124. Though it definitely was an additional cost?—It is an additional cost because it definitely means putting a certain number of functional experts out in the field, and when you are scattering them amongst say ten Regions you require more of these experts than if you had them collected together in one central body at headquarters. But the staff costs are small compared with the value of the business being done. The telephone business as a whole runs to about £32,000,000 revenue a year and the staff cost of these Regions, which cover postal as well as telephones, comes to an additional cost of £150,000.

125. But that £150,000 was Post Office, not telephones?—No, that is combined. It is simply the additional staff to be put into the Region and the Region works both for postal telegraph and telephone. It runs the whole Post Office business in its area. (Sir Gilbert Upcott.) The Telephone Areas are sub-divisions of the Regions.

Sir Isidore Salmon.

126. Sir Gilbert, in your Report, on the fourth line, you say: "I also stated that consideration of the extension of the regional scheme had been deferred, as it was considered that the instruments of financial measurement and control which had been devised in connection with the scheme had not been in operation long enough to justify a final assessment of results." Would you just say what is in your mind in that connection, Sir Gilbert?—That was explained at some length last year. Would you like to read

C

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

what you said last year, Mr. Ismay, or shall I state briefly what it was?—(Mr. Ismay.) You remember Sir Thomas last year said he really anticipated that he would be able to advise the Postmaster General at a very early date that regionalisation formed an approved basis for future organisation, and in anticipation of that you then asked me several questions about what we were doing on the financial control side.

127. I remember that?—On which I had, in fact, just prior to coming to this Committee reported to the Director General. I explained then that our main basis of working is that we have a budgetary system of control over the Regions, with budget estimates and budget accounts, and on top of that a control account which brings in such elements of the commercial account as we can allocate to the Regions. We cannot produce yet (I do not know whether we ever shall) a regional commercial account, because of the interweaving of the work between one Region and another.

128. Thank you very much for that explanation. There is one other point I would like to ask on the general proposition. Are you satisfied, in looking at the staff returns of all departments for the Post Office, as well as other departments (the Post Office showing an increase of 9,800 odd staff this year and 8,600 last year) that the idea of this regional organisation will really not mean any more staff under that head than it would be had you not that regional reorganisation?—(Sir Raymond Birchall.) Yes; I think it is quite arguable that the increased efficiency really means we are taking on less staff than we should have been doing. The bulk of that additional staff is on the engineering side. It is the great telephone plant programme which is concerned. If you get greater efficiency and greater speed of work, as you undoubtedly do get in the regions, that enables you to postpone some of your programme, because you can run on a smaller margin of spare plant.

129. I wanted to understand what was the cause of this increased staff?—It is the increase in business.

Sir Assheton Pownall.

130. Will members turn to "Empire Air Mail Scheme," paragraph 12. On that would you tell the Committee what

the results to date of the Air Mail Scheme are, as far as you can tell us?—The scheme is not quite complete, but it is very nearly complete. A regular service runs now to East Africa, South Africa, India, Malaya, Australia.

131. And Hong Kong?—And Hong Kong, and various small centres which are fed off the main routes. It does not run to New Zealand yet. Mails go by air to Australia and then by surface to New Zealand; but it will be only a matter of a few months I think before the Air Service is extended through to New Zealand. It does not cover one or two places in the Mediterranean—Malta, and so on. They are really dependent on our getting a service going to South America. We have been rather held up on that by Spain, as a matter of fact. The service has settled down very well now. We had a very formidable problem this year of despatching the Christmas mail by air. Of course, that is the first time we have had to do that. I will not say that everybody was very pleased with it. One or two countries were not too pleased with the way they got their mails, but on the whole, considering what the problem was, I think it went off pretty efficiently, and with the experience we have got and of course with the greater facilities which should be available to Imperial Airways in another year we can probably do a great deal better. They were very badly hit with weather, too. The weather just about Christmas over France and the Continent generally was very difficult for them. We are actually carrying about 20 tons of mail a week now on this service.

132. How does that compare with your estimates?—It is rather higher than the estimates during the first year of the service, so that the probability is we are doing rather better financially than we estimated to be doing.

133. Sir Gilbert says here: "A temporary loss to the United Kingdom Post Office which may be of the order of £200,000 per annum"?—I think we are doing better than that, but I could not give you a figure at the present moment, with regard to it.

134. Could you give any estimate as to how long this loss is likely to continue?—The agreement is for 15 years and we reckon that with a slow but steady increase of traffic over that 15 years the loss will be wiped out, so that I suppose we should run at a loss for

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

something like six or seven years, probably, and then make it up in the last half of the period of the agreement.

135. Has there been any saving on sea carriage at all?—Very little. Occasionally you may get a particular contract which made a specific payment for letter mails, and then if the mails were not carried by the surface boat, you would save, but generally speaking in a surface contract the weight of mail is more parcels than letters. They are still continuing to carry the parcel mail, so it has made very little difference to the total weight.

136. The P. & O., for instance. I should have thought their volume had appreciably decreased if you are sending out 20 tons per week by air?—No, it has not affected the P. & O. contract at all. They carry so much parcel mail, newspaper and magazine stuff and so on, which does not go by air mail; the proportion transferred to air mail is negligible.

Sir Isidore Salmon.

137. Is part of this air mail to the Colonies a new business entirely?—No. I think it is very difficult to say what would be new business.

Sir Assheton Pownall.

138. We will pass to the next paragraph, paragraph 13. Would you amplify, please, the reasons for the increase, first of all of £500,000 and then of another £500,000 in this coming year in the amount of your Suspense head?—This is an arrangement simply whereby the purchase of stores for capital works is financed out of capital pending the allocation of the stores to the works. The value of stores on hand when the Suspense Account was fixed at £1½ millions was about £2 millions. Now the stores on hand at any time have gone up to a figure of over £4 millions. It is really the growth of business.

139. That has been entirely responsible?—Yes.

140. From £2 millions to £4 millions, roughly about double?—That is about the figure of stores in hand. It would be above £4 millions now. It was £4 millions, I think, in the year of this account.

Sir Assheton Pownall.] Are there any questions on page 13? The next paragraph is "Post Office Savings Bank Accounts." These have been submitted

to the usual test, with satisfactory results. Will members turn to the Accounts themselves, pages 13 and 14? They are purely summary. I have no questions at all until page 17. Has any member any questions on pages 15 and 16?

Sir Isidore Salmon.

141. On page 13—the details are on page 15—coming back for the moment to the question of staff salaries, one notices there that the total figure that has gone up is quite tremendous: £1,400,000 under A. On page 15 you will see the total expenditure of this year against last year under the heading of salaries is roughly £1,500,000. I think I am right in my figures. What I would really like to know in that connection is why there is a different presentation between that of the London and Provincial Establishments and the Metropolitan Establishments. I suppose that is a matter merely of ordinary book-keeping, when you try to make a comparison between this year and last year?—Is that between A.2 and A.4?

142. Yes?—The expenditure under A.2 is the Central Telegraph Office and the London Telecommunications Region.

143. It is a little differently presented this time?—Yes. Under A.4 the London Postal Region has been transferred to the London and Provincial establishments. That is a region which is in full being.

144. To come back, if I may, to the total figure, without going into detail, comparing the expenditure of this year against last year, under the heading of salaries, as I have said, the figure comes to over £1,400,000 in excess?—Yes.

145. Did I understand you to say previously that the staff that I was referring to earlier on in your returns of increased staff was due to engineers for increased business?—The increase in the Post Office staff as a whole, yes. I have here the increase under the different classes of staff. Postmen have gone up just over 2,000.

Sir Assheton Pownall.

146. Individuals?—Yes, in numbers. Of course, we had an increase in this year of business on all sides, postal, telegraph and telephone. That leads

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

to an increase in staff all round. The greater increase was on the engineering side. That is what I had in mind.

Sir Isidore Salmon.

147. That would include the £1½ millions referred to on page 15?—This does not include the engineers; that comes under I.1.

148. That is exactly what I thought. Therefore I was a little confused when Sir Raymond spoke about engineers. It is a difference of £1½ millions on the total salaries of this year, as against last year under Vote 3 on page 15. If you have last year's figure, you can easily see it?—Yes.

149. I do not want to press it unduly. The only point I wanted to know was this: It did seem to me to be a large figure, unless there were any special awards that have taken place in the year under review which might be accountable for a large sum of that money?—No, improvements in pay during this particular year were almost negligible, a matter of £100,000 or so.

150. So that would not account for it?—No, this is purely increase of staff practically.

151. Would these be permanent or temporary?—Nearly all permanent. You get fluctuations of temporary people at Christmas time, and so on, and temporary people are taken on, until it is seen that the growth is likely to be permanent.

152. I have a recollection that in asking questions last year one got the impression that we had rather reached saturation point or were reaching saturation point—I do not want to put it too high—as regards the normal increase of business?—The increase of business in this year of account on the postal side was 3.9 per cent., which is pretty heavy. Actually, you had a very large increase in business in the first part of the year up to the time of the Coronation, or a little after that. Then you got an almost equally rapid fall on the slump starting. For the first six months of the year business was very heavy. Then it tailed off very rapidly in the last six months.

Sir Assheton Pownall.

153. Did the Crisis make a difference in September?—That was the following year.

154. Yes?—Yes, it did, as a matter of fact.

Sir Isidore Salmon.

155. The real issue is: Are you satisfied that you are not putting on the staff at a greater rate than the business would justify?—I would not like to say we are altogether satisfied about that. On the postal side it is a very difficult problem, because one feels that the staff increase ought to be considerably lower than the traffic increase.

156. Yes?—But undoubtedly there is going on all the time an increase in the difficulty of handling the postal traffic. The towns are spreading out. You are getting more suburban areas going up all the time, so that the delivery work for a fixed amount of correspondence is steadily increasing. That, of course, means large increase in staff costs, postmen, and so on, for delivery. Also one is apt to judge the traffic figures by the Revenue figures. There again, you have got a diversion going on all the time from the 1½d. post to the ½d. post, and so on, and the traffic increase is really considerably larger than the Revenue increase. We are investigating very closely; and incidentally that is one point where regionalisation should come in very helpful, because undoubtedly in the regions they can get down closer to the facts than you can from headquarters.

Sir Isidore Salmon.] I am sure that is a very good point.

Mr. Benson.

157. I take it the new form of housing, the Corporation estate, as against the old row after row, enormously increases the delivery costs?—Yes.

Sir Assheton Pownall.

158. On page 17, I have a question on E.1, the note at the bottom. Why were these payments in respect of increased rates not made during the financial year, Sir Raymond?—On E.1: that was the Railway Companies. There was a general increase awarded to the Railway Companies—I think it was of 5 per cent. on their goods traffic—and we entered into negotiations as to what would be a fair increase in their remuneration for carrying mails. It was simply that the negotiations were going on. We expected them to be completed and the payment to come in in the last quarter of the year, but it did not come in until the following year.

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

159. So the next year will have to bear that?—The next year will have to bear that.

160. I have a question on page 18. It is on F.5, with regard to the Publicity Vote. You mention a restriction of certain publicity activities in your note. What is the total publicity expenditure?—This year the total publicity expenditure was £205,000 approximately. That is about £5,000 more than the previous year.

Sir *Isidore Salmon*.] £193,000 last year.

Sir *Assheton Pownall*.

161. What is the figure at the moment?—At the present moment?

162. Yes, has it gone up again?—No, I should be inclined to think that this current year it is dropping slightly.

Sir *Isidore Salmon*.

163. One small question on page 18. I notice that dealing with motor vehicles in the notes on page 19: "During the year 69 motor vehicles were damaged beyond economical repair by fire or accident, the 'book' loss written off being £1,125 11s. 9d." I suppose when you speak of a "book" loss, you had depreciated them to such an extent that there were only £1,100 which remained?—(Mr. *Ismay*.) That is so.

164. Of course their real cost was much more. You seem to have spent far more money this year on motor vehicles than usual. Is there any special reason for it?—(Sir *Raymond Birchall*.) No, except that it was split between the postal and the engineering sides. But on the postal side I think it is this question of delivery and the spreading of the town suburbs. We have found the Morris Minor Baby Van a very useful vehicle for use out in the suburbs, combining parcel post and letter delivery with it.

Sir *Assheton Pownall*.

165. Will you give us some details of film expenditure?—The total film cost was £39,000 this year.

166. What form does that take?—About £20,000 of that is production and £18,000 display, and a figure of about £900 contribution to a film library.

167. Is there any difficulty about display?—No, we do it largely with our own projectors, and this covers display to schools, a large number of schools—a good many thousands of them—to

which we display, and we also take the opportunity of having displays in the evenings in towns where we are providing displays for the schools.

Sir *Isidore Salmon*.

168. Do you find that you have popularised the service by these displays?—I think so. It is awfully hard to judge on all these publicity questions. I think one cannot feel too confident, but the general impression is that it has helped enormously to add to the prestige of the Post Office.

Sir *Edmund Brocklebank*.

169. Do you show any films other than technical and actual Post Office films?—Yes, to help, but we confine our production practically entirely to Post Office films.

170. That is what I mean, the production?—But you would not notice much of a Post Office element in a good many of them. I do not know if you have seen any of them lately. We produced a very good film for the Glasgow Exhibition called "North Sea." That is mainly a film of a trawler out in a storm and so on. The Post Office part comes in in showing how Wick Wireless Station accepts radio S.O.S. messages, and so on. We make the main feature a story, rather than Post Office business. That is the present tendency of films certainly.

171. They were all taken in England, not abroad, or in the Colonies?—There is one mentioned in these Accounts. We took a film in Switzerland. It is owned jointly by us and the Swiss Post Office. They sent us some of their films to show. We sent them some of the Post Office films. When they saw our films, they said, would we send out the Post Office unit to take some films for them? We said we would rather have a joint show and make a film of the Swiss and British Telephone Services.

Mr. *Benson*.

172. You had one in which Mr. Ismay was the junior lead?—Yes, I think that was labelled "High Finance." (Mr. *Ismay*.) "Big Money."

173. Sixty-nine motor vehicles were depreciated to £16 per vehicle. I should think they were beyond economical repair, irrespective of fire or accident. Are you sure you do not run

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

them too long, if you depreciate them to that extent?—(Sir *Raymond Birchall*.) We have been tending to run them longer and longer, but each case has been considered by an expert whether it is worth while overhauling that vehicle once more in our own workshops or whether it pays to scrap it.

174. What system of purchase of motor vehicles do you have? Do you purchase as you want them, or do you give an order ahead?—We order ahead.

175. I take it when you are ordering large supplies like this, if you can go to a manufacturer at the beginning of a season and say "We will take so many of your vehicles of this particular model," you can get a cut price?—Yes, we reckon on getting something better than the trade discount.

176. If you can order ahead in large quantities, that means you can make that model a success. You ought to be able to get a very much cut price on those models?—They are all practically standard models we use. There are some slight differences in bodies sometimes, but the model is a standard model.

177. That is what I mean. You can get the manufacturer to give you an extremely cut price if he knows he can make the model a success, practically on your order alone?—If you take a thing like the Morris car, even the Post Office order is a very small percentage. That is the type of thing we use, the ordinary commercial vehicle.

178. You are satisfied with the prices you are getting?—Yes.

179. Do you concentrate on one manufacturer?—No, but we take into account very largely in judging the models the service facilities. It is very important that we should get good service facilities. It is more important than the capital cost, really.

Sir Assheton Pownall.

180. Pages 19 and 20—Losses by default, accident, etc. (Postal Services). On page 20, a quarter of the way down, £1,537 3s. 11d. was lost by an unestablished managing clerk defaulting. Could you tell us a little about that? It is a very big sum?—Yes. That is a case at Casablanca in Morocco.

181. What nationality was this gentleman?—I think actually, he was of

British nationality, although his name does not suggest it. He is a British subject. I do not know what nationality he would be; he was a managing clerk at Casablanca.

182. In charge?—In charge, yes. In addition to the ordinary Post Office work—stamps, postal orders, money orders and so on—there was a fair business in customs dues for parcels, and I think undoubtedly for quite a long time he had been defrauding the Post Office—"cooking" his accounts. I think his accounts come every month up to Mr. Ismay's people at headquarters, and they got on to the track of it from an analysis of the accounts and so on, but it takes some time really to look after a thing in Morocco and the first steps they took through the local machinery were not very effective; so in the end they sent out an accountant from London, and another of the investigating people from London to overhaul this place thoroughly. Unfortunately, this officer absconded just about three days before they arrived in Morocco.

183. A curious coincidence?—There is no reason to think that he knew they were coming. That had been kept pretty quiet, but it did coincide, and once they got down to the real facts they found very clever forgeries had been going on, forged vouchers, and so on. I do not know whether they would have got on to it then if they had not come across the apparatus which he had been using for these forgeries, which he had left behind at the office. The detectives who were put on to the job did regard them as extremely skilful forgeries. It was not the type of thing which one would expect to be found out on the local check of accounts.

184. He has not been heard of since; you could not arrest him?—No. A warrant is out for his arrest, but it has not been effective yet.

185. Is the office still open?—No, it was closed. The offices were due to close in any case in about a year on the abolition of the capitulations in Morocco, and rather than find someone fresh to run the job for another year we got the Treasury and the Foreign Office to agree that we should close down straight away.

186. Have we any other offices abroad of a rather analogous nature that are

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B., [Continued.
and Mr. G. ISMAY.

liable to similar difficulties?—I think they have all vanished now, owing to the abolition of capitulations in Morocco. Tangier is still open.*

187. That is an important place?—That was the Head Office under which the others came.

188. Further down the same page there is £1,815 19s. : burglary at Welling. It seemed a relatively large sum to be at a small branch office as I imagine Welling is?—It is rather a busy branch office, but I must admit it is not a very satisfactory case. There were two burglaries, one at a rather short period after the other, and neither the police nor ourselves were altogether satisfied with regard to the circumstances, certainly of the first burglary. They seemed to be very difficult circumstances to explain. The office is now closed. It has been replaced by a Crown office.

189. This was not a Crown office?—No, it was a Sub-Post Office. There was a Sub-Postmaster and he had a number of assistants.

190. It seems to me a very large sum for a sub-office to have at their disposal—£1,815?—(Mr. Ismay.) It really was a very busy office as is shown by its upgrading recently to a Crown office. I do not think there is anything which suggests that the amount of cash and stock they had on the premises was out of line with what we should have expected.

191. They got away with a few hundred pounds on each occasion?—I have not got a split with me as between the two occasions.

Mr. Benson.

192. Is your calculation of loss an actual cash loss, or is a loss of postal order blanks included?—It is cash or value which can be negotiated, but not paper which can be stopped—anything which really does mean loss to us.

193. Something which you will ultimately have to face?—Yes. (Sir Raymond Birchall.) Stamps, not savings certificates. (Mr. Ismay.) Savings certificates do not go in, unless one can imagine circumstances happening in which they had managed to get them cashed somehow; that is almost impossible to conceive on the savings certificate side.

*Note by witness:—The office at Tetuan is also open.

15417

Sir Isidore Salmon.

194. On page 22, is it not possible to try to arrange your estimates more accurately, to avoid coming so often for Supplementary Estimates? I notice more especially—it is right through the picture—if you take the Engineering Establishment under sub-heads I and K, the Supplementary Estimates are fairly high. You are dealing with large sums of money?—(Sir Raymond Birchall.) One of the difficulties on the engineering side is the split between Vote and capital. It is very difficult to estimate in advance.

You may get your total expenditure fairly accurate, but you may get the split between Vote and capital entirely wrong.

195. No doubt you will be able to answer this. You say the value of the stores handled during 1937, was £13,045,000, which is nearly £2,500,000 more than the year previous?—Yes.

196. Surely with that experience in front of you, one would have thought that you would have been able to get a little closer than you have with these figures?—It is the split up between different heads and so on, which is so difficult. (Mr. Ismay.) The Supplementary Estimate in this case was caused almost entirely by the engineering side of the business. We really are in a most dreadful position from an estimating point of view on that. It is an enormous business. The changes that may take place in a year in our business are things that we cannot foresee; but on top of that we have a most intricate system of having to divide our expenditure between capital and Vote and if we get right on two of them, we are probably going to be defeated on the third every time. We can, of course—I want to make the full answer to Sir Isidore on this—load our estimates. From my angle, that is, of course, the very last thing I want to do because I have always an uneasy feeling that if the estimates are loaded the money may be spent.

197. When you talk of the value of the stores handled during the year amounting to £13,000,000, what comes under the heading of stores? It is a very comprehensive item, is it not?—(Sir Raymond Birchall.) That is engineering stores. A figure would come into "stores handled" here if it was ordered from contractors, went into the stores

C 4

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B., [Continued.
and Mr. G. ISMAY.

department and was then issued out to works. It would not come under this heading of "stores handled" if it went straight from contractors out to work, as for instance, in laying a trunk cable or equipping an exchange. It would not come under these figures because it had not been handled by the stores people but went straight from the contractors to the job.

198. This is where the stores people get credit?—It shows the amount of work they do, and generally speaking, an item coming here appears twice. They get it when it comes from the contractor and they handle it again when they issue it out.*

199. Do they physically handle it or is it a transfer by instructions?—No, there is quite a good deal of physical handling. There is a lot of testing and so on, to be done.

Sir Assheton Pownall.

200. Pages 24, 25, and 26. On page 27, at T.1. (b) you were a little unhappy there with regard to the Estimate of £120,000, less Supplementary Estimate of £70,000, leaving £50,000 under "Estimated." £73,800 was realised after all?—Yes, that was bringing into force part of the Air Mail Services. The South African mail came in early in the year. That was all right. The Indian mail only came in towards the end of the year and I think we were uncertain, even at the end when we were preparing supplementary estimates, as to when it would start and when we should collect from various administrations.

201. Page 29. Under the item: "Awards for inventions, suggestions, etc." there were 2,141 cases in the year under review. What system do you have for giving these awards?—We have an Awards Committee which consists of a number of experts who review all suggestions put forward to them and the inventor or suggestor has a right of appeal from this Committee to a General Service Committee, a Central Committee, the Chairman of which, I think, is a High Court judge or a King's Counsel.

**Note by witness*:—This answer is not quite correct. I find that the figure quoted covers all stores issued to works out of purchases under sub-head K together with stores recovered. In some cases these stores do not actually pass through the Stores Department. The figure excludes stores provided by contractors under an installation order.

202. The idea is an excellent one but what caught my eye was £3,819 for 2,141 cases. The average award is about 37s.?—Yes. Actually the number of suggestions they get in a year is about 12,000 and an enormous number of them are quite minor things like a suggested alteration in the wording of a form, or how to tie on a label. It covers an enormous field.

203. Half guineas and guineas are given?—Yes, £1 is quite good.

204. Page 31: there is some change there with regard to local lines, and excess on capital account and a saving of some £3,000,000; I think it is on other items—trunk lines. Could you say why that is?—Really it is a re-distribution of our classification as to what are local lines and what are trunk lines. It is part of the classification in getting out regional accounts. Headquarters remains responsible for the long distance trunk services and the account of that trunk service. The regions take over the responsibility for the local services and under the present classification, any line up to 15 miles in length is local, whereas over 15 miles it is regarded as a trunk. It is an entirely different classification to what was in force, so a good deal of this money under trunk or local lines has been re-distributed.

205. Are there any questions on pages 30, 31, 32 and 33? On page 34 I have one question. There is what seems like an overdraft of over £800,000 on March 31st. Could you just tell us why that happened. You had not drawn the money from the appropriation?—(Sir Gilbert Upcott.) There was an underdrawing from the Exchequer. (Mr. Ismay.) There was no special reason for this. It was just an under-estimate of the amount likely to fall on capital in the month. We have to make a forecast some time ahead, I think, in order to regulate our drawings from the Exchequer and we made a bad shot on that occasion. (Sir Gilbert Upcott.) It does not mean any excess on their statutory loan provision, they have just not drawn the money out.

206. You were entitled to draw it, but you have not drawn it?—(Mr. Ismay.) Yes.

Sir Assheton Pownall.] May I take it that this Account is approved? (Agreed.)

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

POST OFFICE FUND.

POST OFFICE FUND ACCOUNT, 1937.

STATEMENT SHOWING POST OFFICE NET SURPLUS.

Sir Assheton Pownall.

207. Post Office Fund. There has been, I notice, Sir Raymond, a steady decrease in your net surplus? Could you tell us a little about that?—(Sir Raymond Birchall.) I am afraid for the next year you will find it is a very large decrease. It was never intended that there should be a large amount of money left in the fund. Largely the object of the fund is to enable rate concessions to be financed until the period arises, when they become immediately remunerative, and, I think, the decreases which have been going on for a year or two, in the fund, have been largely the result of the telephone tariff concessions in those years. The concessions on rentals and on calls amount to quite a large amount of money. For instance, the telephone concessions in 1936 on rentals cost us about £1¼ million a year in revenue, so that we anticipated there would then be probably a necessity to draw from the fund to make good the money, but it has been hit as well by the recession in trade, although not very much comes into this particular year under this heading.

208. I thought you said there was an increase of 3.9 per cent. in your turnover?—That was not as large as we had budgeted for. The last six months in the year were rather steep.

209. To what extent are financial concessions to the staff responsible for this?—Practically nothing at all in this year.

210. There have been some recently?—This last year is quite a different matter.

211. Have you any figure for your net receipts for 1938? The 1937 figure I see was £88,000,000. Have you the 1938 figure yet?—Is the figure you are quoting the figure at the top—£86,000,000.

212. £88,000,000 is the figure I have a note of as the receipts in 1938?—(Mr. Ismay.) I think the corresponding figure to that £88,000,000 for 1938-39 will be of the order of £86,800,000.

213. A set-back of about £1,200,000. The figure of payments in 1937 was

£78,000,000. Have you the corresponding figure for 1938?—I must give it with very considerable reserve—it is £77,850,000.*

214. A slight decrease. The other figure had increased by over £1,000,000?—(Sir Raymond Birchall.) The other figure has decreased.

215. The other figure has decreased by just over £1,000,000?—(Mr. Ismay.) That is what is hitting us so much at the moment.

216. In other words, your surplus, instead of being £10,000,000, is approximately £9,000,000?—Yes, that is so.

Sir Irving Albery.

217. If in any subsequent year the Post Office surplus exceeded the contribution to the Exchequer, would that sum go into the Post Office Fund?—Yes.

Mr. Benson.

218. Which has been the greater over the last three years, the increase in expenditure or in revenue?—(Sir Raymond Birchall): Over the last three years—revenue, I should say.

219. What is your general tendency? I will put it that way?—(Mr. Ismay.) At the moment, of course, we are faced with the fact that we are in a very severe depression, from the point of view of the Post Office business, and our expenditure on establishments cannot be brought down at the same rate as our revenue is falling—not actually falling, of course, but falling below our anticipations, our budget. (Sir Gilbert Upcott.) If you take the net receipts and net payments on the net surplus statement for the last three years, they are both up, but your payments have grown faster than your revenue. (Mr. Ismay.) That may be. I cannot carry the position on that in mind precisely, but there are all sorts of factors which

*Note by witness:—The figures quoted in reply to Questions 212 and 213 exclude on both sides an amount equivalent to the Broadcasting Vote. The figures should be:—Receipts, £90,500,000; Expenditure, £81,550,000. The net result is unaffected.

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

have got to be taken into account before one can really answer that question, because expenditure in this connection includes, for instance, such items as the purchase of stores, for which we have got an asset. If I want to know whether my expenditure is rising quicker than my revenue I want to delete items of that sort. (Sir Gilbert Upcott.) On the net surplus figures the net receipts have risen from £79,000,000 in 1935 to £88,374,000 in 1937, and net payments have risen from £67,900,000 in 1935 to £78,200,000 in 1937.

220. The revenue has gone up £9,000,000 and the expenditure has gone up £11,000,000?—Yes, approximately. That is, as calculated for the purpose of the net surplus. That is the statement of the Post Office net surplus calculated for the purpose of the fixed contribution to the Exchequer and the payment into or out of the Post Office Fund.

Sir Assheton Pownall.] Are there any further questions on the Post Office Fund Account? May I take it that this Account is approved? (Agreed.)

POST OFFICE SAVINGS BANKS ACCOUNT, 1937.

SAVINGS BANKS AND FRIENDLY SOCIETIES ACCOUNT, 1937.

(On these Accounts no questions were asked.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS IV.

VOTE 12.

BROADCASTING.

Sir Assheton Pownall.

221. Civil Appropriation Accounts, 1937, page xvii, "Broadcasting", Class IV, Vote 12. On the top of page xviii Sir Gilbert says that an 8 per cent. additional grant was approved for television service. (Sir Raymond Birchall.) I think that is really a Treasury calculation based on estimates of what they expected the expenditure to come to, I suppose. (Mr. Ismay.) Perhaps if you would care, I may deal with that, as I acted perhaps rather more for the Treasury than for the Post Office on certain aspects of this. The position was that the Corporation had applied for an increase in their percentage to meet the cost of television and foreign language broadcasts, and at the request of the Treasury I undertook the task of assembling for them information as to what the actual rate of projected expenditure by the Corporation was, in order to give them sufficient background on which to judge what was a reasonable percentage to fix. I obtained for that purpose a good deal of perhaps I might call it confidential information from the Corporation in

addition to the formal statements which they put in for the purpose of an estimate.

222. There is a further 15 per cent. that has been granted as well, in the next paragraph?—(Sir Gilbert Upcott.) Not additional to the 8 per cent.; in replacement of the 8 per cent.

223. Did you do that, Mr. Ismay, also?—(Mr. Ismay.) There, the question of the policy to be pursued on television came much more into the picture and the Television Advisory Committee gave their views as to the improvements that ought to be made in the service generally, and again they had before them figures, but again I assembled figures for the Treasury on the general footing of the recommendations made by that Committee, so that the Treasury could consider the whole position.

224. Does that allow a reasonable amount for research work that has to be done, presumably?—No, that is not charged to television, or very little is. There may be something in the engineering services of the Corporation for that but a good deal of television research falls actually to the Post Office

7 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

and is charged against the percentage which the Post Office retain out of licence revenue.

225. That 9 per cent. cost of management?—Yes.

226. What proportion does the B.B.C. get of the net revenue? Could you say that?—75 plus 15. 90 per cent., I think, in the second year.

227. Not quite, surely, because after deduction of the 9 per cent., it is 75 per cent. of the balance, so it is not quite that surely. That is in the paragraph at the bottom of page xvii?—I am sorry. It is a confusion of terms. We frequently speak of the other figure as the net figure. They really receive in the first year 83 per cent. of 90 per cent., and in the second year 90 per cent. of 91 per cent.

228. Which in practice is 81 per cent., I think I am right in saying?—That is right. I am sorry to get at it in such a roundabout fashion.

Sir *Assheton Pownall*.] Is there any question on paragraph 30?

Sir *Irving Albery*.

229. It mentions here the Foreign Language Broadcasting Service, the expenditure on that service being estimated at £200,000. But the Broadcasting Corporation have not got any contractual obligation in the matter of foreign broadcasting, have they?—No, I think no contractual obligations.

230. It is entirely within their power, is it not, to broadcast as much or as little as they like of foreign broadcasting?—Yes. I think that is right in a general sense, but obviously it is a matter in which the Government as a Government is very much interested, and in which the relationships would naturally be very close.

231. I do not understand these things much, but I was surprised at the amount they do. Has it been much increased lately on foreign broadcasting?—The periods have increased somewhat.

232. And the transmitting stations used?—Yes, I think that is so. (Sir *Raymond Birchall*.) It is an expensive business—all the arrangements for translations and interpreting, and so on.

233. You estimate that they are going to provide a certain amount, although it is not a contractual obligation and that would cover the cost of it?—(Mr. *Ismay*.) Yes. This particular £200,000 does cover certain new transmitters—capital expenditure.

234. For that purpose?—For that purpose.

235. Supposing the Government want the Broadcasting Corporation to do additional foreign broadcasting, I suppose it is possible for them to do it, quite irrespective of the financial arrangements which have already been made?—(Sir *Raymond Birchall*.) You have to get a suitable transmitter. This covers Arabic and South America, and so on.

Sir *Isidore Salmon*

236. I suppose it is fair to say of the money that is voted to the Broadcasting Corporation, that once it has been voted, how they spend it and how they deal with it is entirely a matter for the Broadcasting Corporation and not for the Post Office?—A matter between the Corporation and the Treasury. It is certainly not for the Post Office. (Mr. *Brittain*.) Of course, if the Corporation came for an increase of the percentage of revenue allowed to them, we should think it desirable to know how they were dealing with it. It would be essential that we should know that.

237. I am trying to see what kind of supervision the Treasury have over broadcasting. (Sir *Raymond Birchall*.) I rather regard ourselves as doing some work for the Treasury on this matter.

Sir *Assheton Pownall*.] Are there any questions on page 186? May I take it the Account is approved? (*Agreed*.)

(*The witnesses withdrew.*)

(*Adjourned till Thursday at 2.30 p.m.*)

THURSDAY, 9TH FEBRUARY, 1939.

Members present:

Sir Irving Albery.
Mr. Benson.
Sir Edmund Brocklebank.
Mr. Lathan.
Mr. Mabañe.

Sir Assheton Pownall.
Sir Eugene Ramsden.
Sir Isidore Salmon.
Sir Robert Smith.

In the absence of Mr. PETHICK-LAWRENCE, Sir ISIDORE SALMON was called to the Chair.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN, and Mr. D. F. C. BLUNT, called in and examined.

TREASURY MINUTE ON PARAGRAPH 3 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

POST OFFICE COMMERCIAL ACCOUNTS, 1937.

Sir RAYMOND BIRCHALL, K.B.E., C.B., and Mr. G. ISMAY, called in and examined.

Sir Isidore Salmon.

238. Post Office Commercial Accounts, 1937. We will take the Treasury Minute on paragraph 3 of the Committee's Report, "Post Office Commercial Accounts." We will take paragraph 3 of the Comptroller and Auditor General's Report with the Treasury Minute. I will ask Mr. Britain if he has anything further to say before I ask the Comptroller and Auditor General if he would like to say anything on the matter?— (Mr. Britain.) I think perhaps I ought just to repeat orally to the Committee the hope we express in this Minute "that the Committee will not object to the preparation of the Telegraph Accounts for 1937 on the same basis as those for 1936 pending the Committee's further consideration of the matter"; the reason for that being that, when we came to consider the matter in the light of last year's discussions and the Committee's Report, we came to the conclusion that it was rather a matter of the use of the Treasury's discretion. On that, of course, we should never wish to make any sort of claim that we were beyond the criticism of this Committee; and indeed we went out of our way in the Minute to say that we recognise that we must at all times be ready to justify to the Committee any use of our discretion under the Act of 1920. We therefore thought the Committee would not object if we asked them to reconsider the matter on the lines of our Minute and if for the moment the Accounts for 1937 were prepared on the same basis as those for 1936 in order that, if perchance the

Committee should agree with us, there should not be another switch back in the 1938 Account. I do not think I want to say anything more at the moment. (Sir Gilbert Upcott.) The Committee considered this matter at some length last year and arrived at a conclusion, and the Treasury, as they state, wish the Committee to reconsider that conclusion. As I entirely disagree with the Treasury proposal, I am afraid I must ask for the permission of the Committee to state my views rather fully. I have qualified my certificate to these Accounts because I consider that the Telegraph Account presented this year is incorrect. In my opinion a credit for £37,000 approximately is incorrectly taken on a so-called balance of the Telegraph Depreciation Account, with the result that interest is under-charged in the income and expenditure account by that amount and the loss on the telegraph undertaking is similarly under-stated. The question arises out of the treatment of the depreciation provision in the Telegraph and Telephone Accounts. The telegraph and telephone undertakings get their capital from the Exchequer, directly or indirectly. They pay interest on the outstanding loans and Exchequer advances for capital, but if they have accumulated provision for depreciation they are of course entitled, as a set-off, to interest on that accumulated provision, which is paid into the Exchequer and which the Exchequer holds. It might be put otherwise by saying that the accumulated depreciation provision might be regarded as taken in part

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

repayment of the outstanding loans and advances. The telephone undertaking has made such provision and has such a fund in the Exchequer. The telegraph undertaking has not. This was explained by the Post Office in the notes which they used to publish to the accounts in the following way: "As the straight-line method of depreciation provides out of telephone revenue the amount required for the renewal of plant, any interest earned by the accumulating provision for depreciation goes to reduce the interest charge on telephone loan capital. In the case of the telegraph service, however, as the revenue is insufficient to provide the sums required for depreciation, interest is not allowed, but the depreciation account is maintained *pro forma* in order that the real value of the plant may be made evident" The object of this arrangement is to ensure that each undertaking is charged interest on the true net amount of loans and Exchequer advances outstanding against it, no more and no less. This arrangement was considered rather carefully by the Public Accounts Committee in 1914, when the Commercial Accounts of the Post Office were re-organised following the taking over of the National Telephone undertaking. The Committee then took evidence from Sir Charles King, the Accountant-General, and Sir William Peat, who acted as Commercial Adviser to the Post Office on these Accounts. Sir Charles King said to the Committee: "The balance to credit of the telephone depreciation fund is deducted from the value of the plant and virtually treated as repayment of capital. It is deducted from the prime cost of the plant and interest is charged on the smaller figure. When we come to express the position of the telegraphs in a Commercial Account we have to recognise that there is no money in the Treasury that we can earmark for depreciation, but we say that there is this liability for depreciation on telegraphs. We can only call it depreciation; there are no sovereigns there to meet it." The Committee were still rather troubled about the position of the Telegraph Depreciation Account, because they found it rather difficult to understand how there could be an account when there was no money there, and so they asked for an explanation from Sir

William Peat and Sir William Peat said: "This figure"—meaning the balance of the Telegraph Depreciation Account—"remains merely a record of what may be called for from the Treasury when the plant in respect of which this has been estimated becomes worn out. It is not a realised item, while on the telephones it is a realised item, because there were hard sovereigns to represent it." If I may ask the Committee to look at the actual Account for a moment, I think I can show that the Post Office in their present proposal are departing from the recommendations made by Sir William Peat, both in the spirit and in the form. If the Committee will look at page 26 they will see the Telephone Service Depreciation Account and balance sheet. On the balance sheet on the left-hand side there is a figure of loans outstanding, Exchequer advances, etc., of £200,114,207. On the extreme right-hand side there is a figure described as "Exchequer liability in respect of accrued depreciation—£57,047,899." That is the closing balance on the depreciation account above of £57,000,000. That sum on the Telephone Account is, except for a small fraction to which I will refer later, hard cash (sovereigns, as they called it in pre-war days) and consequently, obviously, in fairness and proper accounting the telephone undertaking is entitled to a set-off in respect of that sum against the amount of loans outstanding and Exchequer advances. There would have been no doubt about it at all if, a year ago, the Post Office had not made the alteration in the account to which I drew attention in my Report, because under Sir William Peat's form of account that £57,000,000 would be deducted from the £200,000,000. The figure of liabilities, loans outstanding and Exchequer advances under the form of account recommended by Sir William Peat would have been £143,000,000 only, and that is the proper sum on which the telephone undertaking is due to pay interest. Now if the Committee will go back to pages 22 and 23, they will see the Telegraph balance sheet in the same form. On the left-hand side there is "loans outstanding, Exchequer advances etc., £3,102,255." On the right-hand side there is "Exchequer liability in respect of accrued depreciation, £1,024,602." That, though expressed in

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

the same words as in the telephone balance sheet, is something quite different. It is not cash at all. It is depreciation which has not been provided for. It is a guarantee on the part of the Exchequer to provide that money when it is wanted. It is in my submission nothing more than the promise of an overdraft or, if you like to put it even more plainly, the promise of a subsidy, and in my judgment there is no justification whatever for allowing interest on that figure. The amount of liabilities of the telegraph undertaking for loans outstanding and Exchequer advances is £3,000,000, without any abatement or deduction—£3,000,000 net—and that is the proper amount, I submit, on which interest should be charged in the Telegraph Income and Expenditure Account. The Post Office proposed to insert and inserted in the account, with Treasury agreement, a figure, which is shown on page 20, of £68,589 for interest on capital. In my judgment that figure ought to be £105,000, and the result is, or would be, that the loss on the Telegraph Account would be increased by the sum of £37,000; that is roughly $3\frac{1}{2}$ per cent. on £1,000,000. This seems to me a very plain principle and the Treasury agree that it is a rule which it would normally be right to follow. I find difficulty then in understanding what are the circumstances in which it would not be right to follow it. They propose to abandon that rule, to abrogate it, in the exercise of a discretion which they possess in determining the form of accounts. I shall have a word to say in a minute about that discretion, but first of all I should like to address myself to the reasons which they give for abrogating that rule. It is contained in a long paragraph relating to the development of transmission technique, which is the third paragraph of the Treasury Minute. What has happened is that, owing to the increasing predominance of the telephone undertaking as regards the use of the line plant, there has arisen what the Treasury call the much closer relation between the accounts of the telegraph and telephone services. Of course there always has been a very close relation between the telegraph and telephone and postal services, and I find it difficult to see how a close relation has arisen now which has not existed throughout. But what has happened in this particular case is that the plant that was formerly owned by the telegraph service—the line

plant—has been transferred to the predominant user, namely, the telephone undertaking. For instance, in 1932 the telegraph plant stood in the balance sheet at a prime cost of a little more than £8,500,000. The accrued depreciation on that was about £4,000,000. At the present moment the prime cost figure for telegraph plant is just under £3,000,000. The accrued depreciation on that is £1,000,000.

Sir Irving Albery.

239. Would the Comptroller and Auditor General tell us what happened to the accrued depreciation when that transfer took place?—I was just coming to that. About £5,500,000 worth of plant has been transferred from the telegraph undertaking to the telephone undertaking at prime cost and, simultaneously with that, the Accounts show that accrued depreciation of about £3,000,000 has been transferred from the Telegraph Depreciation Account to the Telephone Depreciation Account. The apparent paradox which puzzles the Post Office is that, whereas that £3,000,000 did not earn interest in the Telegraph Depreciation Account because it had not been provided, it does earn interest in the Telephone Depreciation Account. I venture to suggest that their trouble about that is due to the fact that they have not sufficiently analysed the real nature of the transaction which has taken place. When one comes to consider, it emerges that it would obviously be unfair for the telephone undertaking to pay more for the plant which it has in effect bought from the telegraph service than it is worth, and what has really occurred is that there has been a sale of plant from the telegraph undertaking to the telephone undertaking for £2,500,000, that is, the unexpired value of the plant sold. The way the Post Office have carried out this calculation is merely a roundabout way of securing that the capital of the telephone undertaking is only increased by £2,500,000 and only charged interest on the £2,500,000 which it has had to borrow from the Exchequer to buy that plant, and I submit that, if the form of accounts as recommended by Sir William Peat had been followed, there would have been no confusion about this at all, because, if the Committee will look again at page 26 of these Accounts, that figure of loans outstanding and Exchequer advances would,

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

under the form of accounts recommended by Sir William Peat, have only been increased by the unexpired value of the plant transferred, by £2,500,000 and not by £5,500,000. There would have been merely a net increase in the loans outstanding and Exchequer advances on the telephone balance sheet of £2,500,000. I can make it even plainer, I think, if I refer to the very similar arrangements which were made when the telephone undertaking took over the plant, etc., of the National Telephone Company. The telephone undertaking paid for that plant and so forth £12,000,000. The way the figure was arrived at was this: £1,000,000 was paid for buildings and stores. The plant was valued at a prime cost of £14,000,000. The arbitrators allowed as a proper figure for accrued depreciation £3,000,000, therefore the telephone undertaking took over £15,000,000 worth at prime cost of plant, stores and buildings. They were also allowed to credit themselves with £3,000,000 of accrued depreciation, which reduced the figure to £12,000,000, and under the form of accounts to which I have referred the figure which appeared as loans outstanding, and Exchequer advances on the account of this transaction was £12,000,000, the net figure, in exactly the same way as the figure for the transfer of line plant which has now occurred ought to be represented not as £5,500,000 but as £2,500,000. There is nothing whatever anomalous about this transaction—nothing arbitrary. It is in effect under the present form of accounts a rather roundabout way of carrying out a straight and simple transfer. It affords, I submit, no ground whatever for departing from the rule which has previously been followed, of making the telegraph undertaking pay interest on the amount which it owes to the Exchequer. The plant which has not been taken over is internal plant, mostly—instruments and so forth. Its position is in no way affected by this transfer. The telegraph undertaking owes the Exchequer a reduced sum, owing to this transfer, of £3,000,000. There is no set-off in respect of accrued depreciation. There is one other point which arises on the Treasury Minute which I think has also troubled the Treasury and the Post Office, that is, that the rental charges now paid by the telegraphs for such amount of the transferred plant as it wants to use are calculated on the

written-down figure only. Last year the Chairman and you, Sir, addressed questions to the Post Office designed to obtain an assurance that this transfer had not been carried out in order to make the Telegraph Accounts look better. You received an assurance that it was carried out on practical grounds because it represented the true position, namely, that the telephone undertaking is now the predominant user. For that reason I saw no reason to raise any audit criticism of that transfer, but, of course, it is a transfer which has been of mutual advantage to both parties. The telephones have got plant and paid for it what it is worth. The telegraphs have rid themselves of plant which was depreciating and had depreciated and for which they had failed to provide the depreciation. At the same time, as the telephone undertaking has only, in effect, paid the true written-down value of the plant, it would be obviously unfair that it should now charge the telegraphs rentals calculated on a higher value than what they have paid for it, and it is a perfectly fair arrangement. The Exchequer has carried the baby, but there is no real loss to the Exchequer, because it had already lost the money. The loss of the depreciation which had not been provided was already on record. It seems to me so plain that the only proper charge to the telegraph undertaking is interest on the amount which it owes, that I have found great difficulty in understanding what reasons could have persuaded the Treasury to agree to something different. In the heat of argument last year, I said, with a rudeness for which I ought to make apology, that the Post Office were saying black was white. I apologise to Mr. Ismay for that outburst, but I think I am entitled to say that the Post Office and the Treasury have so involved themselves in the technical and accounting labyrinth of these Accounts, that they have lost sight of the plain fact that, as the outcome of these transactions, the telegraph undertaking still owes the Exchequer on capital account £3,000,000, and therefore the figure which ought to appear in the Telegraph Income and Expenditure Account for interest is £37,000 larger than that inserted in the present Account. It is stated as £68,000 and it ought to be £105,000. The Treasury say that as a matter of form of the Accounts they ask the Committee to agree to the exercise

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

of their discretion to allow the telegraph undertaking to pay interest on only £2,000,000. I venture to submit, that this is not a question of form at all. This is a question of the correctness of the Account. It is a question of substance. I hope the Treasury are not claiming, under guise of their powers relating to the form of the Accounts, the right to determine that an Account is correct. If they did so, I should feel bound to say that any such claim is not merely an offence against sound accounting, but an attack on the independence of the auditor. I do not think I need say more than that. On the last paragraph of the Treasury Minute I shall have something to say in due course later on, but I think I have stated my position fully on this question of interest and I can put my conclusion in a single sentence, namely, that the interest charged to the Telegraph Income and Expenditure Account ought to be, in round figures, 3½ per cent. on £3,000,000, which would increase the charge by £37,000.

Sir *Isidore Salmon*.

240. Mr. Ismay, have you any observations you want to make?—(Mr. *Ismay*.) I am at a disadvantage, Sir, partly on account of my short time at the Post Office, in considering some of the illustrations and figures which Sir Gilbert has mentioned, and my remarks really I want to make very very brief on the point. First of all, as Sir Thomas Gardiner stressed last year, I would like just to make it quite clear that we ourselves brought this question to notice, and there was no attempt at concealment on the part of the Post Office.

241. Brought to the notice of whom?—We had a paragraph in the forefront of the Commercial Accounts drawing attention to it. (Sir *Gilbert Upcott*): I should like to disclaim any suggestion that the Post Office have attempted to conceal it. They have made it quite plain from the outset; but my contention is that it is wrong. (Mr. *Ismay*.) I quite agree, but I think I am entitled to make that observation to clear us, I hope, of any accusation that we were doing this merely on the question of rigging the account financially. The disadvantage I am at is this, that I do not know the history of the previous transaction to which Sir Gilbert refers and I am not really in a position, because I was not in the transaction, to say whether or

not this contention that the Telephone Account bought this capital at what was its market value in effect is sound. What we did was to transfer the plant at book value and the depreciation, and whether it is right to accept this argument that they simply purchased the stuff at its proper market value and the Telegraph Account should therefore get all the advantages of that I am not really in a position to frame an opinion on immediately, from lack of knowledge of the facts. But we have not, so far as I know, really advanced any strong contention against the logic of what Sir Gilbert has to say. In our reply I think to his first reference, the line we took was: "In the view of the Department the principle of withholding interest relief on the ground that the necessary depreciation provision had not in fact been met, had been so largely foregone that it could not in reason be maintained further" and I do not want to put the case higher than that. Our assumption was that by these transfers of plant which had been made for purely technical reasons, the principle of that had been so eaten into or so modified that in effect the continued publishing of a statement that we had a different rule for the Telegraph Account from all the other accounts was not entirely honest. That was our background, that we had so modified the thing that the balance left was small. I accept in fact what the Comptroller and Auditor General said on the previous occasion, that our argument was that the baby was a small one and not very much more than that. There are certain anomalies to which the Comptroller and Auditor General referred last year. I still cannot find that I can agree with him that the Accommodation Account in itself does not subsidise the Telephone Account. The Accommodation Accounts rents out at a charge to the Telephone Account certain properties. Within the Accommodation Account they get the benefit of depreciation. It is true the resultant charge sends up the deficit on the telegraphs, but if consistently we ignored the benefits of interest on depreciation throughout the Accounts that charge on the Accommodation Account I submit would be a higher charge. Similarly the pension liability within the Telephone Account is arrived at on the same assumptions as on the other accounts, that it is that amount which,

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

set aside, will accumulate at interest to the amount required to meet the pensions, yet we have not on the rule provided that interest. There are anomalies. I do not want to stress it because I do not want to have to alter those anomalies. The Accounts are quite complicated enough. I merely want to give it as the background that we had in view existing anomalies in an Account which is from an outside point of view obviously a very artificial account anyway, because no business concern outside could ever have carried on a telegraph service showing these deficits from year to year. But I accept, so far as I could follow the Comptroller and Auditor General's argument, the contention that in regard to this portion of the Account we have departed from the previous rule. We have done it and put it to the Treasury really on the ground of *de minimis*; that we had already made such inroads into that rule by force of circumstances in which we could not help ourselves that it was hardly worth maintaining. I would like to say on this that far be it from me to suggest that it was outside the authority in any form of the Comptroller and Auditor General to raise this issue; I think with all respect it was quite inevitable that he should. I do not want to appear in any way to be suggesting that it is not a perfectly proper thing to put us on our defence about, but our defence is that really, looked at from our standpoint, the force of circumstances had so eaten away this principle that for the little remaining it was hardly worth while maintaining. I do not think we have put the case higher than that at any time. If the Committee feel on the other hand that the logic of the Comptroller and Auditor General must prevail, of course we shall fall in with that at once in future Accounts.

242. Perhaps before the Committee discuss it at all, you would like to deal with the second part of the Treasury Minute, Sir Gilbert?—(Sir *Gilbert Upcott*.) I think I should prefer, if the Committee so think fit, to deal with that after the Committee have disposed of this question. It is entirely a separate question.

243. Very well. May I suggest this, that the Committee I feel sure have been very interested at hearing what the Comptroller and Auditor General has to say, and I observe that Mr. Ismay frankly does not hold out that the Post

Office or the Treasury in this connection are right and that the Comptroller and Auditor General is wrong in his contention?—(Mr. *Ismay*.) No.

244. The only point as I understand which Mr. Ismay makes is the fact that we have not been so strict in observing the rule in all circumstances and he quotes, if I understand him correctly, the question of accommodation?—Yes.

245. Which is arbitrarily arrived at?—Yes. (Sir *Gilbert Upcott*.) I can say something about that if you wish it.

246. I am only just trying to boil it down?—I may say I do not agree with that.

247. I am only quoting Mr. Ismay in that connection?—(Mr. *Ismay*.) That is so, but I quoted very much more (if I may put the stress on it) what have been the effects of the transfer of plant to the Telephone Account. In our view they have in fact relieved the Telegraph Account. It may be that as the Comptroller and Auditor General contends that was a right and proper relief because they bought for value, but so far as my knowledge goes, they bought the plant as it stood and the depreciation as it stood and whether that was actual value at the moment I do not know.

Sir *Isidore Salmon*.] I do not know if the Committee would like to have an opportunity of considering the whole matter after what the Comptroller and Auditor General has said, and also at the same time to give the Treasury an opportunity to reconsider the whole position. Perhaps we should not at this juncture pass the Accounts to-day but rather postpone them so that we should have an opportunity of seeing in writing the statement which the Comptroller and Auditor General has made, because it is a very difficult and very complex subject and I am quite sure the Members of the Committee would like to feel that they had grasped the whole of the problem and the very technical points the Comptroller and Auditor General has raised, and also the observations that have fallen both from the Treasury and from Mr. Ismay on behalf of the Post Office. I am in the hands of the Committee.

Mr. *Mabane*.

248. I want to ask Mr. Ismay whether it is correct, as the Comptroller and Auditor General said, that the rental charge to the telegraph service is now

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

charged on the basis of the net cost?—The rentals charged by the telephone service to the telegraph service are on the basis of net cost.

Mr. *Mabane*.] That seems to me an important point.

Sir *Irving Albery*.

249. I want to ask Sir Gilbert if he could tell me this. After what he said I do not at present quite understand what has happened, if anything, with regard to the interest which would be due on the depreciation which was taken over by the telephone service?—(Sir *Gilbert Upcott*.) There was no interest due on depreciation when it was in the Telegraph Account because it had not been earned.

250. I do not quite follow?—If I may say so, the point to keep in mind is what is the amount of loans and advances outstanding—the net amount on which interest ought to be calculated. In the case of the depreciation provision of the telephone service that amount has been provided and paid into the Exchequer and is therefore, according to the recommendations made by Sir William Peat, proper to be deducted from the amount of loans and Exchequer advance outstanding. In the case of the telegraph undertaking, as Sir William Peat said, there are no hard sovereigns there to meet it. It is merely a record of what ought to be provided. Consequently the amount of loans and Exchequer advances outstanding against the telegraph service is still £3,000,000 without any deduction.

251. I do not think I made my point quite clear. I understood the telephone service had taken over the telegraph plant at a certain value that was the book value plus the depreciation?—There are two ways in which you may regard that transaction. The accounting method of doing it is to take over into the books the plant at its prime cost. That is done in order to operate the straight line method of depreciation. At the same time, you take over the estimated depreciation.

252. That is my point?—Then you have to consider what amount ought to be charged to the telephone service for interest on what it has paid for that purchase. If you charge interest on the prime cost of £5,500,000 without any deduction on the ground that the depreciation was not provided by the vendor, then you are obviously making

the telephone service pay on more than the plant's worth. Therefore you have to credit the telephone service with interest on the figure due for depreciation. That is the same thing in effect as charging the telephone service with the unexpired value of the plant.

253. I was not trying to make any argument. It was really something I did not quite understand, as a matter of fact. What I wanted to know was: In this transaction has the telephone service taken over the plant at the written down cost plus depreciation?—No, it has taken it over at prime cost with depreciation.

254. I mean prime cost with depreciation. Did I understand that the telephone service was now credited interest on that depreciation?—Certainly.

255. If that is so, does not that mean that the deficiency on the Telegraph Account would be even bigger than what you have said because it ought to be less the interest on that amount of depreciation in addition?—I think that would be scarcely fair. I think the Exchequer has written off the difference.

256. Is not that so?—(Mr. *Ismay*.) That is the part which of course really puzzles me very much. Our case was more or less as Sir Irving Albery puts it.

257. I wanted to be quite clear about that. I do not understand that. If somebody could clear that up I should understand much more what we are discussing?—(Sir *Gilbert Upcott*.) I suggest the position would have been clear if they had followed the practice recommended by Sir William Peat and the same method as they followed when they took over the National Telephone Company. Then they merely charged the loans outstanding and Exchequer advances with the unexpired value of the plant.

Sir *Irving Albery*.] I am still not quite clear what the answer is.

Mr. *Benson*.

258. Might I just ask Mr. Ismay this question: From Mr. Ismay's statement I gathered that the reason why the proposal is changed is that the £3,000,000 depreciation on the old Telegraph Account which is now transferred to the Telephone Account receives a different treatment in the one Account from what it did in the other?—(Mr. *Ismay*.) It immediately, on transfer, begin to receive interest and prior to the transfer did not receive interest.

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

259. The receipt of interest is really in effect merely another way of saying that you are transferring the plant at its probable value of £2,500,000?—At the value at which it stood.

260. You could have transferred it at £2,500,000 and written off the depreciation so that in effect the change as it has taken place is not really a receipt of interest by the Post Office. You have got two transfers of £5,500,000 and £3,000,000 instead of one transfer of £2,500,000?—(Mr. *Ismay*.) Yes, but I think that goes back to the question whether the £2,500,000 did really represent what I would call the sale value or the book value, and actually I am in the position that I do not know whether £2,500,000 which was the book value represented exactly what it would have been down at on the basis of taking it at its present value in some form with a write off. (Sir *Gilbert Upcott*.) Perhaps I may say that really the transaction would be more correctly represented by saying not that you have transferred the depreciation provision, but that you have taken the plant over at prime cost and entered a credit in the Depreciation Account of the telephone service for the accrued depreciation, which was exactly what you did when you took over the National Telephone Company undertaking.

261. We must accept the idea that the net £2,500,000 is approximately right?—(Mr. *Ismay*.) Yes.

262. Whether it is the actual value does not matter; it is the book transfer from one Department of State to another Department, and I think we can accept it as correct. I do not think the correctness or the incorrectness enters into the subject?—No.

263. Surely this fictitious depreciation of the Telegraph Account (because it is a fictitious item) was introduced for just some such contingency as this, was it not, that when you have to renew or transfer your plant you have a book check as to its approximate value?—Yes, that is so.

264. The plant having been transferred at the real net value of £2,500,000, the Depreciation Account has served the function for which it was put into the Account in the first place?—Yes.

265. In that case, then, seeing that the whole transference of this depreciation item from the one Account to the other has served its function, should you say

that therefore you must completely change your policy with regard to the depreciation item which is left in the Telegraph Account?—As we put it, it was a combination of various circumstances. There is an element of guesswork in the question whether as between the two accounts there is some element of relief, anyway to the Telegraph Account. Undoubtedly there were these other anomalies to which I have referred and then there is another which I do not want to plead as an argument, but I do plead it as an illustration of the difficulty of presenting accounts which are going to be understood at all, that, having reduced the Telegraph Account to the size we have done by these transfers, we publish a few pages later an International Telegraph Account which absorbs quite a large part of it, and because that part is self-contained we treat the depreciation as carrying interest. I do not plead that as an argument, but I find it extraordinarily puzzling, from the point of view of looking at these Accounts myself, that we have got these different elements in them. I would like, if I may, to try to narrow the issue a little, if it is possible to help the Committee on it. I think I can say quite definitely from the Post Office angle that there is no dispute between ourselves and the view expressed by the Comptroller and Auditor General that, following the rule, interest on this remaining part of the depreciation in the Telegraph Account should not have been allowed.

Sir *Isidore Salmon*.

266. Therefore you agree with the Comptroller and Auditor General's contention?—Following the rule. It narrows the issue then down to the question that we agree that, following the rule, it should not have been allowed. We pleaded *de minimis*. If that is rejected, so far as I am concerned I accept the Comptroller and Auditor General's contention as regards such remaining part. I plead the difficulty of the surrounding circumstances of all the other minor anomalies which, in accounts of this kind, which are largely paper accounts, we simply cannot remove. I think that narrows it, if I may say so.

Mr. *Benson*.

267. There is one more point. You have got your Telegraph Account and Telephone Account. They are cast in

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

identical forms, at the present moment?
—Yes.

268. But certain items are treated in quite a different manner—that is, the interest on depreciation?—Yes, they have been.

Mr. *Benson*.] If you want to eliminate interest on depreciation, would it not be better for simplicity's sake to cast your Accounts in different form, so that anybody looking at these Accounts does not say either of telegraph or telephone: "They are identical, each item corresponds and the treatment of each item corresponds." If you want to eliminate interest on depreciation, cast your Account in such a form that there cannot be confusion.

Sir *Isidore Salmon*.] In other words, say you are not paying depreciation on your telegraph plant, whereas on telephones you are paying it.

Mr. *Benson*.] Yes, make it clear.

Sir *Isidore Salmon*.] Like a public company do.

Mr. *Benson*.] Do not have two identical forms for fundamentally different items.

Mr. *Lathan*.] I think the questions which arise are sufficiently important to warrant our special consideration of the matter when we can have the facts before us and the statements that have been made by the Comptroller and Auditor General and Mr. Ismay respectively more clearly in our minds.

Sir *Edmund Brocklebank*.] I would agree with Mr. Lathan.

Sir *Assheton Pownall*.

269. I was going to agree. The whole thing is very complicated. We shall have the minutes before us in due course, but it may be that Mr. Brittain on behalf of the Treasury would like to say something, and if that is so, we should be very glad to hear him?—(Mr. *Brittain*.) I think I need refer to only one point, other than those Mr. Ismay has covered. That is that the Comptroller and Auditor General referred to the question of the accrued depreciation which is transferred from the Telegraph to the Telephone Account, and suggested a way in which we might have dealt with that, but I do not think he dealt with the point which is stressed in the Treasury Minute, and that is the procedure by which the Telegraph Account at present pays a charge for user to the Telephone Account which includes an element of

depreciation. The Comptroller and Auditor General made it a point of principle that depreciation appearing in the Telegraph Account was really an overdraft or a promise of a subsidy from the Exchequer. When the Telegraph Account pays a rental charge to the Telephone Account, which includes an element of depreciation, the telegraph account has not earned that depreciation because that account is showing a deficit all the time; yet when that element of depreciation gets into the Telephone Account it is there allowed to earn interest as it accrues.

Sir *Isidore Salmon*.

270. Because the telephones are making money?—It is cash to the Telephone Account, but it has not been earned by the Telegraph Account. It has paid that depreciation out of an Exchequer subsidy so to speak, and it did seem to us that it was a little anomalous that the very large element of depreciation which went through that rental charge into the Telephone Account should earn interest, whereas the rump, so to speak, of the depreciation charge which was left in the Telegraph Account should not.

271. But you do appreciate that the effect of this is to show the loss to be less under the heading of the Telegraph Account?—Undoubtedly. We always recognised that. (Sir *Gilbert Upcott*.) I explained at some length how I interpreted the question of transferred depreciation to which Mr. Brittain has referred. It is merely as I say to secure, as was secured on the transfer of the National Telephone undertaking, that the purchaser paid the true value of the plant. I should like to say one word about the point which Mr. Ismay raised as regards the question of the Accommodation Account. In my opinion the Accommodation and Superannuation Accounts are instruments by which the Post Office arrive at the proper charges to be made to these three services for the accommodation which they jointly use and for the pensions of the staff which they jointly employ. In my opinion the method now adopted is a perfectly correct method (I agree with Mr. Ismay on that) for arriving at the proper charge, but if Mr. Ismay feels any doubt about the question whether interest ought to be credited on the accrued depreciation provision in those Accounts, it would be better to eliminate

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

it and make what I think would be a small overcharge for the accommodation and pensions, which would have the effect of slightly understating the telephone profits, rather than adopt an arrangement in the Telegraph Account which understates the loss. Mr. Ismay said that this was a question of *de minimis*. It is just as easy in my opinion to get these accounts right as it is to get them wrong. I do not think that a question which involves more than 30 per cent. of the interest chargeable to the telegraph undertaking is entirely a question of mere *de minimis*, even if substantial questions of principle were not involved.

272. I think the general feeling is that before we come to a definite decision under this head, we should have an opportunity of considering the observations to which the different officials have given expression. If that is so, I do not think there will be any need for us to discuss it further at this moment. Will the Treasury or the Post Office say whether they really want to amalgamate the Telegraph and Telephone Accounts and, if they do not want to, what is the difficulty; or on the other hand, would the Treasury like to consider the matter further?—(Mr. *Brittain*.) So far as the Treasury is concerned, if this Committee expressed any desire to see these Accounts amalgamated we should be quite willing to consider it. I think in the past, both the Post Office and the Treasury have felt a little doubt about proposing it ourselves, because as you realise, it means that the loss on the telegraph service is immediately swallowed up by the gain on the telephone service. We felt a little shy of proposing an amalgamation which had that effect.

273. How does it arise then? Who made the suggestion that they should be merged?—(Sir *Raymond Birchall*.) Successive public committees have made that suggestion. The Hardman-Lever Committee which sat on the telegraph service in 1928, I think it was, suggested the amalgamation of the Accounts and of course the Bridgeman Committee made the same suggestion really. Both Committees suggested the complete fusion of the telegraph and telephone services including the Accounts, and gradually you are getting further and further in that direction. The staff is becoming more jointly used and so on,

and to some extent you have been able to remove one of the big problems by taking the line plant over to the telephone side and leaving the internal plant. The internal plant is more separate. But that is a growing problem undoubtedly. The Account becomes more and more a question of apportionment, I think.

274. Is it fair to say, Sir Raymond, that during the last year or two, things have been becoming more difficult to keep separate?—I think the Accounts are becoming rather more artificial. Perhaps it is more difficult. There is more apportionment entering into them.

Sir *Edmund Brocklebank*.

275. When I receive a telegram by telephone who pays for that?—The telegraph service pays the telephone service for that. The telegraph service is charged for the use of telephone plant. (Mr. *Ismay*.) That is an adjustment between these Accounts.

Sir *Isidore Salmon*.

276. Would the effect be to cheapen the cost of the accounting if we were to merge the Accounts together?—(Sir *Raymond Birchall*.) To some slight extent I should think so, but I doubt whether it is really large.

Mr. *Lathan*.

277. Is there any element of danger of our failing to appreciate the position in relation to the business aspect of the telephone service if there were no separate Accounts?—I think it is fair to say, Mr. Chairman, that if the Accounts were amalgamated from the point of view of a commercial account, the Post Office itself would undoubtedly keep some separate accounts for its own purposes of management. It probably would not keep them quite in this form, but it would feel the necessity of keeping a separate Telegraph Account of sorts.

Sir *Isidore Salmon*.] If for administrative purposes you found it necessary, I am quite sure that the public would like to know if the Telegraph Department is being run at a profit or a loss.

Sir *Edmund Brocklebank*.] Yes.

Sir *Isidore Salmon*.] I think that is a matter of general interest. It is important for the public information.

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

Mr. Benson.

278. Is not there a very big question of policy also involved? The telephones, I think definitely aim at being a profitable concern whereas the telegraphs, I have always understood, are run primarily as a public service, with the idea that you must have the possibility of immediate communication right throughout the country and that the telegraphs are prepared to open, for example, a telegraph office where they can see a revenue amounting to 50 per cent. of their expenditure; but the telephones on the other hand, will not be prepared to do that as a matter of policy. If you are going to confuse two entirely different ideas of service and cloak what I may term the intentional loss on telegraphs, you may harm the development of the telephone service?—I do not think that really does represent the position because the telephone service would go further in accepting unremunerative business because it is a profitable service and can afford to do so, than the telegraph service would. Under present conditions instead of opening fresh telegraph offices the tendency would be to put up additional telephone kiosks and so on which would act as telegraph offices.

279. The telephones at the present moment can afford to take unremunerative business because they have a net profit?—Yes.

280. But if your net profit is reduced by your telegraph loss, you may feel more diffident about offering more service on the telephones?—Yes.

Sir Isidore Salmon.

281. May we clear this point up: is it the desire either of the Post Office or of the Treasury to amalgamate the Telegraph and Telephone Accounts? As I understand it you really are asking the Committee to give a view on that. Is that what I understand?—Yes. I think the Post Office feels rather strongly that this is not the time when the Post Office itself could suggest an amalgamation.

Sir Isidore Salmon.

282. Then it stays as it is at present. Is that the Committee's general feeling? (Agreed.)

May I ask the Comptroller and Auditor General if he has anything to say on the last part of the Treasury

Minute?—(Sir Gilbert Upcott.) I have not much to say. The Treasury seem to find some difficulty as regards the arrangements for the audit of the Post Office Commercial Accounts. I was not conscious of that difficulty and frankly, I do not understand quite what it is. The position as regards the Statutes is that the Telegraph Act, 1920, provides for the preparation of separate accounts, but does not say anything about their audit. The audit provision is contained in the Exchequer and Audit Departments Act, 1921. Before the passing of that Act these Accounts were audited by arrangement with the Treasury, and in the spring of 1921 when the Treasury were considering this amending bill as regards my Department, they asked Departments for information about their Trading Accounts. In reply to that, the Post Office wrote to the Treasury asking them to authorise that all Post Office Commercial Accounts relating to telegraphs and telephones may be prepared in future on the same general lines as hitherto. That was before the passing of my Act. The Treasury on the 27th September, 1921, after the passing of my Act, agreed that "no change should be made at present in the general form in which the Telegraph and Telephone and Postal Accounts are now presented to the House of Commons." My predecessor took that as Treasury authority for the presentation of the Accounts under the Act of 1921. I am quite content with that position if there is no legal obstacle. It is quite true that the Treasury has never issued a formal Minute instructing the Department to prepare these accounts under the Act of 1921, but I am not a stickler for formality in a case like that, and I think that has been the case as regards some of the other Trading Accounts which I audit. The Treasury do not say whether they have taken any legal opinion as to the difficulty which has arisen. In any case they have not furnished me with one; but if there is not any legal obstacle I do not see why I should not go on auditing and reporting on these Accounts as I have done for the last 15 or 16 years. Of course, if the Treasury want to amalgamate these Accounts they must repeal the Act of 1920, but they apparently have not made up their minds definitely on that; and if there is no reason for repealing the Act of 1920 except to amalgamate the Accounts, it seems to me to be taking

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

up a rather unnecessary amount of Parliamentary time to propose its repeal. I am rather in the hands of the Treasury at the moment, because, as I say, I am not aware what the legal opinion is on this subject. Of course the Committee will no doubt expect that the Accounts shall continue to be audited and presented. (Mr. Brittain.) We desire that the Comptroller and Auditor General should continue to audit them, naturally. We have not taken any formal legal opinion on this, but it seemed to us rather dangerous if, when in the Act of 1920 Parliament has prescribed that certain Accounts shall be presented, we assume that we can deal with those Accounts under a subsequent Act of 1921 and give directions for the audit. These Accounts are not presented under the Act of 1921, but under the Act of 1920 and it seems to us that it is a little odd to have two provisions side by side like this. The 1921 Act was not contemplated, naturally, when the arrangements were made in 1920. I have some reason for thinking that when the Committee which examined the Exchequer and Audit Departments Act of 1866, in the inquiries which led to the Act of 1921, looked into this question, they deliberately refrained from saying anything about the Post Office Accounts because they were already provided for by Parliament under the Act of 1920. No doubt they thought it was a little derogatory to Parliament for them to say anything about that at all. (Sir Gilbert Upcott.) I beg Mr. Brittain's pardon, but Parliament is informed that these Post Office Commercial Accounts are presented pursuant to Acts 10 and 11 Geo. 5, Chapter 37, Section 2, and 11 and 12 George 5, Chapter 52, Section 5. It may be wrong. (Mr. Brittain.) I did not go into that point because part of them are presented under the Act of 1920 and part under the Act of 1921. (Mr. Ismay.) May I add that it is palpably erroneous where reference has been made in the past to certain of these Accounts as being under the Act of 1920. Some of those Accounts are balance sheets and so on and the Act of 1920 only speaks of an income and expenditure account. I think there is confusion on this. I said so last year and I was severely taken to task for saying so. I speak from memory of 19 years ago when I was Secretary of the Committee to which

Mr. Brittain has referred. That Committee would, to the best of my belief, have brought these Accounts under the new legislation, except that they were making big alterations which they expected to be rather contentious and they did not want to overload the thing, so they left this to a subsequent stage. I think I am right. (Sir Gilbert Upcott.) Sir Malcolm Ramsay was concerned with those arrangements and he was quite content with the position under the Act of 1921. He thought it was adequately provided for. I have a record of that. He did not think it necessary to have any further formality. As I say I am in the hands of the Treasury.

283. What would be the effect if you were to alter the Act? What would you seek to do in altering the Act?—(Mr. Ismay.) In my view it would merely sweep out of being certain provisions part of which would have to be re-enacted which are really made obsolete by the passing of the Exchequer and Audit Departments Act of 1921. I do not think it would alter anything else, but it would clarify it and let us know where we all stand under this. (Sir Gilbert Upcott.) It would be more tidy. (Mr. Ismay.) It would be more tidy. If I may venture right outside my own ground I would like to say a word on the point Sir Gilbert has raised, with regard to the Treasury. The position, as I see it, is that one Act of 1920 lays down a mandatory requirement that there shall be certain Accounts. The 1921 Act gives the Treasury power to direct the preparation of Trading Accounts, which are then subject to statutory audit. I think the conclusion is that if an Act has already laid down that there shall be Accounts, it is not competent for the Treasury to lay down that there shall be audit under Section 5 of the 1921 Act. Therefore these Accounts are under the 1920 Act and if they are not under Section 5 of the 1921 Act they cannot be audited under that Section. That is the position as I have understood it for years.

284. Do I understand from you, Mr. Brittain, on behalf of the Treasury that you would like to consider the matter further, or that you are saying that the Treasury would like an alteration made?—(Mr. Brittain.) I think the Treasury would like to see, at a convenient opportunity, the provisions of the Act of 1920 as regards the presentation of these Accounts repealed so that we can then

9 February, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B.,
and Mr. G. ISMAY.

[Continued.]

proceed with all the Accounts of the Post Office under the Act of 1921.

285. And you have no observation to make on that, Mr. Comptroller and Auditor General?—(Sir *Gilbert Upcott*.) I should be quite content if the Treasury do not mean that they want to abolish the Accounts. (Mr. *Ismay*.) No. (Sir *Gilbert Upcott*.) Or to abolish their audit.

286. They do not want to abolish the audit?—(Mr. *Brittain*.) Certainly not. (Mr. *Ismay*.) It is a question of bringing

them clearly under a statutory audit without any of these obscurities. (Sir *Gilbert Upcott*.) I quite agree that it would be more tidy, if Parliament has time to tidy it up. (Mr. *Ismay*.) It would be more tidy.

Sir *Isidore Salmon*.] If the Treasury have time to tidy it up, no one would have any objection. So far as the actual passing of the Post Office Commercial Accounts is concerned, I suggest we adjourn them so as to give Members an opportunity of considering what has been said to-day. (*Agreed*.)

(*Sir Raymond Birchall and Mr. Ismay withdrew*.)

STATEMENT OF EXCESS, 1937.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS II.

VOTE I.

FOREIGN OFFICE.

Hon. Sir ALEXANDER CADOGAN, G.C.M.G., C.B., and Mr. C. HOWARD SMITH, C.M.G., called in and examined.

Sir *Isidore Salmon*.

287. Foreign Office, Civil Appropriation Accounts, 1937. Page vii, Paragraph 11, Comptroller and Auditor General's Report, "Excess of Expenditure over Grant". There is also a separate White Paper dealing with Statement of Excess, Civil Estimates. May I take it that this expenditure was unavoidable, Sir Alexander?—(Sir *Alexander Cadogan*.) Yes, I think I may say that. I think it was certainly unavoidable and I think the excess was owing to circumstances unforeseeable. It is explained to some extent in the notes, in the Comptroller and Auditor General's Report. Some part of it, at least, is due to great pressure of work at the Passport Office, which is liable to occur at that time of the year. We have to take on extra people to meet the rush of work brought about by people who wish to go abroad at that particular season. It is also largely due, I am afraid, to overtime, and that in its turn was due to an unforeseeable rush of work in the Office itself. Apart from the continuing crises in the Far East and Spain, right at the end of the financial year, at the beginning of March there was the Austrian Anschluss, and at the same time in that month we had to prepare

for the negotiation of the Anglo-Italian Agreement, and all that led to a great deal of extra work and overtime. I think those are the principal items.

Sir *Isidore Salmon*.] Is it the pleasure of the Committee that we pass the Statement of Excess?

Mr. *Benson*.

288. I understood you to say that part of it was due to Passport Office work, in which there is invariably at that time of the year great pressure. If the pressure is invariable, surely some provision ought to have been exercised. The purely diplomatic rush one can understand?—I think we were and always are prepared for an extra rush, but I think that was abnormal. That can be seen from the receipts. You will see there were abnormal receipts. (Sir *Gilbert Upcott*.) The Department did take increased provision for the Passport Office, but not enough.

Sir *Isidore Salmon*.] Is it agreed, that we approve the Statement of Excess? (*Agreed*.) Page 58, Civil Appropriation Accounts, Foreign Office, Class II, Vote 1. Are there any questions members of the Committee would like to ask in regard to the Foreign Office Vote?

9 February, 1939.] Hon. Sir ALEXANDER CADOGAN, [Continued.
G.C.M.G., C.B., and Mr. C. HOWARD SMITH, C.M.G.

Mr. Lathan.

289. There is a considerable increase in receipts, I see, so far as passports were concerned. That indicates heavy

traffic?—(Sir Alexander Cadogan.) Yes, it does.

Sir Isidore Salmon.] May I take it the Account is approved? (Agreed.)

VOTE 2.

DIPLOMATIC AND CONSULAR SERVICES.

Sir Isidore Salmon.

289A. Now we come to Paragraph 12 of the Civil Appropriation Accounts, page vii, "The British Council (Grant in Aid)." What are the functions of this Council and the extent of the Foreign Office responsibilities? Sir Gilbert, is there any point you want to raise on this? (Sir Gilbert Upcott.) Yes, I think I ought to explain the point which I have raised on this paragraph. The point is really in the first words over the page, which say: "Expenditure out of this grant in aid will not be accounted for in detail to the Comptroller and Auditor General, but the accounts of the Council will be audited for the Council by the Comptroller and Auditor General." I felt some difficulty in accepting that position because while it is true that for certain international or Imperial bodies I do as a matter of courtesy and arrangement with the bodies audit their funds, I do not think it correct when I am dealing with public funds to be responsible otherwise than to Parliament and the Treasury. The Treasury, I think, accepted that view, and they arranged that the audit should be on behalf of the Treasury in future, it being understood that if I think it necessary I am at liberty to report to Parliament.

290. Do the Treasury agree on that?—(Mr. Blunt.) That is so, Sir. At the time when that note to which the Comptroller and Auditor General refers was put in as to the audit for the Council, the position of the British Council was a bit indeterminate. It was not known, for instance, how far it would be fed from private funds. It was thought at the time it would be difficult for the Treasury actually to impose an audit. That was cleared up afterwards. The Treasury have imposed the audit and have regularised the position and have asked the Comptroller and Auditor General to audit for the Treasury, and as

he says, he will be able to report if necessary to Parliament.

291. Perhaps you will shortly explain the functions of the Council and the extent of the responsibility of the Foreign Office?—(Sir Alexander Cadogan.) As regards the functions and scope of the work which the British Council is expected to do, I regret to say I have not the matter in great detail. The general idea was that it should carry on cultural propaganda abroad, more or less on the lines on which that is done by a number of Foreign Governments, who expend very much larger sums on it than we do. As regards the sort of work, I understand that it is that they send round lecturers, arrange for interchanges of students, the supply of books and things of that kind, the idea being rather to keep the various aspects of British culture before the minds of people in foreign countries, and to try to compete in some measure at least with the very heavy drive that is being made along those lines by other Governments, I think to our detriment.

Sir Isidore Salmon.] Personally, I am aware of the work that you are doing, and I think it is very fine work, but I thought perhaps it was as well to have on record what the Foreign Office relationships were with the British Council. Does any member of the Committee wish to raise any point?

Mr. Lathan.

292. There is no limitation, I suppose, Sir Alexander, to the range of its activities; that is to say, it is not limited necessarily to Europe?—No.

293. Although it might be more intensive there?—It is not limited to Europe.

Mr. Benson.

294. Is the British Council a private body?—I do not know exactly what the definition of a private body is. It is not actually a Government organ or a Government Department.

9 February, 1939.] Hon. Sir ALEXANDER CADOGAN, [Continued.
G.C.M.G., C.B., and Mr. C. HOWARD SMITH, C.M.G.

Sir *Isidore Salmon*.] Lord Lloyd is the Chairman. (Sir *Gilbert Upcott*.) It gets nearly all its money from public funds.

Mr. *Benson*.

295. Are its Accounts published anywhere?—(Sir *Alexander Cadogan*.) They are available to this Committee. They are not published. (Sir *Gilbert Upcott*.) They are not presented to Parliament.

Mr. *Benson*.

296. They have not been circulated to this Committee? — (Sir *Alexander Cadogan*.) No.

Sir *Isidore Salmon*.] It is not a usual thing to do that, but they are on the table here for any members who desire to see them.

Mr. *Lathan*.

297. It is a more or less private body assisted by the Government?—A more or less private body assisted by Government, and in practice they keep in touch with us and consult us about certain of their activities.

Mr. *Lathan*.] Conducted for purposes which are generally approved and in respect of which I at any rate offer no criticism, because I think they are doing very good work.

Sir *Isidore Salmon*.] That is really summing it up. (Mr. *Blunt*.) The Treasury have achieved a measure of control over the accounts of the Council. They have to present estimates and keep within the various heads of the estimates.

298. Do any other members of the Committee wish to ask questions? If not, we will pass to paragraph 13, sub-head P, "Office Expenses and Fee Allowances." Is there any point, Mr. Comptroller and Auditor General, you would like to explain on this matter?—(Sir *Gilbert Upcott*.) I think I owe the Committee some explanation of the fact that the sum of £238,000 has escaped my audit. I think I can only say that it is an example of a slow process of evolution under which a thing goes in at the beginning and comes out something quite different at the end. I have to reconstruct the history of this affair, rather by hypothesis and inference, and if I get it wrong I have no doubt the Foreign Office, who know it better than I do, will correct me, but I should infer

that in ancient days Consuls made what they could out of fees, and it was only in the course of the nineteenth century that there began to grow up a practice of substituting an office allowance, a lump sum allowance, for the fees which were then surrendered to the Exchequer. This culminated about 1891 when there was an Act called the Consular Salaries and Fees Act which provided that the Foreign Office might regulate and provide for the treatment of these fees, and giving Consuls allowances. I think in the beginning of this change—and in fact for a long time—these allowances were lump sums which the Consul took and paid his expenses or did not pay his expenses, with or without a margin. They were not regulated in detail by the Foreign Office or the Treasury, and the function of the Auditor was considered to be merely to satisfy himself that those allowances were duly charged to the Votes and paid to the Consuls, who were entitled to them. But that is not an arrangement which is very consistent with modern conditions and there grew up later a practice of regulating from this country the manner in which the allowance should be expended in detail. That, of course, should have meant that in order to secure that those regulations were duly carried into effect and that the proper charges were made to the Vote, the Auditor should come in as regards the details, but I am afraid the change was so slow and gradual that it was not appreciated in my Department that it had taken place until after the emergency cuts in 1931, when we found on their withdrawal that we were unable to check the proper amount of the allowances without having detailed particulars of the expenditure out of them, and that brought forcibly to my notice the fact that it was no longer possible to defend an arrangement by which I regarded my functions as concluded when the lump sum was paid over to the Consul. I was forced to the conclusion that I am obliged by my statutory position to audit the expenditure out of these allowances in detail.

299. In 1931 did you know this?—No, later than that. In 1931 the cuts were made, but what brought the matter forcibly to notice was that in 1935 on the restoration of the cuts it was not possible for us to check the correct restoration of the cuts without having the details of the expenditure.

9 February, 1939.] Hon. Sir ALEXANDER CADOGAN, [Continued.
G.C.M.G., C.B., and Mr. C. HOWARD SMITH, C.M.G.

300. Therefore, from 1935 to 1938 it required looking into to see if it was possible to deal with the proposition?—I have had correspondence which has extended for some considerable time with the Foreign Office on the subject of making the change which is, of course, a considerable alteration of their internal arrangements. I may give you an example of the manner in which the allowances used to be regarded without mentioning names. The Consul-General at an important post, whom I visited a year or two ago, told me that his predecessor used to put notes in envelopes at Christmas and hand them round to his staff. That is a practice which no doubt is common in the business world, but I do not think the Treasury would regard it as quite consistent with the usual rules for the regulation of salaries and allowances from public funds. I may say that my informant told me he did not do that himself, but he said "I do not see what there is to prevent me."

301. Do I understand that arrangements are now being made by the Foreign Office to look into the best means of complying with the suggested control?—(Sir *Alexander Cadogan*.) Yes, we have agreed to do that and we are doing it.

Mr. Lathan.

302. Am I correct in understanding that the arrangements in operation provide that these Consular representatives are paid first a salary appropriate to the office, and secondly that there are allowances to meet contingent expenditure?—(Sir *Gilbert Upcott*.) To meet staff, office rent, heating, lighting, cleaning and so forth.

303. And that in respect of those allowances you require or expect to have a voucher showing what has been spent?—That is what I am asking for. The Foreign Office has not yet revised the arrangement. They say they are considering it.

304. Would it not be better to contemplate an arrangement under which, judging by past experience, a reasonable measure of experience could be assessed in regard to the staff, office allowance, and so on, and that that payment be made and all you would then expect from the Consular representative would be a proper discharge of his functions, without having details as to gifts at Christmas or anything else?—That I am afraid is an arrangement which I should

not regard under modern conditions as justifying a charge on the Vote. I do not think the Treasury would regard it as acceptable.

Sir Isidore Salmon.

305. What have the Treasury to say on the matter?—(Mr. *Blunt*.) The Foreign Office reported this to the Treasury and in fact put forward the proposition that they would account quarterly in future in detail, giving vouchers, and the Treasury have approved that. That is since the Comptroller and Auditor General reported.

306. So we can assume that next year there will be proper machinery set up for dealing with the matter?—(Mr. *Howard Smith*.) I think I must say that we must inevitably have more staff in order to cope with it. A very considerable extra amount of accounting will be made necessary.

307. Does it mean a great deal of extra staff?—It will necessitate some staff. I would not like to say how much, but we shall require some staff inevitably, because there will be all these accounts to be checked quarterly from the Consuls.

Sir Robert Smith.

308. The consuls get a certain amount of fees which they draw in—is not that so?—for certain duties which they perform, and fees paid. Does that all come into the Exchequer?—(Sir *Gilbert Upcott*.) Yes, fees are paid into the Exchequer.

309. They are all paid into the Exchequer?—They are accounted for to the Exchequer.

310. Surely at certain times in some of these Consular Offices where the Consul is a foreigner, he is allowed to retain a certain amount?—I am speaking of salaried Consuls. Unsalaries Consuls must also account for their fees, but they may get an allowance in lieu.

Sir Isidore Salmon.

311. Paragraph 14, Comptroller and Auditor General's Report. Are there any further observations you wish to make, Sir Gilbert?—(Sir *Gilbert Upcott*.) I thought it necessary to report this curious situation which had arisen, and I feel I owe the Foreign Office some apology in their rather hard dilemma. The expenditure on these unfortunate refugees, of course, has been made locally, and the money was paid to the

9 February, 1939.] Hon. Sir ALEXANDER CADOGAN, [Continued.
G.C.M.G., C.B., and Mr. C. HOWARD SMITH, C.M.G.

Government of Hong Kong. The Foreign Office, knowing that it had been spent, put it in their Account, and then, of course, I asked for vouchers to justify the amount. On that the Foreign Office quite properly, if I may say so, took the amount out of the Account until they shall be in a position to produce vouchers for it. Then I found it necessary to report the fact that they had taken it out. I do not do so because I wish to blame them in any way for their decision, but merely because I think Parliament ought to know that, although this expenditure has not been yet duly accounted for, it has in fact occurred.

Mr. Benson.

312. How do they take it out of their Account if the money has been spent? Where do they put it?—In suspense.

Sir Isidore Salmon.

313. Could you inform us, Sir Alexander, what is the present position as regards the examination of these Accounts in Hong Kong?—(Sir Alexander Cadogan.) Might I ask the principal Establishment and Finance Officer to reply? I think he has the details.

314. Yes?—(Mr. Howard Smith.) The position, as I understand it, is simply this, that the money (about £9,550 is the sum) was actually paid to the Government of Hong Kong, but the Consul-General at Shanghai necessarily retained the accounts because he was getting in from the various refugees at Shanghai who had been moved to Hong Kong and back, repayments of various kinds. He is collecting the money there. It is very much better that he should try to clear the whole thing up at his end rather than send the accounts back here. They could have been sent back here, presented and sent out again.

315. They are being examined, in fact, at Hong Kong?—At Shanghai.

316. That is what is felt to be the easier and simpler way of dealing with it?—Yes. (Sir Gilbert Upcott.) In due course they will be sent home. (Mr. Howard Smith.) Yes, they will be sent home in due course, certainly.

Mr. Lathan.

317. Is the whole cost to be borne from Government sources?—No, most of these refugees undertook to repay.

(Sir Alexander Cadogan.) Those who could afford it were charged a regular amount, between two and three Chinese dollars a day for adults and two dollars for children. The Chinese dollar at that time was about 1s. 2d. (Mr. Blunt.) I think we hope to get about half of it back in due course.

Sir Isidore Salmon.] May we turn to page 60, Diplomatic and Consular Services? Are there any questions on page 60?

Sir Robert Smith.

318. I wanted to ask where these cars were, under Note I: "Saving effected on the provision for the purchase of motor-cars." What was the reason of that?—(Sir Alexander Cadogan.) Heads of missions abroad have a motor-car at their disposal. They pay for the running and normally the Government replaces them after four or five years have elapsed. Sometimes we have found that the cars are in good condition, and therefore we have found ourselves not obliged to buy new ones.

319. I wondered if it was due to the conditions in the particular place?—No, they are heads of missions' cars.

Sir Isidore Salmon.

320. Page 61, Note S. I would like to know what this is?—(Sir Alexander Cadogan.) It is due to a particular case in the Courts known as the Dwek case, which was of great elaboration and difficulty.

321. Is this a case where there was a flaw in the Foreign Jurisdiction Probate Fees Order?—(Mr. Howard Smith.) I do not think so. (Mr. Blunt.) Yes. (Mr. Howard Smith.) It is a case known as the Dwek case before the Courts in Egypt, not only the Consular Courts but the Mixed Tribunals as well, and it is going to be very difficult for me to give to the Committee any kind of idea what the case is about, because it has only been possible to boil it down to a memorandum which extends to 85 paragraphs. I could put that in, if the Committee wish.

322. Knowing how good you are in the Foreign Office at shortening information and précis work, I thought you might be able to put it in two or three words?—(Sir Gilbert Upcott.) As I understand the case, it was due essentially to the fact that when they went to the Egyptian Courts they found the Foreign

9 February, 1939.] Hon. Sir ALEXANDER CADOGAN, [Continued.
G.C.M.G., C.B., and Mr. C. HOWARD SMITH, C.M.G.

Jurisdiction Probate Order in Council did not contain adequate provision for enforcement by the Crown of payment of fees. The Order in Council was not watertight, and the result was that the Foreign Office lost the case.

323. Are any steps being taken to deal with it for the future?—Yes, there has been a new Order in Council.

Mr. Lathan.

324. On page 61, sub-head P, an expenditure of £4,553 in excess of what was granted is explained by a note which says "Due to the revision of allowances and to the replacement of the Legation at Addis Ababa by a Consulate-General." Are we to understand a Consulate-General costs more?—(Mr. Howard Smith.) No, it is a question of sub-heads. This is the General Consular Service, therefore you get more on the Consular side and less on the diplomatic side.

325. The revisions referred to have been in an upward direction?—No, not necessarily. (Sir Alexander Cadogan.) It merely means that this place is being borne on this sub-head rather than on the diplomatic sub-head. (Sir Gilbert Upcott.) There is a large saving on sub-head A.

Sir Isidore Salmon.

326. On page 62, Note T, what is the sum of £1,053 for the London County Council? Is it in relief of Public Assistance Funds? It is rather unusual, is it not, for the Foreign Office to deal with Public Assistance Funds?—(Sir Alexander Cadogan.) I think normally in the case of distressed British subjects we only undertake to transport them to the port of entry in Great Britain, but in this particular case there were a large number of cases of refugees from Spain, 144 cases, some of them comprising whole families, who were completely destitute on arrival here. They could not be left to the local authorities at the port, which was Newhaven. They were therefore brought to London. There was no provision for them on arrival, and it was not considered right that they should fall upon the London rates, and after consideration of this difficulty and with the full approval of the Treasury, it was agreed to pay the sum mentioned to the London County Council.

327. Was most of this money for refugees from Spain, or from other

places?—These were entirely from Spain.

Sir Isidore Salmon.] Are there any other questions on page 62?

Mr. Benson.

328. Medical Attendance, AA. To whom do we give medical attendance?—To members of the Consular service.

329. That is part of their emolument?—Yes, and the native staff, as a matter of fact, are included too.

330. Prison Expenses, Z. Does that relate to any expenses arising out of the imprisonment of a British subject abroad?—(Sir Gilbert Upcott.) In China.

331. I mean in China?—(Sir Alexander Cadogan.) On this particular sub-head, there was a slight excess largely due to one case which occurred in China. It is mentioned here by reference. There was a murder of a British subject which took place near Tientsin outside the jurisdiction of the Tientsin Municipal Police. They were called in and gave their assistance and as they were acting outside their jurisdiction I think it was proper to pay them.

332. Why did we bear prison expenses?—That is simply the maintenance of prisons in China under our extra-territorial rights.

Sir Isidore Salmon.

333. Page 63, KK., Telegrams. Are we still using the Peking wireless?—(Sir Alexander Cadogan.) Yes, to a large extent.

334. Is this increase under the heading of Telegrams due to unforeseen circumstances in the East which caused this large increase under KK.? You notice the grant is £70,000. You spent nearly £79,000?—Yes. I am afraid it is a large increase, and it causes us considerable concern, all the more, perhaps, because I do not know that we can look forward to any reduction. It is, I am afraid, constantly increasing. I am not quite sure of the details. We use the Peking wireless proportionately less than we did, with our missions scattered up the river at Chungking and at Shanghai. I think we have to use cables and wireless more. (Mr. Howard Smith.) In the year under review, China alone came to £11,335 and Japan to some £16,462. Those are the big ones, so it is true to say that the main expenditure is on account of the Far East.

9 February, 1939.] Hon. Sir ALEXANDER CADOGAN,
G.C.M.G., C.B., and Mr. C. HOWARD SMITH, C.M.G.

[Continued.]

335. Are there any other questions on page 63? If not, we will go on to RR., on page 64. How is this sum calculated, and how is it audited: "British Contribution to the International Fund established by the Committee for the application of the Agreement regarding Non-Intervention in Spain." How is the fund audited?—(Sir Gilbert Upcott.) I can explain how it is audited. The estimates state "The contribution of His Majesty's Government is payable to the International Council for Non-Intervention in Spain, in which the funds contributed by the various governments are vested. Expenditure out of the British contribution will not be accounted for in detail to the Comptroller and Auditor General, but, at the request of the International Board, the accounts of the Council will be audited for the Council by the Comptroller and Auditor General." This is a thing I referred to just now. In certain cases of an international body I audit by request for the body. The International Council for Non-Intervention in Spain is a Company limited by guarantee, and I am the auditor under the Companies Act. The British contribution is 16 per cent. of the fund, after making allowance for the British share of the expenses of the organisation of British observers in Portugal.

336. With regard to the next item, TT., what is this Grant in Aid for?—(Mr. Howard Smith.) Under the Treaty with Egypt, the British police came to an end and this £6,000 was provided to assist those members of the Egyptian Police in anticipation of their gradual discharge over the years 1938 to 1941. The amount was arrived at after consultation with the Ministry of Labour and the Unemployment Assistance Board, and was based roughly on the payments which would be made to the Police if they were eligible either for unemployment benefit or for assistance from the Unemployment Assistance Board. It was, in fact, to tide them over if they came to this country, so that they could be eventually absorbed in the labour market. Is that enough explanation?

337. Yes. PP., Bucharest. Was that an *ex gratia* payment?—It is rather a curious case. I suppose you would call it an *ex gratia* payment, yes. The facts were that as long ago as some-

where before 1928 there was a Clerk, Mr. Y, at Cluj in Roumania, who was given the rank of Vice-Consul. In 1931—this man, I ought to have said, was discharged in 1928 for irregular conduct; what the irregularity was I am not able to state—a certain Mr. X represented that Mr. Y had received at the Consulate a cheque for £340 addressed to Mr. X which was part of an inheritance from his grandfather in England. The Vice-Consul had called upon Mr. X to present himself at the Consulate, had taken him round to the bank and had cashed the cheque in lei, and then had demanded from Mr. X a loan of 100,000 lei. Mr. X protested, but in the end he submitted, because the Consul in fact said "You had better lend me 100,000 lei, or I shall not renew your passport." Mr. X was a British subject. When this came to our notice we refused to accept any responsibility until it was found out that Mr. X was in fact a peasant who could not speak English. He was a British subject who had lived all his life in Roumania, and was Roumanian-speaking. It was perfectly clear that Mr. Y, the Consular Clerk, who had in the meanwhile gone to penal servitude for fraud, had intimidated this man into lending him the money, and therefore after very careful consideration it was decided that it was only fair that Mr. X should get his 100,000 lei.

Sir Irving Albery.

338. Who was the Vice-Consul?—The Consular Clerk who was given the rank of Vice-Consul.

339. This particular one?—Yes. He was a Consular Clerk, and sometimes the Consul's Clerk is allowed the title of Vice-Consul and when he gets that position, of course, he is rather inclined to throw his weight about and in a small post he is considered a very great man. That enabled him, no doubt, to do what he did.

340. I take it it is a very rare occurrence that anybody who has been given the rank of Vice-Consul should be mixed up with an occurrence like that?—Yes. I am afraid Mr. Y was a wrong one. There is no doubt about that.

Mr. Lathan: On page 64, the expenditure here in respect of the Non-Intervention Committee, of course, was for the period 1937. Possibly in the intervening period the anticipated expenditure has

9 February, 1939.] Hon. Sir ALEXANDER CADOGAN, [Continued.
G.C.M.G., C.B., and Mr. C. HOWARD SMITH, C.M.G.

been heavier, that is to say, the expenditure has actually been heavier. There is a big difference between what was actually spent and what was apparently contemplated because you had a £12,000 supplementary in addition to the original vote of £79,000.

Sir Isidore Salmon.

341. Is not that really attributable to the accounting period, rather than to any actual saving?—(Sir Alexander Cadogan.) I think it is. (Mr. Howard Smith.) Yes. It depends which sub-head you take. For instance, on SS, which is really the sub-head which in a sense governs the whole thing, because we have to account for that, the number of staff contemplated to be required in Portugal when the estimate was framed was 132. Only 113 were actually engaged, and when the observation scheme was suspended during the course of the year, they were reduced to 90. That produces your saving, at once.

342. Are there any other points? On page 65, YY, what was this money for, "Compensation for Stores." Can you put it very shortly?—(Sir Alexander Cadogan.) Yes, I think I could. At the end of 1936 the Government of Iraq called attention to a claim in respect of water pipes requisitioned by the British Military Forces at Basra during the War.

The Military Authorities had in fact paid the Basra administration a sum of 91,520 rupees on this account in May, 1920, but the administration credited this sum to their General Revenue and by doing so reduced by that amount the Grant in Aid made by His Majesty's Government to meet the deficit on the Basra Budget for that year. As a result, this sum of 91,520 rupees remained unpaid by His Majesty's Government. Therefore provision for the payment of this sum of £6,864, the equivalent at the rate of 1s. 6d. per rupee, has accordingly been provided. The additional charge shown as the excess, £68 13s., represents the banker's customary charge for making the necessary remittance to Iraq.

343. Is that the whole position?—(Sir Gilbert Upcott.) Payment was made after legal advice was received that it was due.

344. Are there any questions on page 66? If not, I will go on to page 67. Would you explain the last item, £19 expenses incurred by the Secretary of State at Monte Carlo?—(Sir Alexander Cadogan.) I admit it does not look very well, but as a matter of fact it is to be explained, I think, by the fact that the late Secretary of State gave a dinner at Monte Carlo in honour of Colonel Beck, the Foreign Secretary of Poland.

Sir Isidore Salmon.] May I take it Vote 2 is approved? (Agreed.)

VOTE 3.

LEAGUE OF NATIONS.

Sir Isidore Salmon.

345. Vote 3, League of Nations, page 68. What is the position as regards E? You asked for a supplementary Vote?—(Mr. Howard Smith.) It was expected that the League of Nations would ask us for this contribution and in fact they did not ask for it. That is the explanation of the Vote being taken and not spent.

Sir Isidore Salmon.] Are there any other questions?

Mr. Benson.

346. How much longer is this expense with regard to the settlement of Assyrians going to continue?—That depends. We cannot give any definite date, but I anticipate towards the end

of this year or the beginning of next it will be settled up.

Sir Edmund Brocklebank.

347. What will be the position now that the Secretariat at Geneva is being reduced?—Our contribution will be less. If the expenses are less our contribution will be less. (Sir Alexander Cadogan.) It is a percentage of the Budget.

Sir Isidore Salmon.

348. In fact we pay a less percentage to-day than we did last year?—Yes. The Assembly periodically revises the number of units allocated to each Power.

Sir Isidore Salmon.] Is it your pleasure that this Account be approved? (Agreed.)

(The witnesses withdrew.)

(Adjourned till Tuesday next at 2.30 p.m.)

TUESDAY, 14TH FEBRUARY, 1939.

Members present:

Sir Irving Albery.
Mr. Benson.
Sir Haydn Jones.
Mr. Lathan.

Mr. Mabane.
Sir Assheton Pownall.
Sir Eugene Ramsden.
Sir Isidore Salmon.

In the absence of Mr. PETHICK-LAWRENCE, Sir ISIDORE SALMON was called to the Chair.

Sir Isidore Salmon.] Owing to Sir Cosmo Parkinson being ill with appendicitis, and to Sir John Shuckburgh being occupied with the Palestine Conference, it is proposed to postpone the Colonial Office Accounts from the 23rd February till the first meeting after Easter (20th or 25th April) bringing the Stationery Office forward to the 4th April. As

February 23rd will be a fairly light day, with only the Imperial War Graves Commission and Crown Lands Accounts, I think we might then take also the remaining Accounts without witnesses, except the Scottish ones, which we shall take on the Scottish day (9th March) and Class I, which we are doing to-day.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VIII.

VOTE I.

MERCHANT SEAMEN'S WAR PENSIONS.

Mr. A. E. OVERTON, C.M.G., M.C., and Mr. E. J. ELLIOT called in and examined.

Sir Isidore Salmon.

349. The witness for the Board of Trade is Mr. Overton, owing to the absence on sick leave of Sir William Brown. On page 446 of the Civil Appropriation Accounts, Class VIII, Vote I, Merchant Seamen's War

Pensions, I have no questions to ask, except just to make one observation. I understand, Mr. Overton, this is a dwindling vote?—(Mr. Overton.) Yes.

Sir Isidore Salmon.] May I take it that this Account is approved. (*Agreed.*)

TREASURY MINUTE ON PARAGRAPH 9 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir Isidore Salmon.

350. Now we turn to the Treasury Minute, paragraph 9. You will remember, that this has regard to the Board of Trade Joint Committee of Inquiry into the Anglo-Argentine Meat Trade. I take it, Mr. Overton, that you are considering the best safeguards possible for the future?—(Mr. Overton.) Yes, Sir. This Treasury Minute sets

out the position and if we are called upon to enter into any other inquiry of this kind we will act in accordance with that Treasury Minute. It is a very unusual case as you will appreciate.

351. Yes. Has the Comptroller and Auditor General anything to say on the matter?—(Sir Gilbert Upcott.) No.

352. Have the Treasury anything to say?—(Mr. Britain.) No.

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE I.

BOARD OF TRADE.

Sir *Isidore Salmon*.

353. Now we take the Civil Appropriation Accounts, paragraph 42 of the Comptroller and Auditor General's Report on the National Register of Industrial Art Designers. Sir Gilbert, have you anything further to say?—(Sir *Gilbert Upcott*.) There was a technical irregularity on this expenditure, because the amount issued to the Council was not in fact entirely spent and therefore the whole amount did not come in course of payment during the year. There was a similar irregularity committed by the Board of Education last year. As in that case, seeing that the expenditure is running expenditure, I did not think it was necessary to suggest that it should be removed from the Account. It is sufficient, I think, that it should be adjusted during the current year. There is, besides, rather an inaccuracy in describing this expenditure as for the expenses of the Council, because it was in point of fact for the National Register which it is true is sponsored by the Council, but appears to be an independent company. I think that is being put right in future Estimates. (Mr. *Overton*.) Yes.

354. Would the Board of Trade like to explain the arrangements?—Yes. This Register of Industrial Designers was started about the beginning of the year with which we are concerned now, and in order to get it going the Treasury agreed to payments being made for a period of five years, on the understanding that the business people concerned would then be in a position to take it up. In this particular case we applied to the Treasury for a grant for what is the first year of the five years. They replied agreeing and describing it as, grant in aid in their letter and there was some mix up as a result of that and I am afraid we overlooked the fact that it was not a grant in aid but an ordinary grant, in auditing the accounts of the Register. But the matter will be put right in the succeeding year as suggested by the Comptroller and Auditor General.

355. Are the Treasury satisfied in this connection?—(Mr. *Brittain*.) We agree

with the Board of Trade that the steps proposed to be taken will put the matter right but we agree that the Comptroller and Auditor General was quite right in calling attention to the position as it stood.

356. What figure have Industry contributed towards this fund up to now?—(Mr. *Overton*.) They have made no contribution hitherto. We are hoping to get them to make a contribution in the coming year beginning next April.

357. Does our liability cease at the end of the five years?—Yes, it is made quite clear that we have no liability after the five years' period.

358. Up to the present time Industry have not actually made any contribution?—A very small one of £10, but we are hoping in the third year which begins in April that we will get a fairly substantial contribution, the first real contribution from Industry.

359. I was under the impression—I do not know how I got it—that Industry had contributed in 1937 a fairly large sum of money?—Not to this Register, no, Sir.

Mr. *Lathan*.] An interesting point, it seems to me, arises here. I gather that a company has now been formed—a limited liability company.

Sir *Isidore Salmon*.

360. A non-profit-making company?—Yes.

Mr. *Lathan*.

361. Who are supposed to be the owners or proprietors of this limited liability company in respect of which some thousands of pounds appear to have been subscribed by the State, and only £10 by those who are interested in industry?—The answer to that question is that various associations interested in industrial art have undertaken this guarantee.

362. Guarantee of what?—A guarantee of the share capital of the company.

363. Am I correct in understanding that at the moment the contribution they have made, apart from any guarantee, is £10. The contribution that has been made under the auspices of the

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

Board of Trade is somewhere about £3,700, is it not?—About £2,200 in the first year was the Board of Trade contribution and that was made to pay the ordinary expenses of the Register, paying the Registrar and all that sort of thing. It was not a capital subscription.

364. May I take it that the work which will be done by the Register will be sufficiently beneficial to trade and commerce generally to justify this expenditure from National Funds?—Yes.

Sir Isidore Salmon.

365. Does any Member desire to ask any further questions on this? If not we will turn to page 248, Class VI, Vote 1. On sub-head G, Food (Defence Plans) Department, this is quite a new departure in the Department, is it not, Mr. Overton?—Yes.

366. Presumably next year we shall have some details about the work of the section?—In the year with which we are dealing now we are concerned only with the staff of the Department. In the following year certain other matters arising out of the Essential Commodities (Reserves) Act will come in a separate Vote.

Sir Isidore Salmon.] Are there any questions on pages 248 and 249?

Sir Eugene Ramsden.

367. I have a question with regard to sub-head A.6, Miscellaneous expenses in respect of Enemy Property Branch. I see you have removed to smaller offices. How long do you expect this branch will keep in existence?—We are closing it down as quickly as is possible and the expenses now, of course, are very small compared with what they have been in past years. It is difficult to give a definite answer to that question, because it depends so much on the course of legal proceedings which are pending. The main work now of the Department depends on how quickly these legal proceedings can be disposed of and that is a matter which is outside our control.

368. I wondered whether the work could not be merged—now that it has become of such small proportions—in some other Department?—It is under the control of the Finance Department. There are still a special staff required. The handling of documents and so on is sufficient to require a special staff earmarked for the purpose, and that is why

it is shown separately in these Votes. I think the time will come very soon perhaps when it can be merged.

Sir Isidore Salmon.

369. Last year from an answer to a question I put to Sir William Brown, I was under the impression that he said there was a case pending of £100,000. Is there anything further under that heading?—There are a number of cases pending. I think there are claims against the Controller for about £100,000. On the other hand, the Controller has certain claims himself, and there are various actions about the release of enemy property under certain agreements which were made at The Hague in 1929.

Sir Isidore Salmon.] Are there any other questions on page 249?

Sir Irving Albery.

370. On A.2., Special Services, the Note has reference to £3,700 owing to the prolongation of the Inquiry into the Anglo-Argentine Meat Trade. A little later on there is a reference to £3,000 received from the Argentine Government. Could we be told what the total extra cost of the prolongation was—our contribution and the Argentine contribution together?—I will put it this way, if I may, that the total cost of the Inquiry, which was very much greater than was anticipated, as you know, was about £23,000. Of that sum, between £3,000 and £4,000 was paid out by the Argentine Government and approximately £20,000 by the British Government. (Mr. Elliot.) £23,000 is divisible between them. The £3,000 received in 1937 is part of the Argentine share.

371. Have we got that quite right?—The total cost was £23,000, of which practically the whole is divisible between the two Governments, and therefore the Argentine Government will repay to us in all some £11,500.

372. Of which they have so far paid £3,000?—Of which they have so far paid all but about £1,800, which we hope to receive shortly. (Mr. Overton.) They have paid over £6,000 to us, and have also advanced themselves certain of the expenses incurred in Argentina, and the remainder which is due to us is about £1,800.

373. £23,000 altogether?—Yes.

374. What was the original estimate for that, or was not there one?—There was not a precise estimate, because we

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

did not know how long it would take, but we certainly thought it would be very much less than that.

Sir Assheton Pownall.

375. What has happened with regard to the results of that Inquiry on the Argentine meat? Has any decision been come to yet?—Yes, the Committee's Report was published last Autumn.

376. Yes, I remember it?—The recommendations are primarily for the Argentine Government. As a matter of fact, while the Committee has been in being and considering all these things, the Argentine Government have been doing a good deal in the way of helping the people at their end, and it has rather worked in with the proceedings of the Committee, but any recommendations which require further action are really primarily now for the Argentine Government.

377. We have not yet heard from them?—No, we have not heard from them that they want to take up any precise recommendations of the Committee.

378. Unless we hear from them, all this expenditure will be in vain?—No, Sir. It has served an extremely useful purpose in looking into a trade which called for some investigation, shall I say.

Sir Irving Albery.

379. Is it true that the investigations were never, in fact, completed; that it was more or less called off before it was completed?—No, there is a complete Report.

380. The original investigations contemplated were actually completed?—Yes.

Sir Isidore Salmon.

381. They were not completed, as I understand it, by the accountant we sent out, but by someone else who completed the Report. Is that so?—What happened was that Mr. O'Dea's Reports came back in the Autumn of 1937. They were not altogether accurate, and required some further investigation by accountants at this end. That was done in the Winter of 1937-8 and the Report was completed in the Spring, when there was some delay in publication, because the Argentine translation had to be made and the Argentine copy published at the same moment in Buenos Aires.

15417

Sir Isidore Salmon.] Are there any questions on pages 249, 250, 251 and 252?

Mr. Benson.

382. I should like to ask about Salaries in the Food (Defence Plans) Department. I saw a statement in the Press recently that one gentleman who is in charge of the Food Defence in one area—London, I think—is living in Belgium. Is his salary charged on this Vote?—He was not appointed in this year. He was a more recent appointment.

383. But he is still charged on Government funds?—He is now, but he was not in this year.

Sir Isidore Salmon.] You will have the opportunity next year of raising the point.

Mr. Benson.] I hope so.

Sir Isidore Salmon.

384. Page 253, Patent Office. To what is the increase in the revenue from stamps attributable? It seems to be a very much larger figure than you anticipated. You estimated £643,000, and actually realised £702,880?—The answer to that question is that owing to the general increase in activity, there was an increase both in the new patents and also in the people who prolonged their existing patents, still hoping that good use could be made of them.

Sir Eugene Ramsden.

385. On page 253, what is the position of the loan to the glassware company, £2,465?—That is a very old story, which goes back to the days of the Ministry of Munitions in the last war. Certain money was advanced then to this company, which is situated in Scotland, in order to develop the manufacture of certain types of glassware. The company has carried on with that work ever since then. It has been through some very difficult times, and on one occasion and another the amount of the Government bond has been reduced, but recently it has been in more favourable circumstances, and we are hoping that we shall be able to see some return on that money in the near future.

386. I take it the £223 5s. od. interest on loan to a glassware company relates to this?—Yes, it is a small interim payment.

D 2

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

387. It is interest, not repayment of capital?—That is so.

388. Do you expect to get the capital back some time or other?—(Mr. Elliot.) It is difficult to prophesy.

Sir Isidore Salmon.

389. On page 254, there is a small point I should like to ask Mr. Overton. I notice here that an unestablished clerk

employed as an auxiliary postman received £104. If he is an unestablished clerk, how can he be also engaged as an auxiliary postman. Perhaps you will look into that?—(Mr. Overton.) I am afraid I have not got the answer here.*

390. Perhaps you will look into it. Are there any other questions on page 254? If not, may I take it this Account is approved? (Agreed.)

(BANKRUPTCY AND COMPANIES (WINDING-UP) PROCEEDINGS
ACCOUNT, 1937.)

Sir Isidore Salmon.

391. Will you kindly turn to the Bankruptcy White Paper, page 4? Have you any prospect of paying your way in this connection?—(Mr. Overton.) We are just on the point now of paying our way, so far as the expenses of the Board of Trade are concerned, in connection with these Funds. We anticipate a small credit, I think, for the coming year, so far as the Board of Trade Vote

is concerned, but we shall probably not have enough money over to devote to other Departments which help with this service—the Post Office, and so on.

392. That amounts to £74,554?—Yes.

393. You do not contemplate reviewing the position to see if it is at all possible to make the whole of the Department self-supporting?—We do not think it would be possible to increase these fees.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 2.

MERCANTILE MARINE SERVICES.

Sir Isidore Salmon.

394. Civil Appropriation Accounts, page 255. Class VI, Vote 2, Mercantile Marine Services. On this Vote 2, is it correct to say that the Vote is up by £35,000 as against last year?—(Mr. Elliot.) Yes, roughly, with the Supplementary included.

395. The total Vote?—(Mr. Overton.) Yes.

396. Speaking of Supplementaries, how is it you have Supplementaries on nearly all your sub-heads? Is there any special reason for this?—(Mr. Elliot.) It is because the Treasury insist on our looking into every item.

397. I can understand that the Treasury insist on your looking into every item. but is there any reason why you should not look into those items before you fix the figure you are likely to require?—(Mr. Overton.) I think the

answer is that, owing to increased trade activity and the activity in shipping, all the expenses under the sub-heads increased. We did not anticipate such an increase as that and therefore it was necessary to come for Supplementary Votes on all those headings.

Sir Isidore Salmon.] Are there any questions on pages 255, 256 and 257?

Mr. Mabane.

398. On this matter of the increased activity generally, I do not quite follow that. You said the increased sub-heads were due to increased activity?—Yes.

399. Why should you spend 33½ per cent. more on telegrams and telephones than you anticipated? Was the activity such as to make such an increase inevitable?—Yes, it is apt to spread. If things are busy it spreads over the whole of one's expenditure, not necessarily in

*Note by witness:—This relates to an unestablished clerk (permanent, non-pensionable) employed in the Registry of the Bankruptcy Department of the Board at a salary of 75/- per week, who also serves as an auxiliary postman in the Post Office. The latter employment, which is from 6 a.m. to 8.30 a.m. and from 7.45 p.m. to 10 p.m., does not affect the efficiency of the officer as an employee of the Board.

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

equal proportions, but it does spread. If you take the case of surveyors, there are more ships travelling more voyages, and there is more work for the surveyors to do.

400. And they are sending more telegrams?—(Mr. *Brittain*.) It is not one-third.

Sir *Isidore Salmon*.] It is, on sub-head A.4.

Mr. *Mabane*.

401. 50 per cent. more travelling and incidental expenses?—(Mr. *Overton*.) Yes. (Mr. *Brittain*.) The Supplementary Estimate for that said it was "due to heavier expenditure on radio telegrams disseminating navigational and gale warning messages." (Mr. *Overton*.) There was exceptionally bad weather that year and it necessitated more gale warnings than usual.

Mr. *Mabane*.

402. Travelling and Incidental Expenses: It was necessary to ask for 50 per cent. more than was anticipated. I wonder how that was?—One of the main causes of extra expenditure under sub-head A.2. was that it was decided to give extra training to a number of ex-naval officers for the work of sea transport services in time of war or emergency. There are always a limited number of officers being trained for that purpose, but in view of the more unsettled conditions it was decided to train more of them. They are not paid any remuneration, but they are paid their out-of-pocket expenses, which fall under this heading A.2.

Sir *Isidore Salmon*.

403. Are there any further questions on page 257? On page 258, item G.4., are we getting what we ought to for the Red Sea lighthouses?—We are getting the great bulk of it. We are not getting quite all, but we are getting about 90 per cent. of it.

404. On sub-head G.6., Expenses under Merchant Shipping (Carriage of Munitions to Spain) Act, 1936, what is the nature of these expenses?—Under that Act, British vessels are prohibited from carrying munitions to Spain. The Department receive a number of complaints, some of them merely rumours, to the effect that a certain ship is reported to be carrying munitions to Spain. Where there is sufficient substantiation the Department takes action by asking the authorities overseas—the Colonial

or Consular authorities—to take steps to examine the ship's cargo, and all the money in this year under this heading is for the expenses of those overseas authorities in searching the cargoes of the vessels.

405. Is there any check on the amount of money that is paid out by the officials to individuals for the purpose of examining the cargoes?—Yes. in the case of Colonial authorities their accounts fall to be scrutinised in the first place by the Colonial Government. In the case of Consular authorities, of course, there is the check under the Foreign Office machine.

Sir *Isidore Salmon*.] Are there any further questions on page 258?

Mr. *Mabane*.

406. May I ask in how many cases was it found that the ships were carrying munitions?—None in this year.

407. So the £2,376 did not result in any discovery of any breach of the Act?—That is so.

408. Under sub-head G.2., is the 79,561 dollars an amount arranged before the beginning of the year?—It is the cost of the actual service in the preceding year. The cost varies from year to year, owing to the length of the season during which icebergs are in the shipping track.

409. Was the 79,561 dollars a figure arrived at before the beginning of this financial year? Do you arrange at the beginning of the year with the Americans what you are going to pay them for the year?—(Mr. *Elliot*.) No, the figure is the result of the actual expenditure as determined by the United States authorities after the Patrol has finished its work for that year.

Sir *Isidore Salmon*. Are there any other questions on page 258?

Mr. *Benson*.

410. Who shares in the cost of this North Atlantic Ice Patrol? I take it the Americans do the service and we contribute?—Yes.

411. Do any other nations contribute?—(Mr. *Overton*.) About a dozen nations contribute. The contributions are based on the relative volume of shipping of each country in that trade.

Sir *Eugene Ramsden*.

412. With regard to the Red Sea lighthouses, I think you said you received about 90 per cent. of the contributions?—Yes.

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

413. Which countries are in default?—France has never agreed to pay, for special reasons, and Japan says she will not pay until every other country is paying. These are the only countries which are not paying.

Sir *Irving Albery*.

414. When you say you receive about 90 per cent., do you mean to say you receive about 90 per cent. of the amounts due from those who have agreed to pay, or that the 90 per cent. is allowing for those who do not pay?—No. What I meant was that we are receiving in payment 90 per cent. of the expenses of the

Lights. There is about 10 per cent. in default.

415. Does Italy pay?—Yes.

Mr. *Benson*.

416. Does that mean that we pay the 10 per cent. and that if we get the whole 100 per cent. we pay nothing?—Yes.

417. It sounds a very good arrangement?—It is a charge on shipping and the Government has to make up the 10 per cent. which is lacking.

Sir *Isidore Salmon*.] Are there any more questions on pages 259 and 260? May I take it this Account is approved? (*Agreed.*)

VOTE 3.

ASSISTANCE TO BRITISH SHIPPING.

Sir *Isidore Salmon*.

418. Page 261, Class VI, Vote 3. It would be interesting to know why you spent £4,000 on administration when there seems to have been very little to do. What was the staff doing and what has happened to them now?—(Mr. *Overton*.) The Act which provided for the subsidy in respect of the year 1937 only received the Royal Assent in March, 1937. While shipping freights at that time were well above the level at which any subsidy would have become payable, it was not possible to foresee whether they would remain up throughout the year sufficiently high to make a payment unnecessary. Therefore, during the first half of the calendar year, which includes one quarter of this financial year, it was necessary to receive the applications from shipowners and examine them in the same detail as previously. After the turn of the half year it became pretty evident that no subsidy would be payable, and steps were taken then to cut down the information which still might conceivably be necessary if freights fell off very rapidly at the end of the year. For that reason, the expenditure incurred in administering this Act was about 50 per cent. of what it had been in a normal year. I think it is a pretty good economy in the circumstances.

419. What as a matter of fact have you done with the staff since? Have they been absorbed into other Departments?—Yes, they have been absorbed into the Board of Trade.

420. Were they permanent staff?—(Mr. *Elliot*.) The Committee had their

own staff, but for the most part they were permanent. (Mr. *Overton*.) The position actually was that most of the arrangements were run by a statutory Advisory Committee established under the Act. They had their own staff, some of whom at any rate were loaned from the Mercantile Marine Department of the Board of Trade, so that when that function ceased those officers were able to revert to the Mercantile Marine Department.

421. The work of the Mercantile Marine Department was such that they could afford to loan a large number of staff?—It was quite a small staff really. (Mr. *Elliot*.) It had grown up over two or three years. (Mr. *Overton*.) The total number of the staff was about twenty. It had grown up rather gradually.

422. You seem to be able in the Department to transfer staff from one Department to another without affecting the Department from which you are taking the staff?—I should not like to go as far as that. We find it very hard in some of our Departments to maintain the quality of the work, having regard to the expansion of work in other branches and the calls upon the staff.

423. The only point I am sure all the Committee are very anxious to feel is that we have not, now this has fallen, a big supernumerary staff?—No, certainly not.

Sir *Irving Albery*.

424. I wanted to ask, would one be right in understanding that this expenditure was rather in the light of a book-keeping entry. For instance, supposing it had not been reduced and the thing

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

had gone on and you had retained the staff, the £8,000 spent by this Department would probably, to a considerable extent, have been offset by a reduction in some other Department from which the staff had been taken? Would that be right?—No, I do not think it would be generally true, because when we have to transfer some of our existing staff to a new Department, then naturally we take in new entrants, and when a staff like this comes back into the headquarters department, it means that the demand for new entrants is correspondingly reduced.

Sir Isidore Salmon.

425. Because there is an annual wastage?—Yes.

Sir Irving Albery.

426. It means for the time being you would have surplus staff when these people return to their original Department?—Yes, assuming they all came back together, but in fact they normally come back during a period of two or three months and during that time we have the normal wastage. There might occasionally be one or two surplus, but nothing to speak of.

Mr. Lathan.

427. Would there actually be an allocation of staff? This was a new Department, as I understand it, and I suggest what happened, as suggested by another member of the Committee, was that there was an allocation of £8,000 to meet staff expenses and other expenses

of administration, and that you found in actual experience that only £4,320 was necessary?—It is not quite that. The subsidy was paid for the whole of the two years 1935 and 1936, therefore this staff had been then in being for two years. In the year 1937 it was reduced by approximately 50 per cent., as the probability of any subsidy being payable in that year fell off.

428. So that when a new Department is formed, there is actually a transfer and definite allocation of the staff for the Department?—Yes.

429. Based upon an assessment of what the work is likely to be or what the responsibilities are likely to be?—Yes. When a new Department is set up, one does not go into the market and get raw recruits for it.

430. Naturally?—One staffs it largely from staff engaged on other duties.

431. That is accepted straight away. One would not imagine you would appoint supernumerary people or take people from the market to do duties of this character. They would be men taken mainly from responsible positions?—Yes. (Mr. Brittain.) The Treasury keeps an eye on the surpluses in other Departments because we are continually under pressure to find staff for other Departments like Air Raid Precautions. The Treasury would not allow this staff to remain in the Board of Trade if it was surplus there, because we should want it elsewhere.

Sir Isidore Salmon.] May I take it the Account is approved? (Agreed.)

BRITISH SHIPPING (ASSISTANCE) ACT, 1935, ACCOUNT, 1937.

Sir Isidore Salmon.

432. We now come to the White Paper, British Shipping (Assistance) Act, 1935 Account. How many ships were built under this scheme?—(Mr. Overton.) Fifty vessels were built.

433. How is the repayment going now?—In the year 1937 the repayment was going far ahead of what was required under the bonds. There has been some falling off more recently.

434. I suppose there is no doubt you will get it by the time in which it is supposed to be repaid?—The great bulk, anyway, we hope.

Sir Isidore Salmon.] Are there any questions on the British Shipping (Assistance) Act Account?

Mr. Lathan.

435. Has the whole of this money been advanced in the form of a loan? The repayment of advances is £968,539 on the left-hand side. Lower down in the footnote it is stated: "Advances outstanding amounted to £2,537,757 8s. 6d. Are those advances, in respect of which these two entries appear, loans, not grants?—Yes.

Sir Isidore Salmon.] Are there any other questions? May I take it this Account is approved? (Agreed.)

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

CUNARD INSURANCE FUND ACCOUNT, 1937.

Sir *Isidore Salmon*.

436. Turn to the White Paper, the Cunard Insurance Account. How much profit was there on the construction risks?—(Mr. *Overton*.) On the "Queen Mary"?

437. Yes?—The net profit on the construction risks for the "Queen Mary" was £27,000 odd.

438. How do the claims paid compare with the premiums received for the marine risks?—The experience so far has been favourable.

439. You have not the figures by you?—There are some figures mentioned in this Account. On the payments side, the marine risks of the "Queen Mary," a sum of £6,997 was paid. Those were the payments in that year. The premium on marine risks was just about £21,000, on the other side of the account.

440. Your insurance business, then, has been rather profitable up to now?—So far. We carry a big risk, of course.

Sir *Irving Albery*.

441. I am not versed in marine insurance, but I see that several small claims were paid under the risk. "£6,900 was paid by the Board of Trade in settlement of their share of claims for damage sustained by the ship on three voyages"?'—Yes.

442. I know, at any rate, in motor-car insurance, you very often take the first five or ten pounds yourself and it reduces the premium?—We follow the same practice here. There is nothing payable on the first £1,000 on any voyage.

Sir *Isidore Salmon*.] May I take it the Account is approved? (*Agreed*.)

GENERAL LIGHTHOUSE FUND ACCOUNT, 1937.

Sir *Isidore Salmon*.

443. I ask the Committee to turn to the General Lighthouse Fund White Paper. I should like to draw the Committee's attention to page 9. The Comptroller and Auditor General's certificate has been qualified by the memorandum. On page 2 of the memorandum I think that one might just look at the bottom of the page where it says: "The total appropriations to the reserve accounts in the 15 years ended 31st March, 1938, thus amount to £1,425,000, being £75,000 short of the sum which it was intended should have been so appropriated." What is being done to try and deal with this problem, because paragraph 3 goes on to explain that you have to sell stocks?—(Mr. *Overton*.) The position of the Fund, as you suggest, is none too easy at present. In order to put it on a proper footing, the statutory fees were two years ago increased from the basic rate to 25 per cent. above that rate. A year ago there was a further increase to 30 per cent. above that rate, and at the present time there is a draft Order before Parliament increasing the fees to 50 per cent. above the statutory rate. That recent Order cannot come into force until it has been laid for 30 sitting days before each House of Parliament and we expect that the 50 per cent. increase will come into force early in April.

444. Is the increase likely to meet the deficiencies and the contingent liabilities?—We think that, taking a view of it, it will, provided it is maintained at that level for some years. The fact is that at the moment our capital expenses are very heavy and while they are likely to continue heavy for a number of years they probably will not be quite so heavy as they are just at present.

445. You will not have very much reserve, will you?—I am afraid we shall pretty well have exhausted our reserves.

446. How do you hope ever to build up those reserves if you only take sufficient money to meet current expenditure?—We hope that it will build up the reserve as soon as the exceptional capital expenditure is met.

447. You are taking a long view as you have observed. What sort of long view have you taken—how many years?—Seven or eight years.

448. You think you will be able to find sufficient money for the renewals and the maintenance?—We think we shall scrape through, if I may put it that way, with the fees now coming on to a 50 per cent. increase basis; we shall scrape through the present exceptional period of activity in new building and then, as the capital expenditure becomes a little less pressing in say two or three years time, that we shall be able, if we

14 February, 1939.] Mr. A. E. OVERTON, C.M.G., M.C.,
and Mr. E. J. ELLIOT.

[Continued.]

maintain the rates as they are now, to start building up the reserves again.

449. So it really means that for the next two or three years there will not be any reserve to call upon and you hope after two or three years gradually to build up those reserves again?—That is generally the programme.

Mr. *Lathan*.

450. Is it anticipated that the depleted reserves will affect the efficiency of the service?—No.

451. How do you provide against that?—We have always hitherto held substantial reserves in hand to deal with new requirements in the way of vessels and so on. It is quite true that at the present time our expenditure on new vessels is much more than it usually is, but we think that the reserves which we built up in earlier years will see us through that, and that the increase in the rates will enable us to keep the fund sound.

452. So there need be no apprehension because of this relative reduction in reserves?—We should not cut down what ought to be done.

Mr. *Benson*.

453. On pages 10 and 11, I notice various credits in the capital expenditure columns. The amount of capital shown as expended to March, 1938, is reduced by a credit for the value of buoys lost or condemned. That is a curious method of reducing your capital expenditure?—It is a book-keeping transaction.

454. I admit it is a book-keeping transaction. It does not seem to help to give a very clear idea of the actual amount of capital expenditure?—It is written off the capital assets.

455. What is an acetylene fog gun? Hyskeir lighthouse has got one?—It takes the place of an ordinary fog signal. It is an automatic arrangement for making a noise.

Sir *Irving Albery*.

456. On page 8, note (5) "Investments at cost"; did I understand from what has already been said that these monies are likely to be required for expenditure in the near future?—Yes.

457. I was rather surprised (I may be wrong) at the nature of the investments in that case, because they mainly seem to be long-dated securities, subject to a lot of fluctuation, and I should have

thought, if it was a fund which was likely to be required or on which realisation might have to be made, short credit securities would have been chosen?—I think most of these investments were made a good many years ago, when most of the Government securities on the market were in the nature of long-term rather than short-term.

Sir *Irving Albery*.] Would not one change funds of that kind to short-term as they become available? Usually anything in the nature of a reserve which may be fairly quickly required is kept in short-dated securities so as to prevent depreciation. Here you have realised at a profit. You have been fortunate in the past, but that may not be so in the future.

Sir *Isidore Salmon*.

458. Is there anyone who watches that to see, some little time beforehand, if you are requiring reserve money for the purpose of reconditioning or renewing, if it is a good thing or a bad thing to get rid of your long-dated securities and take a short-dated security for the time being?—Yes, the Finance Department watches that.

Mr. *Lathan*.

459. These are all standing at cost and I think below the current values, are they not?—Yes. They still show a considerable appreciation on the cost.

Mr. *Lathan*.] Having regard to the fluctuations it might be worth while to consider the suggestions which have been made.

Sir *Isidore Salmon*.

460. Unfortunately, I understand the position is that they are selling the whole of their securities and they will not have much left for investment, because they are wanted for paying the bills as they come in. That is the real position, is it not?—Yes.

461. May I ask a question on page 3, as regards the Irish lights? Is the increase in the light dues sufficient in this connection?—The increase in the light dues applies to all the dues throughout the British Isles. There is no differentiation at present as between the Irish Free State and the United Kingdom.

Sir *Isidore Salmon*.] May I take it that this Account is approved? (*Agreed.*)

(*Mr. Overton and Mr. Elliot withdrew.*)

14 February, 1939.]

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS I.

VOTE 1.

HOUSE OF LORDS OFFICES.

VOTE 5.

PRIVY COUNCIL OFFICE.

(On these Accounts no questions were asked.)

CINEMATOGRAPH FUND ACCOUNT, 1937.

Sir *Isidore Salmon*.] Cinematograph Fund Account, 1937. On page 3 is the Comptroller and Auditor General's Report. On page 2 you will observe the Account. Are there any questions?.

Sir *Irving Albery*.] If I remember rightly, this is the Account upon which we had a good deal of discussion as to whether it was equitably collected. I was wondering whether we could be told whether there is any change or fresh experience in the matter.

Sir *Isidore Salmon*.

462. Perhaps Mr. Brittain could answer that question?—(Mr. *Brittain*.) I am not sure whether Sir Irving is referring to the percentage which is collected by local authorities or the certificate of audit.

Sir *Irving Albery*.

463. It is the percentage of the takings, is it not?—I rather fancy that the Committee came to the conclusion that that was settled by Parliament in the Act and that neither we nor they could do anything about it unless the Act was altered. (Sir *Gilbert Upcott*.) The trouble was rather as to the amounts assessed to be paid than as to the amount of the collection. The discretion of the local authorities which the Committee decided they could not pursue any further is as to the assessment of the amounts to be paid by the cinemas. There is adequate machinery set up to secure the due collection.

Sir *Irving Albery*.] Yes, that is what it was.

Sir *Isidore Salmon*.

464. Could Mr. Brittain tell us the number of cinemas that are now contributing?—(Mr. *Brittain*.) 1,328.

465. Against what figure last year?— This was given to us last year. I am afraid we have not got up-to-date figures. (Sir *Gilbert Upcott*.) I think I have figures which are correct for the current year, namely 1,459. I would not like to take responsibility for them, but I believe that to be the correct figure for the current year, of which upwards of 1,000 are opened regularly and the rest occasionally.

Mr. *Lathan*.] That I think rather feeds than dispels the suspicion which arose in the minds of some of the Members of the Committee last year that the contributions by the cinemas under this arrangement were lamentably small. If there are 1,400 cinemas and they contribute £11,000 in the course of the year, it does mean a very small sum, it seems to me, and there was something in the nature of a note of interrogation in the minds of some Members.

Mr. *Mabane*.

466. That £11,000 is not the total amount that they contribute surely, is it?—5 per cent. of the amount they contribute.

467. £11,000 is 5 per cent. of the amount contributed?—Yes, the total contributions fixed by the local authorities go to charitable purposes less 5 per cent. which comes to this Fund.

Mr. *Lathan*.] I thought Sir Irving had the same idea in his mind as I had in my mind, whether the arrangements were satisfactory for an adequate check on the amount that was handed over.

Sir *Isidore Salmon*.] May I take it that this Account is approved? (*Agreed.*)

14 February, 1939.]

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS I.

VOTE 7.

CHARITY COMMISSION.

(On this Account no questions were asked.)

VOTE 8.

CIVIL SERVICE COMMISSION.

Sir Isidore Salmon.

468. Pages 17 and 18, Class I, Vote 8, Civil Service Commission. Perhaps Mr. Brittain might explain this: On "B," I have found a little difficulty in understanding the explanation which states "Savings due to cancellation of oral tests for Clerical Class (Boys and Girls) Examinations (£1,250), and decrease in number of candidates at certain examinations (£4,523) offset by increased number at other examinations (£3,366), and increased number of medical fees (£246)." Yet when you turn to page 18, you see an explanation there dealing with receipts which says: "Surplus mainly due to increased number of candidates at certain examinations (£9,118), fees from examination not included in Estimate (£648), and received in advance for examinations in financial year 1938 (£2,796)." It is a little difficult to follow the two statements.

Perhaps Mr. Brittain could explain it?— (Mr. Brittain.) I think I had better promise to inform the Committee later, if I may. It is not very clear on the face of it. The only suggestion I can make is that the examinations at which the number of candidates increased were more lucrative as regards fees than those at which the number of candidates decreased. (Sir Gilbert Upcott.) I think that is so, but it is not very happily worded.

Sir Isidore Salmon.

469. It is not very happily expressed. Who is responsible for the wording?— (Mr. Brittain.) The Accounting Officer.

470. Perhaps you will look into it?— I will.

Sir Isidore Salmon.] May I take it that this Account is approved? *(Agreed.)*

VOTE 11.

GOVERNMENT ACTUARY.

VOTE 12.

GOVERNMENT CHEMIST.

VOTE 14.

IMPORT DUTIES ADVISORY COMMITTEE.

VOTE 17.

NATIONAL SAVINGS COMMITTEE.

VOTE 18.

PUBLIC RECORD OFFICE.

(On these Accounts no questions were asked.)

14 February, 1939.]

[Continued.]

VOTE 26.

TITHE REDEMPTION COMMISSION.

Sir *Irving Albery*.

471. Under sub-head A, Salaries, it says: "Excess due to increases in staff, rates of wages and overtime, partially offset." That does not seem to me to be any explanation of the item "Salaries." Can anyone say why it was that in that year there was an unexpected increase in staff?—(Mr. *Brittain*.) Maybe the explanation is the same as in the sub-heads lower down, where it is said that they found that the difficult work of apportioning tithe and completing their records proved to be more complex than they had originally anticipated, but I have not any actual evidence from the Commissioners as to why it is.

472. I am sure there is an adequate explanation. The real reason I raised the point was that it did not seem to me that the note is much use as a note. Obviously, if there is an increase in salaries there are more salaries. It would be better if we were told why. (Sir *Gilbert Upcott*.) It is increase in number, not in salaries.

473. It does not much matter whether it is salaries or numbers. What I want to know in a note is why it was increased?—(Mr. *Brittain*.) I believe the increases occurred largely in the collection branch.

Sir *Isidore Salmon*.

474. Would it be possible to give to the Accounting Officer an expression of our opinion that we would like these explanations, particularly in this particular case, to be a little clearer so

that the Committee could understand them?—Yes, certainly.

Sir *Haydn Jones*.

475. With regard to sub-head F, may I ask whether these collections are made by commission, or how?—(Sir *Gilbert Upcott*.) Yes, the local collector collects on commission.

476. Can you say what commission?—I believe about 3 per cent. (Mr. *Blunt*.) That is right.

Sir *Irving Albery*.] I am not quite sure whether I was right in the way I raised that point. I think that note is in accordance with the usual notes we get. We usually have a witness before us to say why.

Sir *Isidore Salmon*.

477. Do not the Committee feel that is all the more reason why we should have an explanation, so that we need not trouble the witness for an explanation as to what it means, if the explanation is clear? Simplicity will only help; it will not make it more difficult?—(Mr. *Brittain*.) It depends to some extent on the simplicity of the Estimate and the Accounts. It might be difficult to give an explanation simply every time.

Sir *Haydn Jones*.

478. With regard to sub-head G, are these expenses County Court expenses, or what are they?—(Sir *Gilbert Upcott*.) Yes, as a rule, Court proceedings.

Sir *Isidore Salmon*.] Are there any other questions? May I take it the Account is approved? (*Agreed*.)

(*The witnesses withdrew*.)

(*Adjourned till Thursday at 2.30 p.m.*)

TUESDAY, 21ST FEBRUARY, 1939.

Members present:

Sir Irving Albery.	Mr. Lathan.
Mr. Benson.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Major Sir George Davies.	Sir Robert Smith.
Sir Haydn Jones.	

Mr. PETHICK-LAWRENCE in the Chair.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS I.

VOTE 2.

HOUSE OF COMMONS.

Sir GILBERT CAMPION, K.C.B., and Mr. J. LUXFORD, O.B.E., called in and examined.

Mr. *Pethick-Lawrence*.

479. We are starting with the Civil Appropriation Accounts, House of Commons, page v, paragraph 7, of the Comptroller and Auditor General's Report. I will ask the Comptroller and Auditor General if he has any amplifications to make of what he has already written in that paragraph 7?—(Sir *Gilbert Upcott*.) This point is one arising in the constitutional history of the House of Commons, which, though it is small in itself, I thought the Committee would wish to consider. I cannot be quite sure that my historical knowledge is complete but Sir Gilbert Campion will correct any omissions which I may make, and I will try to give the information bearing on the matter that I have been able to acquire. The Commissioners for regulating the Offices of the House of Commons are a statutory body deriving their powers from the House of Commons Offices Acts, 1812 and 1849. There was a Section in the Act of 1812 (at which time the salaries of the officers of the House were paid out of fees) which directed the Commissioners, if they had any surplus fees at their disposal, to provide remuneration to the Chairman of Ways and Means in case the House should see fit. But that Section has been repealed and I gather that the authorities who frame the Estimate for the

House of Commons regard the Acts of 1812 and 1849 as not applicable to sub-head A of the Estimate, on which the salaries of the Chairman and Deputy Chairman are provided, because in the detailed matter in Part III of the present form of Estimate those Acts are printed over sub-head B and subsequent sub-heads, and do not appear to relate to sub-head A. Therefore, I take it that the matter is not one of law but of customary practice and procedure. I should not myself venture to express any opinion on the proper division of powers between the Commissioners and the House of Commons itself, but I have thought it my duty to call the attention of the Committee to anything which might be regarded as a change of procedure affecting the House of Commons. As far as I have been able to ascertain, the salary of the Chairman was placed upon the Vote some time between 1812 and 1840, and in 1841 the salary was fixed, by an Estimate voted by the House of Commons, at £1,500 a year on the recommendation of a Select Committee on Private Business. In 1875 it was increased, again by an Estimate voted by the House, from £1,500 a year to the present figure of £2,500 a year on the recommendation of the Commissioners for regulating the Offices. That

21 February, 1939.] Sir GILBERT CAMPION, K.C.B., and
Mr. J. LUXFORD, O.B.E.

[Continued.]

deals with the salary of the Chairman. The Deputy Chairman was first provided with a salary in 1903-4, when it was provided in the House of Commons Estimate for that year, by arrangement, I understand, between the Leader of the House and Mr. Speaker in consultation with the Treasury. Attention was called to the provision in the Financial Secretary's memorandum covering the Estimates. I find that on certain occasions the Commissioners have given directions as regards the payment of these salaries, for example, that they should be paid quarterly, and until a successor was appointed, but I should take it that those directions deal rather with the method and conditions of payment than with the determination as to amount. As I say, so far as I have been able to ascertain, in the past the amounts of the salaries have not been determined otherwise than by specific provision being made in an Estimate to be voted by the House itself. That is the history, so far as I have been able to ascertain it.

480. Sir Gilbert Campion, I should like to have your views on this matter, and when you are stating your views, perhaps you could answer two specific questions that have occurred to me. I believe that you were not in your present office at the time when this matter was arranged, but your predecessor, Sir Horace Dawkins, was in your present office, and you may not, of course, be able to answer the first of these questions, that is, whether you know whether your predecessor was asked his view when this change was made? The second question to which you would address yourself at the same time perhaps is, whether the decision not to include this change in the Supplementary Estimate of July 8th, 1937, was a deliberate one, or whether it was simply accidentally omitted, without the matter having received careful consideration? As I say, I do not know whether you will be able to answer those questions, as you were not actually yourself the Accounting Officer at the time, but if you can enlighten the Committee on those points, I am sure they would be particularly interested, in addition to any other remarks you might like to make?—(Sir Gilbert Campion.) With regard to the first question I have no doubt the matter was talked over with the Secretary to the Speaker, who was

also Secretary to the Commissioners, but I do not find anything on record.

481. When you say "the Secretary" you mean Colonel Sir Ralph Verney?—Yes, he is the Secretary to the Speaker also. I have no doubt the matter was gone into before the Commissioners met, but as I say, there is nothing on record.

482. I am not quite clear what your answer means. When you say the matter was gone into, you mean Sir Horace Dawkins went into it with Sir Ralph Verney?—Yes. I think there is no doubt that it was a considered decision of the Commissioners, because there was a meeting of the Commissioners held, which was attended, I believe, by five Commissioners, including the Chancellor of the Exchequer. All the Accounting Officer would know would be a letter from the Secretary of the Commissioners stating the decision come to by the Commissioners. I have the letter here. A meeting was held of the Commissioners on the 16th June, 1937, and Sir Ralph Verney writes to my predecessor: "I am desired by the Speaker to inform you that the Commissioners for regulating the Offices of the House of Commons decided to raise the salary of the Deputy Chairman of Ways and Means from £1,000 to £1,500 per annum, as from the 1st July, 1937", so the Commissioners evidently considered that they were in a position to decide the matter; they did not regard themselves as merely recommending to the House of Commons or as acting in an advisory capacity. With regard to Sir Gilbert Upcott's account of the history, I have not much to add.

483. Before you pass from that, I do not know that you have specifically answered the question I wanted answered, whether the point of whether it should or should not be included in the Supplementary Estimate was definitely considered and turned down? It has had, naturally, to come into the Estimate for the following year as a substantive amount?—Yes.

484. But with a great many services, at any rate, the normal thing would have been that, though the decision might rest in the first instance with somebody, it would be put before the House of Commons in the form of a Supplementary Estimate. I rather gather from what you have just said, that it is your opinion that the matter of including it in a Supplementary Estimate

21 February, 1939.] Sir GILBERT CAMPION, K.C.B., and
Mr. J. LUXFORD, O.B.E.

[Continued.]

was specifically considered and rejected. Is that your view?—No, not necessarily. I was rather going into what I considered to be the preliminary point as to whether the salaries and conditions of office of the Chairman and Deputy Chairman are under the control of the Commissioners. From the history that Sir Gilbert Upcott has given it might be argued that they were not under the control of the Commissioners in the same way as the permanent officers of the House of Commons, but that previously the decision come to by the Commissioners was merely in the nature of a recommendation to the House of Commons and the House of Commons themselves decided. That I take to be the position which Sir Gilbert Upcott has indicated as emerging from his historical review of the position of the Commissioners. I thought perhaps it would be as well to settle that first.

485. Let me be quite clear what you are suggesting. You are suggesting that the position of the Deputy Chairman is in fact, according to the view of the Commissioners at any rate, on precisely the same footing as that of other members of the House of Commons staff, and that therefore because they have the right without consulting the House of Commons to alter the salaries of individual members of the staff, in precisely the same way they have the right to alter the salary of the Deputy Chairman. Is that the point that you are making?—Yes, that is the preliminary point. Of course, that does not cut out the possibility of a Supplementary. That would be a matter, perhaps, where the Treasury would come in, but I should have said that if the Commissioners had complete control over the salaries of the Chairman and Deputy Chairman, the need of a Supplementary or of a resolution of the House of Commons would not be essential. It would not be a constitutional point which the House of Commons authorities ought to make sure was settled before the salary was paid. They regarded themselves as deciding the salary, and recommended actually the date on which it should commence to be paid. They could not have taken that line if they had thought that their decision was only provisional and had to be confirmed by the House of Commons.

486. I do not think you will wish to express an opinion on the matter yourself perhaps, but do you dissent from

the historical review of the thing which has been given by the Comptroller and Auditor General? Are you yourself aware of any precedent for the decision of this matter being taken by the Commissioners and not being brought before the House of Commons?—The last substantial rise in pay of the Chairman of Ways and Means was in 1875, and that, as Sir Gilbert Upcott has said, was done on the recommendation of the Commissioners, and was passed by a Supplementary Estimate. With regard to that point, although a Supplementary Estimate was taken then, yet as the full amount was asked for—not a token—it is probable that the conditions were not the same as on this occasion when there were actually savings on the Vote out of which it could be paid. There was actually no financial need of a Supplementary Estimate on this occasion. We do not know what the position was in 1875, there might have been no money to pay it, without a Supplementary Estimate. If there had been money to pay, perhaps they would have taken only a token Vote. They took a Vote for the full amount. As far as that goes, it is not absolutely conclusive. On certain later occasions, when it was directed that the salary should be paid quarterly instead of annually, and a further small arrangement that it should only be paid to the Chairman of Ways and Means as long as he was a Member of the House of Commons, the Commissioners acted entirely without reference to the House. I note that after the Deputy Chairman was appointed in 1902, his salary was provided as the result of the Report of a Select Committee, which recommended that the Deputy Chairman should be a salaried official of the House. This rather assimilates him to the permanent salaried officers. Just before the salary of the Deputy Chairman was raised in 1937, a Question was asked about the Deputy Chairman's salary and the Prime Minister stated that it was a question for the Commissioners in the first instance. I am rather inclined to think that there has been a sort of a gradual progress in the way of looking at the matter; that perhaps up to 1875 the Chairman was regarded as not entirely within the scope of the Commissioners, and that gradually his position has been assimilated to the salaried permanent officials, and that now the Commissioners have come to

21 February, 1939.] Sir GILBERT CAMPION, K.C.B., and
Mr. J. LUXFORD, O.B.E.

[Continued.]

regard themselves as having the authority to deal with the matter without reference to the House.

487. I should like to ask the Treasury if the Treasury were consulted in this matter at all, in particular as to whether this item should be included in a Supplementary Estimate?—(Mr. *Brittain*.) The Treasury is technically responsible for the presentation of this Supplementary as of all other Supplementary Estimates, and the point was considered in the Treasury, but not, I think, on constitutional grounds at all. The position was that we were to take a Supplementary Estimate for £84,000 to cover the increase in the salaries of Members. This particular increase in the salary of the Deputy Chairman amounted to £375. There were savings to cover that particular increase, and as it was obviously *de minimis* we did not show it. We did not take that decision, as I say, on any constitutional grounds whatever. It was simply that it was so small compared with the total of the primary object of the Supplementary that we did not think it was necessary to show it.

488. You speak of it as being *de minimis*, but surely it is a practice in the Treasury, that however small an amount, even if there are savings which make it merely token, where it is a matter of principle you think it necessary to include it in a Supplementary?—I quite agree, Sir, if we regarded it as a matter of principle we ought to get the authority of the House before we spend any money, even though it is small and even though there are savings to meet it, but as I say, that aspect of this question did not occur to us at all.

489. You regarded it as being on precisely the same footing as a change of £5 or £10 in the salary of an ordinary member of the staff?—Exactly. We should not think it necessary to go to the House for authority to increase the salary of any other officer of the House of Commons or of any individual civil servant, for instance, and as far as I can read the minutes of the time that was precisely the line we took on this.

490. Of course, this followed not so very long after a change in the salaries of the members of the Government themselves, if I remember aright, and there the opinion of the House was

definitely sought before the alteration was even seriously considered?—Yes, and, of course, led to legislation.

491. It was much more than a Supplementary Estimate in that case?—Yes. I should not like to compare the two, of course.

491A. You did not consider that that was a closer analogy than the matter of the staff who were not Members of the House of Commons? You considered that the analogy was much greater with the others?—If I had to choose between the analogies I should say that the analogy was more with the individual officer of the House or civil servant. The constitutional position, as I say, was never raised in the Treasury at the time. On that, I imagine the Treasury is not really in a position to help you, because we have regarded recommendations from the Commissioners for regulating the Offices of the House of Commons as not requiring our sanction, as indeed this Committee stressed should be the case in 1932.

Sir *Assheton Pownall*.

492. I should like to ask whether this increase in salaries of Members did not, in a sense, include the Deputy Chairman at all, because he got this increase as an officer of the House; he did not get it as a Member of the House of Commons, and therefore it seems to me a little misleading on the part of the House authorities (I am afraid I rather tar the Treasury with the same brush) not to make it clear that of this £84,000 a portion anyhow was given to one, not because of his position as a Member of the House, but as the Deputy Chairman?—There was nothing in the £84,000 for the Deputy Chairman.

493. I understand the increase was included in the £84,000?—No, I am sorry if I gave you that impression. The £84,000 was the supplementary amount required to pay the increased salary of those Members who drew it as Members of the House. It did not cover the Chairman's and Deputy Chairman's salaries.

494. Where did this £375 come from?—Out of savings on the Vote.

495. Without any mention being made of it?—Yes.

21 February, 1939.] Sir GILBERT CAMPION, K.C.B., and
Mr. J. LUXFORD, O.B.E.

[Continued.]

Sir *Edmund Brocklebank*.

496. Are the Commissioners for regulating the Offices of the House responsible for a change of salary up or down, as the case may be, of a member of the permanent staff?—(Sir *Gilbert Campion*.) Yes, they are.

497. So it looks as though their idea was that the Deputy Chairman is a permanent member of the staff?—Yes, I think they thought so, without perhaps considering it at length.

498. Many changes must have occurred in the salaries of members of the permanent staff?—Yes.

499. But the Commissioners meet extremely seldom, I imagine?—No, I would not say that. There are a certain number of meetings every Session.

500. There are every Session, are there?—Yes. It is not only salaries. Various things come before them. There are a lot of minor changes which are constantly occurring.

501. On which their decision is taken?—Yes, sometimes taken informally. On this occasion it was taken formally with a full attendance of five members of the Commission.

Mr. *Lathan*.

502. Might I ask who are the Commissioners?—The Chancellor of the Exchequer and the Secretaries of State, so long as they are Members of the House of Commons, and the Attorney General. (Sir *Gilbert Upcott*.) And the Speaker. (Sir *Gilbert Campion*.) And the Speaker, of course. The Speaker of the House of Commons, the Secretaries of State, the Chancellor of the Exchequer, the Master of the Rolls, the Attorney General and Solicitor General for the time being, being also Members of the House of Commons. I think the Master of the Rolls can no longer be a Member of Parliament since 1873.

503. Are the terms of reference constituting their authority on record anywhere?—Certainly, in the Act of 1812.

504. Do I understand that the Commissioners take the view that the Deputy Chairman and (I am led to assume from that) the Chairman of Ways and Means, is an officer of the House of Commons in the sense that a civil servant or any other member of the

staff is?—Not in precisely the same sense, of course. They have no pensions.

505. Have the Chairman and Deputy Chairman been brought into the accounts in a different category from the staff?—The Commission regulate the salaries of all officers. The Chairman and Deputy Chairman are officers, although they two alone are officers in a somewhat different sense from the permanent officers, being also elected Members. The Speaker of course is in quite a separate category, being payable out of the Consolidated Fund. These two officers, the Chairman and Deputy Chairman, are the only two officers who are in a different category from the permanent officers, being also elected Members. The Speaker, of course, is not in that category, as he is paid out of the Consolidated Fund. (Sir *Gilbert Upcott*.) I take it, it is not suggested that the Act of 1812 now applies to the Chairman or Deputy Chairman, because the only section in that Act which did apply to the Chairman is repealed. (Sir *Gilbert Campion*.) I agree. It is a matter of practice. (Sir *Gilbert Upcott*.) The statutory powers of the Commissioners, I understand, do not apply to the Chairman and Deputy Chairman as they apply to the other officers of the House.

506. Is one justified in the view that the Chairman of Ways and Means and Deputy Chairman are in an entirely different category from other officers, in that both those gentlemen have to be Members of the House of Commons and are, by virtue of their positions, servants of the House of Commons in a special sense?—(Sir *Gilbert Campion*.) Yes. At the same time, the Commissioners have made recommendations with regard to their salaries and in certain matters have made directions about the time at which they are to be paid.

507. Those recommendations were for the purpose of guiding and advising the House in a step which they might see fit to take?—Yes.

508. Whereas, as I gather from your evidence to-day, they considered themselves justified in determining the matter, leaving the House to face a *fait accompli*?—I think that has come to be the position. The last substantial recommendation apparently was in 1875. In the course of time, I suppose the Commissioners have come to regard themselves as responsible.

21 February, 1939.] Sir GILBERT CAMPION, K.C.B., and
Mr. J. LUXFORD, O.B.E.

[Continued.]

Sir Robert Smith.

509. I would like to press Mr. Lathan's point. It seems to me there is a great difference between a permanent officer and a case where an officer of the House has to be a Member of Parliament. If he ceases to be a Member of Parliament he ceases at once to be an officer of the House of Commons, does he not?—Certainly.

Sir Robert Smith.] It seems to me strange that there is not a difference between those who have to be Members of the House of Commons before they can hold those offices and the staff who are permanent.

Mr. Pethick-Lawrence.] You are only asking for the witness's opinion at the moment. We shall have to consider the matter later.

Sir Robert Smith.

510. I am asking for the witness's opinion. You consider there is a distinct difference?—Yes. (Sir Gilbert Upcott.) That difference is marked in the Estimates themselves by providing for their salaries under different sub-heads. (Sir Gilbert Campion.) Yes.

Sir Irving Albery.

511. I should like to ask, in view of the fact that the salaries of the Chairman of Ways and Means and Deputy Chairman are included under the same heading as salaries of the ordinary Members of the House of Commons, does not that rather imply that the same procedure would govern any alteration in salary?—It should be done by a Supplementary Estimate, you think?

512. I was wondering whether it ought not even to be done by a Vote of the House definitely. It comes under the same heading as Members' Salaries, I see. The two are bracketed together. The Chairman of Ways and Means, the Deputy Chairman and the payment of Members are one sub-head in the Estimates?—You think even the Estimate would require previous authorisation by a vote of the House?

513. I was wondering. The way the Accounts are made out would also point to that. In the way the Accounts are made out those two salaries do not seem to be included in any of the sub-heads which are otherwise dealt with?—They are mentioned specifically, of course, in sub-head A.1., the salaries of

the Chairman of Ways and Means and Deputy Chairman are stated specifically in the Estimates under sub-head A.1.

514. But they are bracketed with the salaries of the Members?—Yes.

515. And not with those of any other officials?—Yes, because they have this dual capacity.

Sir Isidore Salmon.

516. Sir Gilbert Upcott, I understood you to say with regard to the 1812 Act that, at a certain period, a particular Section of that Act was repealed?—(Sir Gilbert Upcott.) Yes, it was repealed by a Statute Law Revision Act, I think because the salaries ceased to be provided out of fees. It was repealed, I think, because it fell into disuse after the salaries were placed on the Vote. A provision which said that surplus fees might be used, if the House should see fit, to pay the Chairman a salary, became obsolete.

517. The point I should like to be clear about is, who actually gave the Commissioners the power, or did they assume the power, of fixing what should be the salary of the Chairman of Ways and Means and Deputy Chairman? Presumably they assumed they had the power?—(Sir Gilbert Campion.) Do you mean recently or in the past?

518. In the past?—In 1875 when the salary of the Chairman of Ways and Means was raised from £1,500 to £2,500 it was on the recommendation of the Commissioners.

519. On the recommendation?—Yes, followed by a Supplementary Estimate, but not by a resolution of the House.

520. But on a recommendation?—Yes.

521. But when it was raised a short time ago it was not done by a recommendation; it was done definitely. They took the authority unto themselves to raise it without any recommendation. That is the difference, is it not?—Yes.

522. I always thought, especially occupying your position, that you were very particular as to the procedure of the House by precedent. It is a little difficult to understand quite how this has happened. I am not, of course, suggesting that there is any responsibility on you personally. I am talking of a general principle. I am not criticising any individual but as a principle?—I think it is very easy to see how it could gradually have come about. There had been no great change since 1875. There

21 February, 1939.] Sir GILBERT CAMPION, K.C.B., and
Mr. J. LUXFORD, O.B.E.

[Continued.]

is nobody else to look after the interests of the Chairman and Deputy Chairman except the Commissioners. The Commissioners had had a hand in previous increases and in giving a salary to the Deputy Chairman. Indeed, the Deputy Chairman, in the Report of the Select Committee of 1902, was actually called a salaried official of the House. The position is very near that of a salaried official.

523. And in fact he was called a salaried official?—He was actually called a salaried official of the House.

524. And to whom was that reported?—A Report of the Select Committee to the House in 1902. On that Report the office of Deputy Chairman became salaried.

Mr. Benson.

525. Might I ask, is there any precedent for the use of the phrase "salaried official" prior to 1902?—I should have thought it was in current use. "Salaried official" as applied to the Chairman of Ways and Means or generally applied?

526. To the Chairman of Ways and Means?—No, I do not think there is, probably. But this is the first mention of the Deputy Chairman.

Sir Robert Smith.

527. Is there any difference at all between the Chairman of Ways and Means and the Deputy Chairman, or do you consider they are absolutely on exactly the same footing?—Yes. They are the same in quality but different in degree.

528. They are in exactly the same position?—Yes.

529. Have there been any changes at all in the salary of the Chairman of Ways and Means?—It was raised in 1875 from £1,500 to £2,500.

530. Since then there has been nothing?—No.

Sir Robert Smith.] So there is no precedent there?

Mr. Mabane.

531. How was it done then?—In 1875 on the recommendation of the Commissioners and a Supplementary Estimate.

Sir Robert Smith.

532. In this case it was not a recommendation of the Commissioners followed by a Supplementary Estimate?—No.

533. It was not?—No.

Mr. Pethick-Lawrence.] I do not know that we can pursue this any further to-day. We shall have to consider this matter ourselves, of course. We might pass to the actual accounts for which Sir Gilbert Campion is the Accounting Officer. They are on pages 6 and 7 in the Civil Appropriation Accounts. Personally, I have no questions to ask.

Sir Assheton Pownall.

534. Sir Gilbert Campion, would you mind telling us how many Members are not drawing salaries at all, and how many are only drawing the reduced sum of £400, which was the original sum at the beginning of this Parliament?—There is one Member drawing no salary at all, and eight have declined the increase in salary.

535. With regard to travelling expenses, you mention here the provision of sleeping-car and Pullman-car facilities. In the year under review were any facilities given with regard to air travel?—(Mr. Luxford.) Yes. Air travel is still available.

536. Is available?—It is available. It has hardly been made use of at all in the year under review. There were ten journeys, divided between seven members.

537. Up to date, have you the figures for the last year? Is it being made use of more now?—No, I should not say so.

Mr. Mabane.

538. You said that one Member was not taking a salary. I see in the note here "non-payment of salary to five Members under the Ministers of Crown Act, 1937." That is the note to sub-head A.1.?—(Sir Gilbert Campion.) It is a totally different category—Members who are paid under the Ministers of Crown Act. There were two ex-Prime Ministers, one of whom died, one Leader of the Opposition and two Junior Whips who under that Act received salaries for the first time. It is a totally different category.

539. You mean we saved the amount that normally we should be paying them as Members of Parliament?—Yes. They come off the Salary List as Members.

540. Am I correct in supposing that the travelling expenses have substantially increased over the last three years?—I have the figures here. For 1935/6 they were £24,000; 1936-7 they were £26,000; 1937-8 they were £29,000.

21 February, 1939.] Sir GILBERT CAMPION, K.C.B., and
Mr. J. LUXFORD, O.B.E.

[Continued.]

541. Is there any special reason for that, other than the increased assiduity of Members?—The provision of sleeping-cars. If you go back to 1932-3 it was £33,000. It was considerably greater in 1932-3—as much as £33,000. Now it is £29,000.

542. This casts no reflection on the energy of Members?—(Mr. Luxford.) If I may say so, it very often depends on the make-up of Parliament, that is to say, the balance between Parties. Where you get a large number of Labour Members you find that they live more in their constituencies, for instance, than the present Members of Parliament do, and if a man does not live in his constituency he does not travel so often. That is a very decided factor, which had been very apparent right through.

(Sir Gilbert Campion and Mr. Luxford withdrew.)

Sir Irving Albery.

543. Can you give us the number of Members who have drawn those expenses? How many members have they been spread over, and how many have drawn no travelling expenses at all?—The last available figures are 465 who drew it, out of a total of 615.

Sir Isidore Salmon.

544. Regarding the police, in sub-head I, although you have spent a little more money than was granted—some £567— notwithstanding that, comparing the total expenditure in the year under review and the year previous, it is much less. Is that due to having custodians instead of police?—(Sir Gilbert Campion.) Yes, it is.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (Agreed.)

CLASS IV.

VOTE I.

BOARD OF EDUCATION.

Sir MAURICE HOLMES, K.C.B., O.B.E., and Mr. D. DU BOIS DAVIDSON, called in and examined.

Mr. Pethick-Lawrence.

545. Turn, please, to pages xvi and xvii, Paragraph 28 of the Comptroller and Auditor General's Report. In the second sub-paragraph of paragraph 28, I notice that there was a matter of £150,000 taken and only £1,676 actually used. Can you give us the reason why that very much reduced sum was in fact spent?—(Sir Maurice Holmes.) Yes, Sir. The business of giving capital grants under the Physical Training and Recreation Act is a rather long and complicated business, and before anything could be done the twenty odd area committees had to be set up by the National Fitness Council, and after they have been set up the stages are that a local body that wants financial assistance applies to the area committee, the area committee submits it with recommendations to the central grants committee, the grants committee makes up its mind what is an appropriate grant and recommends that to the Board of Education as a provisional grant, and the Board either accepts or rejects that recommendation. If it accepts it the grants committee then inform the applicant body of the grant it is going to get, and the applicant body makes up its mind whether or no it can provide the facility with that amount of assistance. The

result is, as you will see, Sir, that actually only one payment was made, and that was a payment to a Distressed Area which did not have to go through that rather lengthy process, because it was a commitment we took over from the Commissioner for Special Areas in the circumstances explained in the Comptroller and Auditor General's Report.

546. What I gather you to mean is that before this long chain was actually brought into operation, you did not anticipate that there would be such a lengthy procedure and you thought that the amount would be more quickly spent than it was?—Yes.

547. But when it actually came into being it took longer than you supposed?—What really took longer than we had anticipated was the setting up of the area committees. We thought that they would be got going rather more quickly, and if they had been, no doubt we should have got some grants through.

548. With regard to the next paragraph, you say "One of the main difficulties," and so on. How in fact is the difficulty resolved and how is satisfaction achieved?—In the case of local authorities, no difficulty arises in regard to continuity. In the case of voluntary bodies, some of them are

21 February, 1939.] Sir MAURICE HOLMES, K.C.B., O.B.E.,
and Mr. D. DU BOIS DAVIDSON.

[Continued.]

already working under charitable trusts and in so far as that is not the case in the case of capital grants, we usually require them to execute a charitable trust. That, of course, does not apply to equipment which in the nature of things cannot be supplied subject to such a trust, and we safeguard our money there by making a requirement that, if the equipment ceases to be used by the body owing to their going out of business, or from whatever cause it may be, that equipment shall be handed over in such manner as we shall direct, so I think we are really pretty safe now in having so safeguarded the position, that our money is not really risked at all.

549. Are the Treasury satisfied on that point? Does it meet their views?—(Mr. *Brittain.*) Yes, Sir.

550. On the next sub-paragraph (iii), I believe there is a rather technical point as to precisely what is inferred by "recreation" following the words "physical training and." Can you tell us what has been the final decision on that technical point?—(Sir *Maurice Holmes.*) The final decision, mercifully, Sir, was favourable to the Board. When the Act was in contemplation—when the Bill was being prepared—it was the keen desire of everybody that these grants should be made available, not merely for physical training in the narrow sense, but also for club and similar activities associated with physical training. It so happens that the wording of the Act, which I regret to say I have not got before me at the moment, did not make it absolutely clear whether grants could be paid in respect of so much of a project as was not physical training proper; in other words, whether a grant could be made in respect of a club room which formed part of a club which contained a gymnasium, and so on. Legal opinion was sought, and the Treasury accepted the view there expressed as shown here, "that the expression 'physical training and recreation' ought to be construed as meaning 'physical training and any form of recreation which conduces to physical well-being whether or not involving physical exercise.'" But in administering our grants we are very careful to see that no grant is ever given to any club or institution of that sort in which the physical training side is not the predominant side.

551. In other words the recreation has got to be ancillary to the physical training?—Exactly.

552. If it is not that, it does not rank for grant?—No.

553. Have you anything to say, Sir Gilbert?—(Sir *Gilbert Upcott.*) I do not think I should have any difficulty from the audit point of view, although I have not yet had a case under examination; but it is stipulated that what may be described as mixed cases should be the subject of consultation between the Board of Education and the Treasury, so that any difficulty or ambiguity should be resolved before I have to come on the scene.

Sir *Assheton Pownall.*

554. You mentioned in answer to the Chairman the rather lengthy process which had to be adopted. Could you give some idea how long this process of percolation—I think that is the right word—takes?—Perhaps I might ask Mr. Davidson, our Accountant General, to answer that question, because I do not myself see these cases unless they raise some question of principle. He could not doubt tell you what is the average length of time. (Mr. *Davidson.*) I think, in the first instance, while the area committees were being set up, it was the rather appropriate period of nine months.

555. That was the period of gestation, shall we say, not percolation?—Since then the process has been rather speeded up.

556. Is it down to about six months now?—I should say to about five months.

Mr. *Brocklebank.*

557. You must have a great number of applications which come on to the mixed list. Could you say how many you have got and how many you have had to turn down?—(Sir *Maurice Holmes.*) I am afraid I did not come charged with that information, because it does not come within this year, but I think we have probably got some figures here. I can give it under one or two heads. The total number of applications considered by the grants committee was 957, of which 358 were from local authorities and 599 from local voluntary organisations, and the estimated capital cost of all this was £5½ millions. Do you want me to go on about the number of cases?

558. I am asking how many were turned down?—668 grants have been offered out of that 957 and 246 rejected,

21 February, 1939.] Sir MAURICE HOLMES, K.C.B., O.B.E.,
and Mr. D. DU BOIS DAVIDSON.

[Continued.]

leaving 43 which have been accepted in principle, but deferred for re-examination and further particulars.

Sir *Haydn Jones*.

559. What proportion of the cost of a scheme promoted by a local authority does the Board of Education give?—It varies according to the type of area. There are four categories of area, which range from the wealthiest to the poorest, and in the case of the wealthiest ones we do not give more than 25 per cent. They are graded up until you get to the poorest, where we give 75 per cent. or maybe in some cases even up to 100 per cent. We try to graduate the ratio of our grants according to the needs of the applicants, whether local authorities or voluntary bodies.

560. I have a case in mind where the locality has collected a certain sum. Do you take that into account?—No. We take into account only so much of the capital cost as still needs to be raised.

561. Is it not true that supposing one-half of the money for a scheme is found by public subscription and they have to borrow the other half, you only give 50 per cent. of the amount borrowed?—That is so, if 50 per cent. is the rate.

562. And not of the total cost?—No. The application will come to the area committee. Let us say it is a capital project that costs £2,000; friends of the project have raised £1,000. An application comes to the area committee for another £1,000. That goes forward with a recommendation from the grants committee and so to the Board and we should certainly only take account of the amount for which public aid was sought.

563. In other words it is no earthly good raising subscriptions?—I would not say that, Sir, because in the case you postulated it is quite likely, supposing the area committee had been asked for a grant on the whole £2,000 and supposing it was an area where the normal grant was about 40 per cent., in that case the grant would be £800 and therefore there would have to be £1,200 raised locally. In the case you have mentioned there would be a grant of only £400, leaving £600 to be raised locally. I do not think it can be said that the money found locally is wasted.

Mr. *Lathan*.

564. You said, Sir Maurice, in answer to the Chairman, that physical training

must be an ancillary purpose of the project or institution which you assist?—No, the other way round, that the non-physical element, such as the club room, is the ancillary element which we can assist. The main purpose of the thing is to aid physical well-being and therefore the gymnasium, the running track and the boxing ring are the main things, but those will never be used, as we think, adequately if they merely exist by themselves and so it is for that reason that we like to see growing up round it something in the nature of a club where these young people will go.

565. Do you find any difficulty in applying that in regard to community centres, for instance, where the objects may be somewhat wide in their range, although physical training is none the less real?—Mr. Davidson will correct me if I am wrong, but I think we have given a certain number of grants in respect of community centres. (Mr. *Davidson*.) Yes, and all these mixed cases, as Sir Gilbert has said, are the subject of previous consultation between the Board and the Treasury, and I am glad to say that there has never been any difference of opinion in any case, so far.

566. That is interesting, because there are community centres, as I am sure you will appreciate, where there is quite a substantial measure of physical training and allied activities carried on where it could not be said that that is the prime purpose of the centre?—(Sir *Maurice Holmes*.) I think you will find that, although there may be elements which have to be shut out—we shut out certain elements sometimes, as if one had a string of billiard rooms—we have certainly assisted a number of community centres of the type which you have in mind.

567. You regard them as valuable?—We regard them as very valuable indeed.

Sir *Robert Smith*.

568. Do I take it that a village hall receives assistance because they have, we will say, a badminton court in it?—No. I think that case would fall to the ground.

569. Why do you rule it out, if it is for the physical well-being of the people?—If it is a village hall in which you play badminton on a couple of evenings a week or even every evening in a week, I do not think that is the sort of thing

21 February, 1939.] Sir MAURICE HOLMES, K.C.B., O.B.E.,
and Mr. D. DU BOIS DAVIDSON.

[Continued.]

on which we want to spend this very limited amount of money which we have for improving the physique of the nation.

570. Why should not you give it to something which is of really physical benefit? You say you give it to a club room because it is attached to another building where there is physical training going on. Why do not you give it for physical training when such things are taking place?—I thought your question was whether we would give a capital grant to the erection of a village hall where badminton was going to be played.

571. Yes. You are actually going to have physical exercise in the hall, yet you say you apply your money to non-physical things such as a club room, where there may be in the same locality, actual physical training being given by a voluntary organisation. Yet you say to the one giving physical training: "No, we cannot give you that"; while you give it to the other club?—We should be rather buying a pig in a poke. We should be giving our money for the erection of a village hall, and there might be no badminton played in it afterwards, because people had got tired of badminton.

572. Is dancing of physical value?—Yes, I think so.

573. Practically every village hall has dances. Why should they be cut out?—(Mr. Davidson.) Village halls are not, in fact, cut out.

574. I understood so from the witness?—I do not think Sir Maurice said that. Village halls are not cut out as village halls, by any means.

575. That is what I wanted to know?—If there is a substantial element of physical training, as Sir Maurice pointed out, they are aided.

576. Surely physical training is affected by mental training. I am going back to the question of the club room, because you say you make grants for the club room which has nothing to do with physical training, as you have admitted?—(Sir Maurice Holmes.) I must have expressed myself very badly. What I meant was the type of place where you have a gymnasium and a room that can be used for boxing and also as part and parcel of the same place a club room where the young folks can sit afterwards.

577. In the building of that institution or whatever it may be, it is quite possible to say, "So much of the cost of this is for the physical training part and so much for the non-physical training part, namely, the club room," yet you say you are going to give the grant to that club room because it happens to be attached to a physical training establishment?—I think it depends on the nature of their village hall and the nature of the proposition. If the proposition merely came up, "Will you assist us to provide a village hall," I think the answer must be "No." But if there is going to be some stage where there is going to be boxing or badminton, the thing might come in. I cannot deal with the thing *in vacuo*. I want to know the nature of the proposal.

578. You say "*in vacuo*", but the number of village halls that are put up all over the country is very, very great. Surely this point must have come up?—Have you ever had a village hall as a village hall and nothing else, Mr. Davidson?—(Mr. Davidson.) No, I think we have always had applications to aid village halls where the physical training element was a substantial element, as was indicated in Sir Gilbert's Report.

Mr. Pethick Lawrence.] I do not think we can carry it very much further. You have elucidated the point, I think.

Sir Robert Smith.

579. That is my point?—(Mr. Brittain.) Village halls do get other grants from the Development Commission, and there are very clear arrangements for consultation between the Development Commission and the Board of Education to see that the development fund grants and the Board of Education grants are co-ordinated with a view to meeting this very point.

580. Might I go back to the wording of the paragraph, my argument being this: It is Counsel's opinion, which is practically not any more than my own, if it comes to that, but the Treasury have accepted it; if one goes to the Courts it does not mean that the Courts will decide that what is laid down as Counsel's opinion is the proper meaning of the words "physical training and recreation"; but I would argue very strongly that if you can prove a hall is being used for badminton and things of

21 February, 1939.] Sir MAURICE HOLMES, K.C.B., O.B.E.,
and Mr. D. DU BOIS DAVIDSON.

[Continued.]

that nature, that was physical recreation, and also that dancing was a form of physical recreation?—(Sir *Maurice Holmes*.) I think I see the difficulty. These grants are only for capital grants. In the nature of things, this hall cannot be in being. You spoke of a hall which was being used for dancing. This is a hall which is not yet in being but is proposed.

581. I am taking it hypothetically. I am not thinking of any case at all?—Let them put up their proposal and tell us all about the physical side of it as well as the hall side of it, and it will be considered on its merits, if need be in consultation with the Treasury.

Mr. *Mabane*.

582. I understand you are telling us in effect you have put a further construction upon the opinion of Counsel. If you followed the opinion of Counsel, you could make grants where no physical training was involved at all, but you have put a further construction upon the opinion, and you limit the making of grants to cases where there is physical training?—That is so.

583. That is to say, Counsel's opinion really went rather further than you anticipated. I gather under this opinion you could make a grant for opera?—I do not think you could say it would conduce to physical well-being.

584. I wonder what conduces to physical well-being without involving physical exercise. I thought perhaps you could tell us what does conduce to physical well-being without involving physical exercise: can you give us an example?—I really cannot, because I did not evolve that very clever way of getting us out of a difficulty under the Act. The fact of the matter was that the Act enabled us to make grants "towards the expenses of a local authority or local voluntary organisation in providing, whether as a part of wider activities or not . . . facilities for physical training and recreation." That was intended by the draftsman and by everybody to mean that we could make a grant either to a gymnasium or to a club that included a gymnasium (that is an example only) but our own legal people raised the point that that is not what the Act said at all; that all it enabled us to do was to aid the purely physical side, that is to say, the gymnasium and not the club facilities. That was certainly not what was intended, as the White

Paper issued at the time of the Act showed, so we sought the opinion of Parliamentary Counsel and we got from him what we regarded as a very ingenious get-out. In other words, that we were enabled, as he says, to aid "physical training and any form of recreation which conduces to physical well-being whether or not involving physical exercise." But in view of what the Act itself says, we felt we should certainly not be justified in aiding something which did not conduce to physical well-being; in other words, we want to keep to the intention of this clause, "whether as part of wider activities or not." Have I made myself clear? It is very complicated.

585. If you have Counsel's opinion, clearly you must follow it, and I think I am correct in saying that the interpretation of Counsel's opinion is that you could assist the club without assisting the gymnasium?—(Sir *Gilbert Upcott*.) You must read "and" as a conjunction. (Sir *Maurice Holmes*.) He says: "Physical training and any form of recreation."

586. I would say in Counsel's opinion here the "and" is operative in the sense I have indicated?—I think he is trying to square it with the words of the Act, and he therefore says: "Physical training and recreation" must be construed as meaning "physical training and any form of recreation which conduces to physical well-being whether or not involving physical exercise." We should never dream of doing what you have suggested.

587. I was wondering whether you deemed yourselves to have the power or not?—We do not deem ourselves to have the power, and if we did so deem, the arrangement we have made with the Treasury would prevent our putting it into effect.

588. Not by law. By your good will?—Much more than by our good will—Treasury control.

Sir *George Davies*.

589. I would like to be clear on a point on the second sub-paragraph of paragraph (ii), with regard to the continuity of the objects for which the capital grants are given: a capital grant, for instance, towards a building—which we may call a long-term object—and grants towards equipment which has a

21 February, 1939.] Sir MAURICE HOLMES, K.C.B., O.B.E.,
and Mr. D. DU BOIS DAVIDSON.

[Continued.]

comparatively brief life. With regard to the former, you secure yourselves as far as possible by providing that there shall be some sort of trusteeship so that there shall be some sort of continuity?—And purpose.

590. But with regard to equipment, you said, if the organisation came to an end, that was restored to store, as it were?—Yes. Here is a typical instance. Some working men's rowing club say they would like four pairs of sculls; they cannot provide them themselves. We help to provide them on the condition that if the club goes out of business as a rowing club the sculls are to be sent wherever the Committee say they are to be sent.

591. The scrap value of such things is likely to be very small, because their life is very short?—Yes.

592. The other is that they would be in themselves so comparatively trivial?—Yes.

593. Does not that entail a tremendously cumbersome business, to keep track of them so that you can get them back?—I do not think there would be any difficulty at all. Our records would show at once where they were. It is simply a common form clause which is put into the letter giving the grants in such cases. I do not think the Committee would find the slightest difficulty in chasing them if the club were wound up. If the oars, and so on, have ceased to be of any use, it does not matter.

Mr. *Pethick-Lawrence*.] Let us pass to the Civil Appropriation Accounts, pages 156 and 157.

Mr. *Lathan*.

594. I notice a substantial increase of £137,000 in pensions, which is unexplained, on page 156?—(Sir *Gilbert Upcott*.) The explanation is later on. (Sir *Maurice Holmes*.) This is only the summary table. It is explained later on.

Sir *Isidore Salmon*.] I should like to ask under sub-head A on page 156 on Administration: When you see the explanation I understand that it is attributable to vacancies?

Mr. *Pethick-Lawrence*.] That is sub-head A.1.

Sir *Isidore Salmon*.

595. If I may, I will take on page 156, sub-head B; "Inspection and Examination." I notice there that the

inspection presumably is up this year as against last year?—The total sub-head, that is so.

596. That is because you are putting on more inspectors?—We have taken on a few more medical officers. If I may suggest it, it is much easier to take it when we get to the detailed accounts themselves than on the summary on page 156.

Mr. *Pethick-Lawrence*.

597. Will you pass to page 158. I should like to know what is the ground for the increase compared with the previous year on page 158. I think that service is up?—Sub-head C.1?

598. Yes?—It is less than is granted. It is a saving.

599. It is an increase on the previous year?—(Sir *Gilbert Upcott*.) Sub-head C is about £500,000 higher than it was in 1936. (Sir *Maurice Holmes*.) That is partly salaries and partly expenditure on re-organisation of schools on the Hadow lines. Salaries unfortunately have not yet reached equilibrium and will not do so for a few years yet. It is true there has been a drop in the child population, but as will be readily understood, that cannot be reflected by an equivalent reduction in teaching staffs, because it is a question of two or three children in a class. Moreover, you have these big movements of populations to large housing estates. Schools full up in some areas and half full in others, so it is never possible to make reductions in the teaching staff equivalent to the reductions in child population. I should be happy if I thought we could reduce by one teacher for every 100 children less on the books, but we cannot, even on that basis.

Sir *Isidore Salmon*.

600. The detailed account of expenditure as compared with grant is on page 157. Perhaps Sir Maurice would kindly explain the question of the cause of the increased inspection?—Under subhead B.2?

601. Yes?—It is due in the main to additional medical staff. Nutrition, meals and all that sort of thing are very much more carefully attended to in these days than in the past, and five additional posts were added during the year in question, but since then two posts of medical officer have been suppressed, that is, after the close of the year we are here dealing with, so it will

21 February, 1939.] Sir MAURICE HOLMES, K.C.B., O.B.E.,
and Mr. D. DU BOIS DAVIDSON.

[Continued.]

only amount to a net addition of three— one Medical Officer, one Staff Inspector of Physical Exercises, and one Inspector of Provision of Meals arrangements.

602. Do you find it is more satisfactory and more economical to work overtime than to fill your vacancies?—No, we would much rather fill our vacancies, but you get rushes of work that do not affect more than one branch. The work that affects allocation of pensions was not work that could be spread over all the office; it was work which affected the pensions branch and therefore overtime had to be worked in that branch.

Mr. Pethick-Lawrence.

603. Can you explain the note D.1 on page 160 "In the calculation of grant to one L.E.A., a receipt . . . was disregarded"?—(Sir Maurice Holmes.) That was a rather curious case. The Carnegie Physical Training College was built by Carnegie Trust money and was entrusted to the Leeds Corporation to run and to maintain. The Leeds Corporation undertook to maintain it, but they said they could only do so so long as they did not have to bear loss by training young people from other areas. They were quite prepared to pay their share for Leeds pupils who went to the College. Therefore the Carnegie Trustees gave them a guarantee against loss for the first three years. In the first of those three years there was a loss of £886. Under the system whereby we pay grants, we can only pay grants on net expenditure, therefore, when the Leeds authority entered a receipt of £886 in their education account, we had, in paying our grant, to deduct that £886 from their total expenditure. As you will readily see, that meant in effect that the Carnegie Trustees, instead of £886, were giving £443 to Leeds, and a totally undeserved present of £443 to the Board of Education. That clearly was so hopelessly contrary to the intention both of the Carnegie Trustees and the Leeds authority that we put the whole circumstances to the Treasury, and in the circumstances they said obviously we could not claim our share of that money. That accounts for that £443.

604. On the following page, 161, there is a note (d). Can you explain that? It is the second time the (d) occurs?—Schools for Nautical Training?

605. No, a little lower down?—I think it is, if I may say so, a Nautical Training School.

606. Very good. The two items are the same, of course?—That excess is due to two causes, partly an increase in the number of pupils at the Gravesend Sea School, in respect of whom we pay £6 for every pupil who leaves—the number of pupils was higher than anticipated—and in part due to a new grant which, with Treasury sanction, is being paid for a four years' experimental period. It is a grant of £600 to the Central Board for the training of officers for the Mercantile Marine. That was begun in 1937-8, when the first grant was made and it is to go on for four years, and the Board are authorised by the Treasury to increase the grant up to £800 a year in the event of a substantial increase in the number of apprentices receiving training, provided the increase seems justified. It is really to encourage sea training.

Mr. Lathan.

607. On page 156, for pensions, £137,288 is the increase shown. Apparently it is explained as £123,000 on page 161?—Are you on the excess figures?

608. Yes?—It is always impossible to estimate with any exactness the number of additional pensioners who will come on to our books, because it is open to them and to their employers to terminate their engagement at any time they like between 60 and 65, so we can never really make a very good shot as to what the additional number of pensioners at any time is going to be.

609. I rather anticipated that reply. Do you find there is a tendency to earlier retirement now?—No. I would not say there was. The last time when there was a tendency to earlier retirements was in 1931, when there was a cut in teachers' salaries and teachers were terrified that their pensions would be adversely affected and there was a big rush out of people immediately they reached 60. I think the increase, as it is now, is rather fortuitous. It is the highest since 1931.

Mr. Mabane.

610. What is a physic garden?—The physic garden is a place in Chelsea to which we gave £150 grant in the old days when we ran the Imperial College of Science and it has gone on as an annual grant from us. The Account for the physic garden, I think, you will find under Class IV, Vote 11. This is merely

21 February, 1939.] Sir MAURICE HOLMES, K.C.B., O.B.E.,
and Mr. D. DU BOIS DAVIDSON.

[Continued.]

a present that we gave them in early days. It has been going on ever since I have been in the service.

611. What is done at a physic garden?—(Mr. Davidson.) It is for botanical research.

612. It is an actual garden that exists?—Yes, it is on the Embankment. It is a very lovely place.

Sir *Isidore Salmon*.

613. Do you give any encouragement for refresher courses for technical teachers—crafts teachers?—(Sir *Maurice Holmes*.) We always encourage any refresher courses and the particular bias we encourage in them rather depends on the needs of the moment. Just at the moment we are encouraging courses of that sort so as to deal with the extra age group that will be coming into the elementary schools. We encourage everything that will be useful for the children of 14 to 15. We are making attendance of teachers at them easier by ensuring that they can be away for three months without any loss of pension or pay.

614. Do you encourage that in technical schools?—Do you mean the courses being held in technical schools?

615. No, to be held by the Board, if you like, for refresher courses for bringing up to date the teacher's knowledge for the particular technical work they are dealing with?—The Board do undertake certain work themselves, as you know, and we issued a circular about a year ago, encouraging authorities to start courses in all sorts of things, including crafts and that sort of thing for the teachers who will be teaching these older children. Where they hold them we leave to the authorities concerned.

616. Your encouragement takes the form of permitting them to be paid while they are away?—They can be paid up to three months and their pension is not affected if they are away for three months.

Mr. *Pethick-Lawrence*.] Are there any questions on pages 162 and 163?

Sir *Isidore Salmon*.

617. On the question of the museums, are you finding you have as many visitors, or is there any falling off in the number of visitors?—The attendance at the Victoria and Albert Museum is again disappointing. I know the Director is upset because he does not get more visitors, but I do not know why he does

not. The Science Museum is on a fairly good level. We tried opening the Victoria and Albert Museum in the evening to try to get people museum-minded, but the attendances were so dreadful that we had to bring it to an end before the period for which the Treasury had allowed it to continue had ended.

Mr. *Pethick-Lawrence*.] Are there any questions on pages 164 and 165?

Mr. *Mabane*.

618. Sub-head L.2. is rather complicated. I have been trying to understand it?—Publicity, travelling and incidental expenses?

619. Yes, I was wondering what the publicity was that is referred to in this note?—There are various forms of publicity, posters, printing and so on, and, as you will see here, the total was originally £23,500 of which £4,500 was to be the ordinary printing to be done by the Stationery Office. At a later date, as it says here, it was decided that all printing costs should be borne by the Stationery Office and in consequence the expenditure was estimated to be £10,500. We then had to try to keep our expenditure down to the £13,000 but could not, but, owing to the Stationery Office not spending up to their estimate or anything like it, the total by the two Departments was only £16,900 as against the Vote of £23,500.

Mr. *Pethick-Lawrence*.

620. £15,007?—£16,971.

621. Page 166. Perhaps you will explain the loss mentioned in the second paragraph at the top of the page?—I am afraid there is no doubt these water-colours were stolen. The police were called in and made a very searching examination, but their efforts, unfortunately, did not produce the water-colours. Steps were taken to increase the guard on the passage that connects the Victoria and Albert Museum with the Royal College of Art, not because the students were suspected, but because it is a way out of the building. An extra doorkeeper was put there and we have not had any similar thefts since. I am afraid they must be written off as a loss.

Sir *Robert Smith*.

622. It seems a long period of time before the loss in the Victoria and Albert Museum during the period 1932 to 1937 was discovered. It was five years?—I

21 February, 1939.] Sir MAURICE HOLMES, K.C.B., O.B.E.,
and Mr. D. DU BOIS DAVIDSON.

[Continued.]

imagine that was stock-taking. (Mr. Davidson.) That refers to the smaller objects—the £47 that you see in the next paragraph.

623. You mean to say you only take a stock-taking every five years, and you did not know these pictures had gone until you got to 1937?—No, the pictures we knew of much earlier.

624. That is how it reads?—(Sir Maurice Holmes.) It refers to the other objects, estimated value £47.

625. Even so, does not it seem strange that it should have taken five years to find out that you have lost something?—(Mr. Davidson.) It is only a quinquennial stock-taking by arrangement with the Treasury. (Sir Maurice Holmes.) Some of these are little things; for instance, a handle may be wrenched off a coach by a souvenir collector. They are curious people.

626. Do you mean that is not discovered for five years? Do they go round every five years?—I think it is inevitable when you have a place with the number of exhibits that the Victoria and Albert has. You cannot expect to find a loss of that sort the moment it occurs.

627. Do not you take steps to find it out at more frequent intervals? It seems to me you do not take steps because you wait for five years before you examine the thing to see whether anything has gone, by what you say?—I can certainly get a note for you on the steps that are taken.

628. You might lose some extremely valuable things?—That would not be possible, not the stuff shown in the cases.

Sir George Davies.

629. The valuation is quinquennial, so every five years it is actually written off the books?—Yes.

Sir George Davies.] Meanwhile during the five years certainly in the case of anything more important than a door key it is known that it is missing but it is not taken in. That is the normal procedure. You know the thing is not there, but it is not written off until the quinquennial valuation.

Mr. Pethick-Lawrence.

630. Is that so?—(Mr. Davidson.) That puts the case exactly.

Sir Isidore Salmon.

631. In those circumstances, is it not a little unfair to yourselves to frame the note in such a way as to create the impression that it takes you five years to find it out, whereas you knew this year of the larger items?—I think the answer is, that if anything of that kind were to be reported as missing at the time, it has happened that we have had cases of things being returned surreptitiously, so that you could not write them off.

632. They are more likely to be returned if you notify the fact that you know they are lost, than if you keep it private and do not notify the fact for five years that they are lost. It occurs to me it might be a good idea to consider whether, if you lose something of £300 or £400 value, it would not be better to write it off in the year in which it occurs, rather than wait for five years so that it looks as if you did not know they were lost for five years?—(Sir Maurice Holmes.) These items were certainly not on show; they were taken from portfolios. (Mr. Davidson.) They were almost certainly lost after October, 1936, within the next two or three months. They came from circulation collections, which you know go in and out from the provincial museums.

Mr. Pethick-Lawrence.] May I take it that the Account is approved. (Agreed.)

(SALES OF CASTS ACCOUNT, VICTORIA AND ALBERT MUSEUM, 1937-8.)

(On this Account no questions were asked.)

(Sir Maurice Holmes and Mr. du Bois Davidson withdrew.)

21 February, 1939.] Professor Sir GEOFFREY CALLENDER,
F.S.A.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS IV.

VOTE 7.

NATIONAL MARITIME MUSEUM.

Professor Sir GEOFFREY CALLENDER, F.S.A., called in and examined.

Mr. *Pethick-Lawrence*.

633. Paragraph 29 of the Comptroller and Auditor General's Report, page XVII. With regard to these transactions, is this non-voted service satisfactory and self-supporting?—(Sir *Geoffrey Callender*.) The non-voted service was started because the Museum was a new one and the Trustees desired that there should be publications of a suitable kind on the stall and of course there was no grant for that. The decision for a Royal opening was come to in September, 1936, which gave little opportunity of approaching the Treasury about it and therefore the Trustees themselves made a grant of upwards of £2,750 to make the necessary publications to go upon the stall; in other words they were capitalising a small business. I think the analogy in that second paragraph should not be pressed, because the non-voted funds at Greenwich are of a capital kind and not of an income kind as in the case of the two older galleries, one of which is a hundred years old and the other over 80.

634. I notice when we come to the accounts on page 177 there is an item relating to the sale of photographs?—Yes.

635. So that that is included in the Vote. I understand these other services are of a different character. What is the essential difference?—Money that is obtained by the sale of photographs goes directly as an Appropriation in Aid. It is put into a separate Account altogether.

636. But why is the difference made between the photographs and these other things?—A grant had already been made by the Treasury for the support of a photographic studio and long before the stall was set up the money was being devoted as an Appropriation in Aid that derived from the photographic studio.

637. These others are coming under a new category?—Yes.

638. Are you quite satisfied that the working of that is all right?—Yes.

639. Do the Treasury agree in that view?—(Mr. *Brittain*.) Yes, I think so.

(*Sir Geoffrey Callender withdrew.*)

We made sure before we made this arrangement that the gallery were likely to have sufficient private funds of their own to finance it. That is a rather important point, and we are quite satisfied.

Sir Isidore Salmon.

640. Sir Geoffrey, are you satisfied that you make a reasonable gross profit on the articles that you buy not through the Stationery Office, but, presumably, by competition?—(Sir *Geoffrey Callender*.) Am I satisfied that our gross profits are sufficient really to meet the outgoings?

641. Yes?—I think so. Of course, we have had a very short time in which to judge it. The stall was not started until 1937. At present we have a balance of £248 in the bank.

642. The whole point is, are you making sufficient money to pay for the stall?—The main liability is the pay of the saleswoman.

Mr. Pethick-Lawrence.

643. On page 177 I should like to ask this: I think the salaries have considerably increased in recent years. Do you consider that they are now stabilised, or are we to anticipate still further increases?—I do not anticipate any further increases, no.

644. With regard to the Grand in Aid, what precisely is that for?—The Grant in Aid is for the purchase of acquisitions for the museum. If anything comes before the notice of the Trustees that they think should be added to the museum, that fund serves for it.

645. They expend the amount that has been granted by Parliament?—Yes.

Sir Robert Smith.

646. How is it that whereas the sale of photographs, estimated at £50, realised £89, for admission fees you estimated nothing and received £110?—When the estimate was made there was no proposal to make a paying day. That was arrived at afterwards.

Mr. Pethick-Lawrence.] May I take it that this Account is approved? (*Agreed.*)

21 February, 1939.] Sir JAMES PECK, C.B., F.R.S.E.

[Continued.]

CLASS IV.

VOTE 13.

PUBLIC EDUCATION, SCOTLAND.

Sir JAMES PECK, C.B., F.R.S.E., called in and examined.

Mr. Pethick-Lawrence.

647. I think, Sir James, you are not any longer in Scotland in charge of this service. You are seconded, but you still are the Accounting Officer for it, is that the position?—(Sir James Peck.) Yes, I am seconded for the time being but I still remain Accounting Officer for the Department and I signed this Account, so I must answer for it.

648. Page 187: will you explain to us, Sir James, precisely what are the savings in staff which result both in sub-heads A1 and B1?—Savings of staff are divided into two classes, the office and the inspectorate. For the office there were vacancies for periods varying from a few days to five months in the clerical and typing posts, following promotions and transfers. There was the filling of vacancies by junior officers low in the scales, replacing officers high in the scales and so on. I do not know if you wish me to go into details, but every year there is a constant change in the personnel which is rather difficult to forecast exactly. The same is true of the inspectorate. Last year three chief inspectors retired, and their places had to be filled by people lower down in the scales. One man died and so on. I do not think there is anything in this that is exceptional.

Mr. Culverwell.

649. How often does the Advisory Council meet in the ordinary way? Is it exceptional that it has not met at all in this year?—It is quite exceptional. In the previous year I should think they had 12 or 15 meetings of the full Council and produced a very voluminous report. Then, I think, we felt they wanted a little rest and did not give them a remit for some time. They have a remit now and are working on it.

650. What do they advise you on?—General educational problems. For example, the principles on which teachers should be trained. They gave us a very valuable report on that, discussing the question whether all teachers should be university graduates or some should be training college women suitable for infant and junior classes.

They gave us a report on the technical training of our young people. Over the last 10 years they have given us about half a dozen reports which we consider and absorb into our thoughts.

651. Is there a similar body for the English education?—There is a consultative body for English education.

652. The problems are precisely the same in England as in Scotland?—We do not quite think so. We have a separate Education Department. We rather like to examine our own problems in the light of the Scottish tradition.

653. Just a little *amour propre*, is it?—No, Sir.

Sir Robert Smith.

654. On page 187, what is the position as far as Scotland is concerned with the payment of assistance towards physical training centres? Do you pay any out of the Education Fund? Do you pay towards capital expenditure for physical training?—No Sir. In Scotland the position is quite different from in England. In England that is administered by the Board of Education. In Scotland it is administered by the Scottish Office, which is a separate Vote. It is the same Minister but I have nothing to do with it.

655. You have nothing to do with physical training at all in Scotland?—I would not say that, because in our education system we have the physical training of young people in schools, and people attending continuation classes. Special teachers are appointed for that work, and we have inspectors of physical training. But that is all within the ambit of the educational system.

656. There is nothing after they pass out of the educational system?—That is the general distinction.

Sir Isidore Salmon.

657. Has your school population in Scotland fallen more than that in England?—I think it is going on very much the same lines.

658. You get 11/80ths of the educational grant of England, do not you?—Yes.

21 February, 1939.] Sir JAMES PECK, C.B., F.R.S.E.

[Continued.]

659. But if your population fell, would you still get 11/80ths for the smaller number of people to deal with?—So long as the Act of Parliament stated so, yes. That is laid down. I think these figures illustrate what is happening in Scotland: in 1921 there were 121,000 births, in 1930 there were 93,000, in 1936, 88,000; so that indicates the fall of the births. You see that reflected in the schools. The school population was in 1928, 823,000. Ten years later, the present year, it is 785,000.

Mr. Pethick-Lawrence.

660. You do not know how that compares with the English figures?—I do not know, but I should imagine it is *pari passu*.

661. The next two pages, 190 and 191, are there any questions? On 191 I should like to ask about footnote (a). What exactly is the position with regard to that?—The position is that we inspect reputable private schools and we

receive from them a fee for the inspection, because we use our own inspectors. That is the reference to Section 19 of the Act of 1878.

Mr. Lathan.

662. On the question of securities on page 190, the position is reviewed, I take it, from time to time and consideration given to the question as to whether or not you should realise, having regard to fluctuations in the market value?—We leave that in the discretion of the National Debt Commissioners, who hold all these securities for us. If they advised a change of security we would accept their advice as experts in the matter.

663. I see there is a fairly heavy appreciation at the moment in the Trust?—Yes. (Sir Gilbert Upcott.) Those securities are held for income.

Mr. Pethick-Lawrence.] May I take it that this Account is approved? (Agreed.)

CLASS III.

VOTE 14.

APPROVED SCHOOLS, ETC., SCOTLAND.

Mr. Pethick-Lawrence.

664. On pages 141 and 142, Approved Schools, with regard to item A, I note that it is slightly higher than it has been in previous years. Can you explain the reason for that?—(Sir James Peck.) This is a Vote not dependent on the 11/80th formula, so it is not automatic. We take full responsibility for this amount. The salaries of the teachers in these approved schools have been increased somewhat lately. We had a committee in England which went into the question of salaries in what used to be called reformatory and industrial schools, and they made

certain recommendations, and we rather followed their advice and raised things a little. Then a number of these buildings are not very satisfactory. They are survivals from the time when voluntary effort did this sort of thing, and we felt we really had to improve the structures a little. I think those are the two main reasons for the increase here. The number of children going to the schools has not varied very much. It stands steady at about 1,600 and indeed has declined in the last five years.

Mr. Pethick-Lawrence.] May I take it that this Account is approved? (Agreed.)

(Sir James Peck withdrew.)

CLASS VIII.

VOTE 2.

MINISTRY OF PENSIONS.

Sir ADAIR HORE, K.B.E., C.B., and Mr. R. A. LEDGARD, O.B.E., called in and examined.

Mr. Pethick-Lawrence.

665. On page 447, can you tell us, Sir Adair, anything about the pensioners savings scheme that was initiated

I believe, not very long ago? How is it getting on?—(Sir Adair Hore.) The actual number of entrants and the actual number of persons participating in it

21 February, 1939.] Sir ADAIR HORE, K.B.E., C.B.,
and Mr. R. A. LEDGARD, O.B.E.

[Continued.]

remains fairly stationary, at slightly under 10,000, but I have here a copy of the audited statement of its position at the 31st March, 1938, which you might like to see, which will show you that at that date, the amount standing to the credit of the participants in it was £129,700. That is on roughly less than 10,000 savers. I will hand that in.

666. Is that in accordance with expectations? Has the amount saved been broadly what was anticipated?—I think so. Of course, it has to be remembered that it will grow gradually, but we take steps to call the attention of pensioners to it from time to time because we anticipated that those who would take part in it, would be men who, as their families grew up and became earners themselves, would find possibly that their own wages were quite sufficient to keep the house going, without the need of the pension, and that they would invest their pension; and that on the whole is proving the case, but as in most of these sort of things one has to remind the men from time to time and we do it by a reminder in the pension book when it is issued once a year.

667. Of course is it entirely optional?—Yes.

Sir Isidore Salmon.

668. Do you put it amongst the printed matter, or do you have a special slip inserted in the book?—We have a special slip inserted in the book. It is really the only way of doing things with any success.

Mr. Lathan.

669. The savers are mainly those who are in receipt of war pensions?—Entirely.

670. There are not many old age pensioners?—No, we do not touch old age pensions.

Sir Isidore Salmon.

671. What is the percentage of cost of administration in the current year, as compared with that of last year?—Administration costs, 4.2d. for every £1 of benefit expenditure. (Sir Gilbert Upcott.) There is no change.

672. The position is the same as last year?—(Sir Adair Hore.) The position is the same as last year.

673. The numbers have fallen?—The numbers have fallen, and the cost of

administration and the cost of benefit has fallen round about 3 per cent. in both cases.

Mr. Pethick-Lawrence.

674. On pages 448 and 449, I should like a little more explanation on the question of sub-heads O1 and O2—“Medical treatment and Surgical treatment.” I notice that substantially more than granted has been expended?—The explanation is that these Estimates, of course, are drawn up at a time 18 months before the year to which they will relate; that is to say, the Estimates forming the basis of expenditure for 1937-8 were drawn up in 1936, and consequently, we are unable to forecast with any precision, what will be the cost or the demand for treatment. We had assumed too large a fall in the cost of treatment. I am afraid that does happen sometimes just as conversely there have been times when we have assumed that we should remain at a level and have fallen. There is one further item which has affected the figures, and that is the rise in prices.

675. Prices of what?—Prices of commodities consumed in the hospitals, and therefore charged against us by those institutions for which we pay a capitation rate, for instance, asylums and civil institutions.

676. Prices were rising at the time of the year of the account?—Yes, but they have gone up since for 1938. There was an actual rise on the previous year of something like 3½d. per head per day.

Sir Robert Smith.

677. Why put this note: “Excesses mainly due to continued rise in costs”, I understand the reason that figure is high, is because you cannot tell the number of men who will require treatment at a given date. The note does not seem to me to give the reason?—It gives the main reason.

678. If you had stated that a larger number required medical attention, I could have understood it, but this would give the impression that the cost was more, that the doctors were paid more, or something of that sort?—No, it is not that the doctors are paid more. It is the cost per head of maintaining patients in institutions, which is more.

679. I understood you to say that the cost was greater because the numbers were greater?—No. I am afraid I did

21 February, 1939.] Sir ADAIR HORE, K.B.E., C.B.,
and Mr. R. A. LEDGARD, O.B.E.

[Continued.]

not make myself clear. We cannot forecast exactly how many will require treatment. We did assume a greater fall would take place than did take place but the major item in the whole thing is the greater cost.

680. You do not mention the numbers in your note. If you had said the excess was partly due to increased numbers it would have been clearer. That is not the explanation given in your note?—I wished to be entirely explicit as to everything that affected the figures.

Mr. Mabane.

681. You say the fall that took place, was not as great as you anticipated?—Yes.

682. But surely there was not a fall at all. There was an increase?—It was practically the same figure.

683. The £864,000?—I am talking of the numbers treated, not cost.

684. The cost has been mounting for a year or two has not it?—No. If you include this year and 1936-7, before that it was mainly falling.

685. But this year the cost of medical services and surgical appliances is higher than the previous year, is it not?—Yes, it is higher than the amount voted to us.

686. And higher than the actual expenditure of the previous year?—And higher than the actual expenditure of the previous year, though not higher by £45,000.

687. Quite?—Because in fact the year 1936-7 also showed a loss on the grant made by the House, that is to say, that our expenditure for that year was actually higher than the estimate.

688. Not due to the fact that more men are having to come in for treatment, this length of time after the war? Could we have the figures of the men treated for the last year or two. I should be interested in that?—1933-4: 14,000 courses of treatment provided; that would be mainly cases, but a course of treatment may take anything from three weeks to three months, or six months or nine months. In the two following years there were 12,000 courses of treatment provided; in the year 1936-7 there were 11,589 courses of treatment provided, and in the year 1937-8, 11,434. It was a fall in 1936-7, to some extent, though not as much as we had anticipated.

15417

Mr. Pethick-Lawrence.

689. Turn, please, to pages 450 and 451. On page 450 I would like to ask the explanation why the receipts show such considerable variation, and in particular, with regard to Jamaica. How is it that apparently that item was not anticipated at all? One would have supposed that some receipt from Jamaica would have been expected, yet I gather from the figures that that is not the case?—(Mr. Ledgard.) During this year a further sum was received from the Government of Jamaica, being the repayment of pensions which we had paid during the period 1st April, 1931, to 31st March, 1936, under an arrangement which was made with the Treasury in connection with their payment on behalf of the costs of the war and they had been paying sums in the previous year, but we could not foresee that it would come this year.

690. This was a kind of settlement of back claim?—Yes, it was nothing to do with the Ministry of Pensions as such. It was an arrangement with the Treasury.

691. This was a settlement of back claims which you had not anticipated?—Yes.

692. What about other increases? I think you were only expecting £2,500 and you received £20,000. There seem to have been quite a number of things you got in the way of windfalls?—They vary. There are receipts in respect of surgical appliances which have been supplied to other Governments and other Departments, and recoveries in respect of medical examinations for and on behalf of the Dominions and Colonial Governments, and the Canadian Government. It is always rather difficult to foresee what is going to happen.

Sir Edmund Brocklebank.

693. Page 450: notes on sub-head A, "Offices at Acton". Does that mean you are no longer fully occupying those large buildings at Acton?—(Sir Adair Hore.) That is so.

694. Who is occupying the buildings now?—Besides ourselves, the Ministry of Health, and I think the Customs and Excise occupy some portion.

Mr. Pethick-Lawrence.

695. I notice on page 451, there is No. 6. Perhaps we might have some further explanation of that?—That was

E

21 February, 1939.] Sir ADAIR HORE, K.B.E., C.B.,
and Mr. R. A. LEDGARD, O.B.E.

[Continued.]

a case of a man who had been a sailor and was at sea from 1912 to 1916, that is to say, he was not, in fact, for the purposes of the arrangement made between ourselves and the Canadian Government, resident in Canada before the start of the war. The judicial ruling referred to here in the note, which looks rather as if we were overriding a decision of the Courts, really means this, that the man made a claim under a Canadian Act dealing with insurance, and the question arose as to whether he had a domicile in Canada for the purposes of those Acts, and the ruling of the Court was that he had, but that, of course, was on an entirely different issue from anything affecting the Ministry of Pensions.

696. There are one or two questions on page 453, and the following pages. I should like some explanation on No. 29 at the top of page 453—"Incorrect declarations supported by medical reports". Were those British medical reports?—The medical reports were given by a doctor who was the brother-in-law of the officer pensioner concerned, and the officer, I think, had lived with him.

697. Was it in this country or in America?—In America. Maintenance was paid to the doctor for treating the brother-in-law for tuberculosis in the doctor's home from 1928 to 1934. It transpired that the officer, however, left in 1932 to attend a University, but the doctor continued the certificate that he was under his care and residing with him. The doctor's explanation is, that he was given full charge of the patient, and although when feeling better he was allowed to attend the University he still maintained his permanent home with the doctor, which was a little bit lame.

698. I suppose being in the United States, or wherever it was, nothing could be done. In this country you would have taken rather drastic action, I suppose?—Yes. (Mr. Ledgard.) We tried to take drastic action through the medical profession in the United States, but we could not get any support, and the legal advice was, that we could not hope for any success if we prosecuted.

699. Can you give us a little more information about No. 30?—(Sir Adair Hore.) This was the case of a widow of a man; the woman married in 1895, but separated from her husband in 1907, and commenced to live with another man in

1908, and they were bigamously married in 1913. At a later date, she heard that her husband had been still alive at the time of her bigamous marriage, though he had died subsequently, that is to say, in 1922. She had not seen him for a good many years at the time she supposed she had married the second husband, and she was given a pension by us, because the man, who was a soldier, represented to us that she was his wife and on his death she was given a pension.

700. On the death of which of them?—On the death of the bigamous husband.

701. In the note it would appear to be the first man. But on your explanation it was the bigamous husband?—The bigamous husband. They both died, but the first husband had disappeared before the war and the bigamous husband was in the Army, and when he died, the widow was awarded a pension on his score.

Mr. Lathan.

702. She probably thought she was married to him?—She probably did. She had not seen her husband for many years.

703. Do you in such cases, insist on a cancellation?—She was not a widow.

704. For all the purposes that usually qualify, this woman was?—I do not know what the Exchequer and Audit Department would say. (Sir Gilbert Upcott.) She was not legally married to the second "husband."

Mr. Lathan.] Having regard to the fact that you paid allowances to paramours during the war, it seems stretching it a little bit.

Mr. Pethick-Lawrence.

705. I should like to have a little explanation of No. 41 at the bottom of page 453?—"Miscellaneous overissues." Do you want to know the types of case.

706. Yes?—They are roughly including allowances for separated wives, improperly drawn; allowances drawn through periods of imprisonment when under the Warrant a pension is not payable; overissue of need pension through failure to disclose means which subsequently emerged; pension drawn after re-marriage. In one of these cases the pensioner was prosecuted. In the remaining cases we were advised against

21 February, 1939.] Sir ADAIR HORE, K.B.E., C.B.,
and Mr. R. A. LEDGARD, O.B.E.

[Continued.]

prosecution. Recovery has been effected wherever practicable. That is the bulk of them. Then those resulting from official error: £74 over-paid to a man owing to the error of an officer who has since left the Ministry, and who failed to note a reduced award in the pension records, and £71 over-paid to a dependent.

Sir Robert Smith.

707. On the last point, was disciplinary action taken against the officer who received the money in that case, or the person who never paid it out? the note is rather hazy on that point?—Disciplinary action was taken against the members of the staff. In the last case the man was dismissed from the service, and an equivalent amount was deducted from the balance of salary due to him at the time of his dismissal.

708. Disciplinary action might almost be taken against the person who received the money?—It would not be disciplinary, would it? It would be legal action.

709. They might be members of the staff?—It was meant the other way.

Sir Edmund Brocklebank.

710. With regard to No. 7; what happens to the pension in that case? The bigamously married woman does not get it; but does the woman who is the legal wife get the pension?—No, because she was not living with the husband at the time of his death. I do not remember the details of the case. The pension to a widow is conditional on her living with the man at the time of his death, unless he had been supporting her under a proper deed of separation.

Sir Haydn Jones.

711. How many cases of prosecution are there during the year?—I am afraid I could not say off hand. I have no record of that.

Mr. Pethick-Lawrence.

712. If you particularly wish a figure it could be furnished?—We could get it for you.

Sir Haydn Jones.] It does not matter.

Mr. Lathan.

713. Mine was a general question. Many of these refer to payments that continued over a considerable period of time?—Yes.

714. The point that arises in my mind, is whether the recipients of pensions are required from time to time to make a declaration as to their continued eligibility?—The answer is yes. By direction of this Committee some years ago, a special form of identification was adopted and that is sent out to the extent of 10 per cent. of the pensioners every year.

715. Only 10 per cent.?—Only 10 per cent. It is a rather lengthy matter. The form itself covers four pages. It goes into a considerable amount of detail which could only be answered by the proper recipient of the pension, and of course, it does disclose a certain number of irregularities that have occurred, but even that is not infallible.

716. You have inspectors in the district, have you not, looking over cases from time to time?—Nobody could do that. I do not think it would be possible to undertake general detective work.

717. I understand that?—(Sir Gilbert Upcott.) All sorts of tests are constantly applied. (Sir Adair Hore.) Yes.

718. I was under the impression from cases that did come under my notice, that if the recipients had been required to make a declaration they would have hesitated?—A declaration for the purposes of life certificates has to be made once a year. Almost anybody can attest. There are certain regulations as to who may, but I am afraid that it is a rather formal attestation.

719. I dare say it is a difficult business. There are a good many women drawing pensions in the belief that they are entitled to them, when they are not?—Yes. (Sir Gilbert Upcott.) These cases are a very small proportion of the pensions in course of payment.

Mr. Pethick-Lawrence.] May I take it that this Account is approved. (Agreed.)

(The witnesses withdrew.)

(Adjourned till Thursday at 2.30 p.m.)

THURSDAY, 23RD FEBRUARY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Benson.
Sir Edmund Brocklebank.
Mr. Culverwell.
Major Sir George Davies.
Mr. Lathan.

Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.
Sir Robert Smith.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS II.

VOTE 12.

IMPERIAL WAR GRAVES COMMISSION.

(*Nineteenth Annual Report of the Imperial War Graves Commission.*)

Major-General Sir FABIAN WARE, K.C.V.O., K.B.E., C.B., C.M.G., called in and examined.

Mr. *Pethick-Lawrence.*

720. Will you turn please to page 90 of the Civil Appropriation Accounts, Class II, Vote 12, Imperial War Graves Commission. Sir Fabian, I notice that the amount this year is considerably down as compared with last year. Can you tell me how that arises?—(Sir *Fabian Ware.*) It is rather a difficult question to answer generally; that is largely owing to the improvement in the exchange. That is the chief reason for our having been able to save money.

Sir *Assheton Pownall.*

721. In the French exchange?—During that year the exchange rate proved enormously in our favour—the French exchange—a difference roughly between 80 and 150 francs to the pound. That is the main reason. On the other hand there are some minor economies as well.

Mr. *Pethick-Lawrence.*

722. But the main reason is the fact that the French exchange moved in our favour during the year under review?—The exchange: that is one of the most important factors in our work.

723. I note in the Annual Report there is an increase of expenditure which arises from the Report on Higher Wages. Will that reflect itself in future years?—Yes, very much. At last year's meeting of this Committee on this Account you asked for particulars of that award of the Industrial Court which I gave you then. That means a very considerable increase in the wages of our gardening staff abroad. The extra expenditure which that has caused us has been largely offset during the year under consideration by the favourable change in the franc to which I have already referred, but it does actually represent a very great increase in expenditure.

724. I think there is a proposal to pay in sterling in future, is there not, so that we shall not be subject to fluctuations in the matter of exchange later on?—Yes, that is so.

725. I notice further, that you are appointing what is really an Economy Committee on the whole question. Have you anything to say about that?—We are there adhering very strictly to the year under consideration, because that Economy Committee has been appointed

23 February, 1939.] Major-General Sir FABIAN WARE,
K.C.V.O., K.B.E., C.B., C.M.G.

[Continued.]

and has reported and we found it a very useful committee. It was a committee which we appointed in co-operation with the Trustees of the Endowment Fund and the Treasury, each nominating a member.

726. The fruits of that will come into years later than the one under review?—Yes, Sir, but the economies which were suggested by that committee are already beginning to take effect.

727. There is only one other question I want to ask on these pages. That is with regard to the Endowment Fund. The Endowment Fund has now been running for a number of years. Is it now nearly complete and therefore may we expect shortly to see the effects of that?—It will be complete in 2 years from now, Sir. We are very nearly at the end. The Dominions paid up their contributions some time ago, within 6½ years, but the much larger contribution which the United Kingdom Government had to undertake owing to their representing the larger number of the dead, have been spread over a longer period and that will not be completed until 1941.

Mr. *Pethick-Lawrence*.] I think we had better take the Annual Report with the Accounts, because they are so connected. We will take the whole Account and the Report together.

Sir *Isidore Salmon*.

728. As regards the Annual Report that you give in such detail, would it be possible, in giving in Appendix A the expenditure, to put at the side in your Report the figures of last year's expenditure, so that one could see at a glance whether it was up or down?—I should like to see that done, as far as I am concerned. I should find it a most useful addition to the Report. I think, if the Members of the Committee find it useful we should be very glad to do it.

729. I only just suggest it for the consideration of the Committee?—That is, as regards Appendix A only?

730. Appendix A only?—Yes.

731. Then one could see at a glance under what heads the expenditure had increased or decreased, as the case may be?—I have it all pencilled in in my copy and obviously it would be just as well if it were in print.

Mr. *Lathan*.

732. On the Account which appears on page 90, there is an item of £630 for the maintenance of cemeteries under Supplemental Charter. I draw attention to that to ask whether I am correct in understanding that the maintenance of cemeteries generally does not fall on this account at all, but on the Endowment Fund Account. Is that so?—We have power under our Supplemental Charter to undertake the care of graves other than those that are war graves—going right back into past history—if we are requested by any of the participating Governments to undertake that work at their cost. This is work which has been so undertaken. For instance, the kind of cemeteries are the Crimean cemeteries and some of the Pensinsular War cemeteries, which we look after for the United Kingdom Government upon repayment terms.

733. The maintenance of cemeteries generally would come under item B?—Item B. Sub-head E is a special Vote.

734. These Accounts on pages 90 and 91 are accounts in respect of contributions which are made from United Kingdom Funds and are audited by the Comptroller and Auditor General?—Yes.

735. But the Accounts on pages 92 and 93 are audited, I see, by a firm of chartered accountants?—Yes.

736. Is it because they concern Governments other than the Government of this country, or is there any other reason?—That is a matter which has come up several times before at this Committee. The arrangement is made under the Charter that the Accounts should be audited by a firm of auditors nominated by the Governor of the Bank of England, so that they can represent all the participating Governments and not only the United Kingdom Government. I am expressing it slightly loosely. Perhaps the Comptroller and Auditor General may want to say something about it afterwards. Then we entered into a special arrangement with the Comptroller and Auditor General by which these Accounts were always open to his inspection and supervision and all the information is given him with regard to it, so that he is prepared—I am beginning to forget exactly the formula which the Comptroller and Auditor General uses—to express his approval.

23 February, 1939.] Major-General Sir FABIAN WARE,
K.C.V.O., K.B.E., C.B., C.M.G.

[Continued.]

Mr. Pethick-Lawrence.

737. Have you anything to add to that, Sir Gilbert?—(Sir Gilbert Upcott.) Yes. The Accounts on pages 92 and 93, as Sir Fabian Ware has explained, are the Imperial Accounts, that is to say, they are the Accounts of the payments which are jointly borne by the United Kingdom and the Dominions. The Account on page 90 is the British Vote in Aid of that Account and I audit it accordingly as a Vote Account. I have, as Sir Fabian has indicated, a right of access to the Accounts of the Imperial War Graves Commission which are audited by chartered accountants, but it has not been necessary for me to claim that right, because there is, in point of fact, a regular consultation between the auditors of that Account and my officers.

Mr. Lathan.

738. Thank you very much. That is what I anticipated was the case. You made reference to an Economy Committee. Does the need for economy arise from limitation of resources or from a desire to see that you make thoroughly economical expenditure?—(Sir Fabian Ware.) Perhaps the quite frank answer is that for some time some of my fellow Commissioners and also Colonel Oswald have been thinking it would be very useful if we could get a really effective impartial body inquiring into the possibilities of any further economies and then, because of the award of the Industrial Court to which you have referred throwing a greatly increased expenditure on us, it was obvious that something of the kind had to be done. So we then appointed this very strong Committee with Mr. Bruce, the High Commissioner for Australia, as the chairman and Lord Stamp and Sir Alan Rae Smith, and they conducted a very full inquiry into the matter. They found no major criticism to offer on the general level of expenditure.

Mr. Benson.

739. When your Endowment Fund is completed, are you likely to be a self-supporting body, or will you always require a Government subvention?—The intention is that we should be a self-supporting body, and the estimate which

we have made of the income which will be required for us to carry out our work has proved itself over a number of years very satisfactory, but there is one margin of risk against which no Endowment Fund or anything else could insure, and that is the exchange. In the past, at one time the franc relief which we gave, following the example of the British Treasury, cost us very nearly £60,000 a year that we had not got. If that occurs again, of course, it will knock the bottom out of our finances. We should then do what we did in the past. On that occasion we had to find £60,000. We went to each of the participating Governments and asked them if they would vote the additional money required, and they did so. That is what we should have to do in the future. (Sir Gilbert Upcott.) Perhaps I should add that it is agreed that if and when the Commission is able to support itself from the Endowment Fund, statements of its Accounts will be available for this Committee. (Sir Fabian Ware.) I am glad that statement has been made again.

Sir Assheton Pownall.

740. Do I understand rightly that the Endowment Fund comes to an end in about two years from now, and then the produce of the endowment will mean there is no need to have the item B, the Grant in Aid of £159,000?—That is so.

741. At present you are not drawing any of the interest on the Endowment Fund at all. You are letting that accumulate, and having a Grant in Aid until the Endowment Fund is sufficient, and then you will have the income of the Endowment Fund in lieu of the Grant in Aid?—That is so. (Sir Gilbert Upcott.) As far as the United Kingdom is concerned.

742. This country?—(Sir Fabian Ware). To be perfectly accurate, that is so as regards the United Kingdom Government contribution. As regards the Dominions contribution, we are at present living on the income—on the interest which is produced.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (Agreed.)

(Sir Fabian Ware withdrew.)

23 February, 1939.]

[Continued.]

VOTE II.

INDIA AND BURMA SERVICES.

Sir S. FINDLATER STEWART, G.C.I.E., K.C.B., C.S.I.,
called in and examined.

Mr. Pethick-Lawrence.

743. Will you turn, please, to page xii, Paragraph 21 of the Comptroller and Auditor General's Report? I should like to ask you, Sir Findlater, what is the ground for the marked increase in expenditure, and whether you anticipate that it will go on increasing in future years?—(Sir Findlater Stewart.) I think it is possible that a re-assessment of the cost falling on the Treasury was overdue, but apart from that I can give you some explanation of the increased cost falling on the Treasury on account of the passing of the Government of India Act, 1935. Under the old arrangements, under which the Treasury paid a grant to Indian revenues, no allowance was made for the cost of the India Office. The India Office had been built at Indian expense and in assessing how much the Treasury should bear, no account was taken of that. Now, in the Government of India Act, 1935, the India Office and the India Office library and all the contents of the India Office, were vested in the Crown—in effect in the United Kingdom Government. It has been agreed with the Treasury that it was only fair that, from the coming into force of the new Act, the Treasury should be responsible for the upkeep of the building, and in particular for the payment of rates and taxes. I have here three items: the additional sums which have been brought into account in that respect are about £4,500 for the library, about £6,900 for the upkeep of the India Office buildings and about £2,300 for rates. That makes a total of nearly £14,000. Now let me give you another item that is worth considering. The Government of Burma Act, which was passed at the same time as the India Act, created an entirely new Burma Office. Formerly, as you know, India and Burma had one Secretary of State and one Office. The new Office has added additional charges to the amount of £4,500 roughly. I do not say for a moment that that accounts for all the difference, but it does account for some of it.

744. I understand that you get a contribution now from India and from Burma. How are the amounts of those

contributions arrived at?—In this way, Sir: We, in the India Office and the Burma Office, put all the cards on the table. Somebody comes over from the Treasury, examines the work that is done, and forms an opinion as to how far it is Secretary of State's work (that is, work for which parliamentary responsibility remains) and how much of it is agency work for the Government of Burma or the Government of India. The legislative bodies in India and Burma are concerned with it from the other point of view. We put the cards on the table, as I say, for both parties and, I hope, help to reach an agreement. The present agreement runs till the end of the present year and is subject to re-consideration by either party.

Sir Isidore Salmon.

745. There is one point I should like to be clear about. You gave £14,000 in round figures, and £4,000 for Burma added to it, which is roughly about £18,000?—Yes.

746. But the Vote, if I understand it correctly, is up considerably more than that?—The increase, I think, is the difference between £132,000 and £118,000. (Sir Gilbert Upcott.) It is up to £142,000 in 1938. (Sir Findlater Stewart.) I do not think I can produce figures for the increase up to £142,000, but I can put in two more items. Since the last agreement was made with the Treasury—the one before the present one which dates from about 1926—there has been formed in the India Office a special department which we call the Reforms Department. It was concerned with entirely new work arising out of the Government of India Act, the Round Table Conferences and the Joint Committee, and a large amount of constitutional work of the same sort that inevitably followed on the coming into force of the Act. A Department was necessary for the constitutional work of dealing with the Act, but there is just as much constitutional work following upon the Act in the light of its working. That accounts, on the figures I have here, for about £3,750. One more item: At one time India paid for the charges of the

23 February, 1939.]

Sir S. FINDLATER STEWART,
G.C.I.E., K.C.B., C.S.I.

[Continued.]

Government Actuary, say £1,000, when he was employed to investigate the Family Pension Funds of the Indian services. It has since been agreed with the Treasury that that should fall on the home Vote. That gives you another £4,750, getting you somewhere near £23,000, but I prefaced my remarks, I think, by saying I thought perhaps the time had been ripe for re-consideration as between us and the Treasury before it actually took place, and I am going on the assumption that there will be further reconsideration shortly.

747. Therefore you anticipate that your expenses in the future will not be less but may be a little more?—I did not intend to say that, because short of a detailed enquiry I should not like to commit myself. I think if there is any change it will arise, not so much from an increase of the work generally, as from a re-distribution of the charges between agency work attributable to India and true Secretary of State's work attributable to home revenues.

748. To put it in another way, Sir Findlater, the position is this, if I understand you correctly: There is no question, in your view, of the aggregate amount being increased. It is a matter of allocation as between India and the home Government?—Exactly.

749. Is that the position?—That is the position.

Mr. Pethick-Lawrence.

750. Now we turn to pages 88 and 89. There is only one question I should like to ask. At the foot of page 88 of the Appropriation Accounts, there is some reference to "Excesses due to pay, &c., of military officers for which no provision was made." Could you tell us to what that refers?—There is in the India Office a military department which is staffed among others by three officers of the Indian Army, a General Officer, a General Staff Officer, Class 1, and a General Staff Officer, Class 2. They are the advisers of the Secretary of State on military questions arising in India. Before the Act, when it was really a matter of allocation between accounts in India and the Secretary of State's accounts here, we used to charge to the office account only a portion of the pay of the General. We used to pay him as the head of a Department an ordinary civil salary, and that was charged to the India Office. His unem-

ployed pay was charged in India. Let us suppose his total pay, which was roughly the pay of a General Officer, amounted to £2,700: perhaps only £1,300 of that was on our India Office Vote. When we began to look into this after the change, we reflected that when the War Office borrows a Staff Officer from India they do not do it like that at all; they bear the whole of his remuneration; it is not divided up in this artificial way. Not only that, but they pay his passage from India and they bear his pay, not from the date when he joins for duty in the War Office but from the date when he leaves his appointment in India. We raised this with the Treasury and they agreed that as soon as the India Office, for the purposes we are dealing with, became a Secretary of State's Office exactly like the War Office, the right thing to do was to charge the pay of these three officers from the date they left their jobs in India, to pay their passage charges, and so forth. That accounts for the difference.

Mr. Pethick-Lawrence.] I quite understand.

Mr. Lathan.

751. I do not quite follow what Sir Findlater Stewart says with regard to unemployed pay. He referred to an officer being transferred, as I understand it, from the Army in India to take up work in the India Office, and the acceptance by you of the responsibility for his military pay, apparently plus unemployed pay. There does not appear to me, on the face of it, to be any warrant for unemployed pay if a man is employed?—I misled you if I gave you that impression. He got his unemployed pay plus, not military pay, but the civil pay of a head of Department in a civil office, which was not in itself adequate for the pay of a General Officer.

Mr. Pethick-Lawrence.

752. What do you mean by unemployed pay?—Let us assume an Indian officer has completed the tenure of an Army Command in India. There is a chance that he may get further employment, and for a certain limited period he does not go on pension; he goes on unemployed pay. Perhaps if I called it half pay it would be clearer. What I want to make clear is that he did

23 February, 1939.]

Sir S. FINDLATER STEWART,
G.C.I.E., K.C.B., C.S.I.

[Continued.]

not get his half pay plus full military pay. We wanted to place him formally on the same rate of pay as the head of any other department of the India Office. That was, however, quite inadequate for a General Officer of the Indian Army still in effect on the active list, so we added to it the rate of unemployed pay appropriate to his rank. This was quite an artificial arrangement, and it had the result that the Treasury were charged with something like half his real pay. The appointment of Military Secretary in the India Office is one of the three or four Generals' appointments on the establishment of the Indian Army.

753. This alteration, like the previous one in your answer to Sir Isidore Salmon, is not really an increase of expenditure, it is a difference in allocation between the Home and the Indian Governments. That is the position, is it not?—Yes, that is what it amounts to, Sir.

(Sir Findlater Stewart withdrew.)

TREASURY MINUTE ON PARAGRAPH II OF THE SECOND REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir ALFRED FAULKNER, C.B., C.B.E., called in and examined.

Mr. Pethick-Lawrence.] With regard to the Treasury Minute, I do not think anything need be said, because the

Treasury accepted the view of the Committee.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 6.

MINES DEPARTMENT OF THE BOARD OF TRADE.

Mr. Pethick-Lawrence.

758. With regard to the Comptroller and Auditor General's Report, paragraph 43, I notice that the expenditure which was expected to reach £65,000, which was provided, actually only amounted to £10,000? Can you explain that?—(Sir Alfred Faulkner.) Yes, Sir, the Committee will remember that the Government introduced into Parliament a Bill in anticipation of their big Coal Bill, to induce owners to register their claims to royalties. If they made their claims by 17th February, 1938, their costs were paid. We had no idea how many claims there would be, nor did we know how

Mr. Lathan.

754. And the consolidated pay which he now receives is in effect his Army pay on the fully-occupied basis or active basis?—Yes. I may say that at one time what the Military Secretary did get was not unemployed pay but full Army pay.

755. It was your use of the term that provoked my interrogation?—It is the Indian terminology.

Sir Assheton Pownall.

756. Is he a Lieutenant-General or a Major-General?—He is at present a General. I ought to have explained that it is a Lieutenant-General's or a General's appointment.

757. That is very senior, of course?—Yes.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (Agreed.)

23 February, 1939.] Sir ALFRED FAULKNER, C.B., C.B.E.

[Continued.]

Sir Isidore Salmon.

761. Are you getting in now the claims you anticipated to get in before the date you mentioned?—The subsequent Act, you remember, extended the period, but they have had now 29,000 in. They must be nearly all in by now.

762. You anticipated how much?—It was a purely speculative figure of £50,000 for that particular item. We had no idea what it was really going to cost. It does not fall on Government Funds eventually. It is all recoverable.

Mr. Pethick-Lawrence.

763. We come now to page 267. I notice under sub-head D there is an excess of £1,100. Can you tell us how that arises?—That was entirely due to some special investigation work which was done in connection with emergency preparations.

764. On page 268, sub-head I, we have this figure for the Coal Mines Re-organization Commission. On what work was the Commission engaged during the year under review?—They had a certain amount of their own work, of course, on voluntary amalgamations, which is part of their work, but as far as the forced amalgamations were concerned they had been asked by the Government to suspend their operations. The Chairman of the Commission was used almost entirely by the Minister for the Co-ordination of Defence. Two of the other Commissioners acted voluntarily. Two others were paid only on a fee basis when they actually attended meetings, and the staff was variously employed, some of them in helping the Minister for Mines on the Coal Bill last session, and the remainder by the Minister for the Co-ordination of Defence.

765. Do I understand that the Chairman of this Commission was not really employed in connection with the Mines at all? He was employed in connection with quite a different office?—There was certain coal work which was done, but for the main he was employed on other work.

766. This item in the Account includes the whole of his salary, does it not?—Yes.

767. Is that usual when a man's time is mainly employed in another Department?—The post still existed and he still had to exist in that post. It was

in order that his services should not be wasted that he was used by the Minister for the Co-ordination of Defence.

768. Sir Gilbert, is that the regular practice?—(Sir Gilbert Upcott.) Loans are quite common. If a loan is a formal loan the salary remains on the Vote and there is repayment by the Department concerned. This was not, I take it, a formal loan. It was only a re-allocation of duties. If he had been formally loaned he would still have remained on the Mines Vote.

769. But there would have been a repayment?—Another Vote would have repaid the cost of his salary.

770. Is that still continuing?—(Sir Alfred Faulkner.) No. I think he is still doing a little of that work, but he is off our Votes altogether and at the cost of the Coal Commission, which is a separate statutory body. I believe he is still doing some of his former work, but mainly he is occupied now on the work of the Coal Commission.

Sir Isidore Salmon.

771. On sub-head D, "Inquiries, Arbitrations, &c.", you asked for a grant of £2,700 and you spent £3,800, but you do not attempt to give any explanation why your expenditure should be such a large percentage increase on your grant?—It was entirely spent on some special investigation work in connection with the emergency preparations.

772. Do you find under sub-head F, the Board for Mining Examinations, that you are getting more persons to examine now than you did?—I am glad to say that two years ago the number started to move upwards. In 1937 there were about 50 more candidates. In 1938 there were still another 100, so we are about 150 up from our low-water mark.

773. Are you meeting the difficulties you had in that connection to any extent?—Meeting the difficulties?

774. Yes, that is to say, are you getting a sufficient number of men to be examined?—I do not think there is any trouble about the certificated classes.

775. There is not?—No.

Mr. Lathan.

776. On sub-head B, "Travelling and Incidental Expenses", there is an increase of £984, "due mainly to inter-divisional transfers in the Inspectorate".

23 February, 1939.] Sir ALFRED FAULKNER, C.B., C.B.E.

[Continued.]

There must have been a considerable measure of transference?—The total Inspectorate is about 120, and when an Inspector is moved from one division to another, it entails moving his furniture and so on, and it happens that this year we had rather more than usual. It is a deliberate policy to move these people from one area to another, but it just happened that more than usual occurred.

Mr. *Pethick-Lawrence*.

777. Turn now to pages 268 and 269. With regard to page 269, I notice a receipt from Petroleum Production. Can you tell us how that is going on?—The search is going on very actively. We have issued about 89 licences now for different areas of the country, and boring is going on in a number of them. They have had no substantial success yet, but the search is proceeding very actively.

Mr. *Pethick-Lawrence*.] They live in hope.

Sir *Isidore Salmon*.

778. Have you any reason to think that the money that has been spent is really producing anything, or is likely to produce anything?—They are commercial companies who are spending the

money and they would not spend it unless they had some hope of a return.

Mr. *Pethick-Lawrence*.] May I take it the Account is approved? (*Agreed*.) Pages 270 and 271, Miners' Welfare Fund.

Sir *Robert Smith*.

779. Why was this contribution written off? How was it irrecoverable? "£2,600 has been written off as irrecoverable"?—It is a number of small items. We never write anything off except in cases where a firm is in liquidation, or in the case of a very small mine where the amount may be reckoned in shillings rather than in pounds, and it is not worth the cost of recovery.

780. It is a large number of small items?—A large number are small. Our total bad debts in collecting £14,000,000 in the last eighteen years are just over £100,000—just under 1 per cent.

Mr. *Pethick-Lawrence*.

781. What are the commitments on the Royalties Welfare Levy?—About £ $\frac{3}{4}$ million on contracts signed at the moment against a balance in hand of about £110,000. The Committee is anticipating the revenue.

Mr. *Pethick-Lawrence*.] May I take it the Account is approved? (*Agreed*).

(*Sir Alfred Faulkner withdrew*.)

VOTE 14.

MINISTRY OF TRANSPORT.

Sir LEONARD BROWETT, K.C.B., C.B.E., called in and examined.

Mr. *Pethick-Lawrence*.

782. We now come to page 306 and onwards. With regard to sub-head A, and the note with regard to it, I mark that there is an increase in expenditure, but some actual under-expenditure during the year. Can you explain to us the causes of this?—(*Sir Leonard Browett*.) The under-expenditure, as you see, in part relates to the Crofter Counties Scheme, and that was due to weather conditions which slowed up matters and also we had a difficulty in getting temporary engineers for the work. A further fact was that we found the contract prices going rather against us, the tenders rather high, and we held back on some of them so that in fact we did not spend on that scheme by £16,450

what we estimated we should. Then on the Roads Divisional Offices, as perhaps you know, from the 1st April, 1937, we took over the trunk roads and we estimated that certain expenditure in the Divisional Offices would be incurred in the year under review, but the work and the appointment of staff did not come along as quickly as we anticipated when the estimate was made in January of 1937, and therefore we under-spent there £15,600. The Driving Test Organization has been a difficult one to estimate. It actually began in May of 1935 and therefore when we made this estimate in January, 1937, we had only one full year's experience and we estimated for additional driving examiners to meet the rush period. You will appreciate that this is rather seasonal work—

23 February, 1939.] Sir LEONARD BROWETT, K.C.B., C.B.E.

[Continued.]

very busy in the summer months and tailing off in the winter—and our estimate was rather wide of the mark, but with our further experience we hope to be much closer in 1938-39. The Traffic Commissioners item related to further efforts that we are making to enforce the conditions attached to licences, and for that purpose we estimated for additional traffic examiners and clerical staff. They have been appointed, but they were not appointed as early as was contemplated when the estimate was made. The saving on the Finance Department was that additional staff was provided for, to deal with the financial control of expenditure on trunk roads, but when we came to the work it was found possible to cover it without making additional appointments until towards the end of the year. I think, Sir, that explains the items on which there was a saving.

783. I believe that you are very often in this position, but I think you have been in the same sort of position in previous years. Is that not so?—Yes, I think we have.

784. You cannot tell, I suppose, which schemes are likely to be unable to be proceeded with?—If you are referring to the actual expenditure of our money on the Road Vote, that is so. We are dependent in regard to the grant-aided schemes on the rapidity with which the local authorities will undertake the schemes.

785. That is on the roads. Of course, we are not on that at the moment, are we?—No. That, of course, has a reflex action on this.

786. On the bridges, and so on?—Yes.

787. On page 306, sub-head C, I notice there is a very considerable increase in this figure. What is the occasion of that?—That sub-head, Sir, relates very largely to legal expenses and the reporting of proceedings in the traffic area offices. That work has increased, with the result that the expenditure on it has gone up. That very largely accounts for the difference of £3,600 which you see.

788. On the following page, the Caledonian Canal, I notice that £15,000 less than was granted has been expended. Is that a real saving in expenditure or is that simply a payment deferred till a subsequent year?—Simply a payment deferred. It was an outlay incurred in reconstructing the Tomnahurich Bridge and that expenditure will

come in next year. That bridge is now completed and opened.

Sir *Isidore Salmon*.

789. Last year, reference was made to the work you were doing for area expansion for aerodromes?—Yes.

790. Are you still doing anything?—Yes, you will find that, Sir Isidore, on the Road Fund Account. It has gone up to £437,000 worth in this year's Accounts.

791. How does that affect the payment of the staff under the question of salaries?—That is provided for in the estimate.

792. Does it come under the estimate of A, B and C?—It comes under A and partly under B and C.

Mr. *Mabane*.

793. On page 306, would you explain the qualification in parenthesis to the note on B, "Trunk Roads and Driving Tests"? I do not at once see what relation that has to the increase in travelling expenses or the over-spending. You have put in "Trunk Roads and Driving Tests" as though that explains the over-spending. I do not quite understand it?—It means that as a result of the trunk road work and the driving tests—and we try to provide as much convenience for the public as we can in regard to the driving tests—as a result of those two causes the expense of the staff travelling about the country was increased.

794. There is no relation between the two things?—No.

795. What amount is due to trunk roads and what amount to driving tests?—because the change as regards trunk roads was not capable of being foreseen, whereas the driving tests represented no change at all?—The divisional expenses for travelling, that is the divisional officers, was estimated at £15,500—in fact, there was spent £17,866, a difference of £2,366. In the driving tests case we estimated £6,500 and there was actually spent £7,060, or an excess of £560, and you will see those two items account for a good deal of the difference to which you have referred.

Mr. *Benson*.

796. In regard to the Caledonian Canal, I see you spent some £29,000 and your receipts at the Caledonian Canal are in the neighbourhood of £6,000, or rather

23 February, 1939.] Sir LEONARD BROWETT, K.C.B., C.B.E.

[Continued.]

less—£5,400. Are you satisfied that the Canal performs a definitely necessary function?—The Canal was inherited by the Ministry. It never has paid. It has always been regarded as essential that it should be kept open. We do our best to collect as much as we possibly can in dues and so forth. With the object of increasing the receipts we reduced the actual dues, and we have collected a few hundred pounds more, but I am afraid the Caledonian Canal is always going to be a debit.

797. What kind of traffic is there on it?—Smallish boats—quite small as you will see from page 311.

Mr. *Lathian*.

798. You spoke of postponement of action in connection with the Crofter Counties Scheme?—Delay in action.

799. Was the delay justified by the change in circumstances, subsequently?—Yes, I think it was.

Sir *Edmund Brocklebank*.

800. Could you tell me anything about the Kessock Ferry, which goes across the Caledonian Canal? Was there not some controversy about it?—I am afraid I have not any information about that.

Sir *George Davies*.

801. On page 306, note A, Driving Test Organization, saving £9,100; I understand that is a seasonal occupation and rather difficult to estimate. What are the approximate number of examiners and on what basis are they employed to get adequate men if they are so seasonal? I presume therefore their appointment is a sort of short *ad hoc*? What are the terms upon which you engage them?—We appoint them as a whole-time job. If you would turn to page 136 of the Estimates for 1937 you will see particulars of the driving tests staff. The numbers actually employed vary a little from the peak period to the winter time, and we try to use those men during the slack times on other work. In fact, it is a problem which we are considering at the moment, how we can best use them. They are very busy in the summer. Everybody wants to get a test. It tails off in the winter.

802. You engage them for a definite period?—Yes, certainly. We put them on at those salaries whole-time.

803. The reason of the saving of £9,100 was that you found you did not need to appoint as many as you had anticipated?—That is so.

804. Taking it over a long period, not just month by month?—Yes, taking it over a long period.

805. I was wondering how you dealt with that fluctuation, in fairness to the employees?—It has not made the slightest difference to the people who have been employed.

Mr. *Mabane*

806. But they travelled more?—They travelled more.

Mr. *Pethick-Lawrence*.

807. On pages 308 and 309, I should like to ask with regard to the Welsh Highland Light Railway Company how the position stands to-day. I believe there has been a good deal of controversy over that?—The present position is that, as I informed the Committee last year, it has been agreed to release the Festiniog Railway Company from the lease of this Welsh Highland Railway line upon payment, if it could be obtained, of £500, and the rent due to the date of the release and then to wind up the Welsh Highland Railway. The carrying out of these arrangements was left in the hands of the County Clerk of Carnarvon. The County Council is a debenture holder like ourselves. As the Welsh Highland Railway is in the hands of a Receiver, of course, nothing can be done without the consent of the Court. The first step to be taken was to get the release of the present Receiver who has been rather slow in rendering his accounts to the Court. I understand that this formality has now been completed and that the Court order appointing the County Treasurer of Carnarvon to act as Receiver is likely to be received almost at once. The next step will be to obtain the approval of the Court to the terms on which the Festiniog Company should be permitted to surrender their lease, and then the formalities connected with the winding-up of the Welsh Highland Company can proceed.

808. You expect a settlement fairly soon now?—I should be very glad to see the end of this business.

Mr. *Pethick-Lawrence*.] You cannot tell when it will happen?

Sir *Isidore Salmon*.

809. What does it cost the Department each year to deal with that particular railway and to maintain it?—It does not cost us anything at all at the moment.

23 February, 1939.] Sir LEONARD BROWETT, K.C.B., C.B.E.

[Continued.]

810. We only lose the interest on the money we have invested in it?—That is all, and that is shown on page 309, Sir Isidore.

Sir *Irving Albery*.

811. On the same railway, when it comes to liquidate are there many assets? Is there a land asset or something like that?—I believe the line runs in the hills and I think it is practically derelict. I should think the assets would produce very little indeed.

812. With regard to the North Devon and Cornwall Junction Railway I see we get our interest on the debentures, but there is no information as to the revenue of the company otherwise?—The position in regard to that particular railway, Sir, is that the Southern Railway works and maintains the line on the basis of 75 per cent. of the gross receipts and paying over the balance of 25 per cent. to the owning company in which we hold debentures and ordinary shares. The gross receipts of the North Devon and Cornwall Junction Railway for the year 1937 amounted to £5,935, therefore 25 per cent. of that was insufficient to cover the debenture interest, but under the terms of the arrangement the working company, the Southern Railway, are bound to make up the debenture interest, so in fact, we are getting our debenture interest and so are the other debenture holders under existing conditions, at the expense, partly, of the Southern Railway Company.

813. When the Southern Railway Company find an additional sum to pay the debenture interest, is that carried forward or does each year liquidate itself?—Each year liquidates itself so far as I know.

814. For instance, if they made a profit presently, they cannot refund themselves what they have paid to make up the debenture interest?—I think it is an annual obligation upon them to meet the interest on the debentures.

Sir *Irving Albery*.] It is not merely a guarantee; it is not debited to the accounts?

Mr. *Pethick-Lawrence*.

815. If you are not sure, perhaps you would look into that point, Sir Leonard?—The information I have is that if in any completed year the balance of the gross amount belonging to the owning company is, after allowing a certain deduction for directors' fees, insufficient in that year to enable them to pay the

interest on the debenture stock, the working company shall allow and pay such a sum as will be sufficient to enable the owning company to pay the interest on such debenture stock for the year, subject to a limit of £6,500 per annum on a sum not exceeding £130,000—£130,000 being the actual amount of the debentures.

816. You take that to mean quite specifically that any profit made in the year could not be used for back payments of this debenture interest?—I do not think so.

817. If you should find that was incorrect, perhaps you will let us know?—I will clear up the point.*

Mr. *Benson*.

818. Does the winding up of the Welsh Highland Railway Company mean the cessation of the running of the line?—The line has not been running for some years.

Mr. *Lathan*.

819. Not since 1934 or 1935?—Not since 1937.

820. There is a reference at the foot of page 308 to the lock gates of the Crinan Canal where apparently £934 was spent on repairs but only £671 can be recovered under the Merchant Shipping Act. That seems a strange position?—The liability of the shipowner is limited by the Merchant Shipping Acts to £8 per registered ton of the vessel and in the case of this particular vessel the total sum that we were able to recover amounted to £671 15s.

821. So that a vessel of small tonnage can do incalculable damage and the owner is only responsible at the rate of £8 per ton. If that is the Act of Parliament, of course, we have to accept it. You referred to the Festiniog Railway in connection with the Welsh Highland line. Am I right in my recollection, that the Welsh Highland Company is the owning company and the Festiniog Company was, but is not now, the operating company?—That is right. The Welsh Highland Railway Company is the owning company and the Festiniog Company was the company to which we leased the line.

822. There should be some territorial value, if I may so describe it, in connection with their land, surely?—I hope so.

* *Note by Witness*: The position is as stated in the previous answer.

23 February, 1939.] Sir LEONARD BROWETT, K.C.B., C.B.E.

[Continued.]

823. I rather gathered from what you said earlier, that you had not much hope in that direction?—I gather that the line runs more or less, as I say, amongst the hills, but I could not really say what value there is to be attached to the land.

Sir *Isidore Salmon*.

824. I notice that on the details of receipts the fees collected by your Traffic Commissioners were estimated at £475,000, and you collected or realised £541,000. Is there any special reason for that large difference between anticipation and realisation?—If you would refer to note 3 on that page, you will see that the increase was due to certain fees which we thought we should receive in 1936, actually being received in this current year, but more particularly to the extension of the currency period for passenger vehicles licences from one year to three years, which meant that we collected a bigger licence fee in the year 1937-8.

825. And it will be less next year?—Yes.

Mr. *Pethick-Lawrence*.

826. On pages 310 to 314 I have no questions, except that I would like to ask the precise status of the Menai Bridge. Can you explain to us just why that does not come under the ordinary Road Fund?—The Menai Bridge, although it is on a trunk road, is not actually part of a trunk road. It was vested in the Minister, I think, when the Ministry was formed in 1921.

827. That was before the new control of the whole of the trunk roads came under the aegis of the Minister?—That is so.

Sir *Isidore Salmon*.

828. How many roads have you where you are collecting tolls besides the Menai Bridge?—I think there are two other toll bridges on trunk roads, at Selby and Conway, as far as I remember.

Mr. *Mabane*.

829. You do not collect the tolls at Selby, do you?—No.

Mr. *Mabane*.] Sir *Isidore* asked how many there are on which you collect tolls.

Sir *Isidore Salmon*.

830. How many cases are there where the Ministry collect?—No other cases.

Sir *Irving Albery*.] With reference to the Crinan Canal and the Caledonian Canal, is it right, as a matter of accounting: Free passages for Government vessels to the value of £41 were allowed

in the Caledonian Canal, and to the value of £27 in the Crinan Canal. I cannot quite see why that is allowed. It seems to me it is debiting these Canal Accounts with a debit which I should have thought ought to have been on the accounts of the Departments concerned. I do not see the point of giving a free passage. It is all from one pocket into another, but it does not seem to me right accounting.

Mr. *Pethick-Lawrence*.

831. Perhaps the Comptroller and Auditor General would like to say a word on that?—(Sir *Gilbert Upcott*.) That is noted because a charge was not made.

Mr. *Pethick-Lawrence*.] Why was it not made?

Sir *Irving Albery*.

832. I was seeking an opinion whether from a strict accounting point of view it was right?—It is not for me to decide whether it is right. It is for the Ministry of Transport to say whether free passages ought to be given.

Mr. *Pethick-Lawrence*.

833. Perhaps Sir Leonard will give an answer?—(Sir *Leonard Browett*.) These vessels on Government service are allowed free passage through the canal and obviously, not collecting anything for dues, it does not come into the Account.

Mr. *Pethick-Lawrence*.] But why are they allowed free passage? That is the question Sir *Irving* is asking?

Sir *Irving Albery*.

834. They do not gain anything by it?—(Mr. *Brittain*.) There would have to be a claim against a Government Department for it.

835. The effect is to increase the loss on the canals, because the service has been had, and to decrease the cost of the Department that does not pay?—Except that so far as the Canal Accounts are concerned, this note is there in order that it shall be seen that the loss is greater than it would have been if this payment had been made.

836. I asked because it does not seem to be in keeping with the usual procedure?—The position is clear and at the same time it saves cross-claims between Government Departments.

837. You usually have fees shown in the accounts?—(Sir *Gilbert Upcott*.) If it is suggested that the figures should be in the accounts, that would be wrong, because this is a receipts and payments account, and there was no cash payment.

23 February, 1939.] Sir LEONARD BROWETT, K.C.B., C.B.E.

[Continued.]

This note is put in because there was no cash payment.

838. In some Accounts such items appear?—That would be an Income and Expenditure Account. (Mr. *Brittain*.) They are not all paid for in cash. (Sir *Gilbert Upcott*.) I should certainly have to demur to its being entered in this Account, because it is not a cash receipt. (Mr. *Brittain*.) It could be done by making the Department concerned pay for this service, but in order to avoid the trouble of making a claim against the Department receiving the service, a note is put on the Account.

839. Which way do the Treasury think it ought to have been done?—We prefer to leave it as it is.*

Mr. *Culverwell*.

840. Could you tell us the number of ships which pass through the Caledonian Canal?—(Sir *Leonard Browett*.) I am afraid I have not any numbers.

841. What does this amount of dues represent? What are the dues per ton?—I have no particulars with me of the actual tonnage dues. We have made reductions in them, but it is a very big schedule.

Mr. *Pethick-Lawrence*.] If you wish it, no doubt the witness could get the actual schedule.

Mr. *Culverwell*.] No, thank you.

Mr. *Pethick-Lawrence*.] May I take it these Accounts are approved? (*Agreed*.)

VOTE 15.

ROADS, ETC.

Mr. *Pethick-Lawrence*.

842. We will now turn to page xxxiii of the Comptroller and Auditor General's Report—"Roads, etc., Revised arrangements for the Road Fund." Can you tell us how the Ministry are in fact administering the roads to-day? Are they continuing for the present to work through the local authorities, and if so, do they continue to carry on on those lines?—(Sir *Leonard Browett*.) Yes.

843. They are continuing through the local authorities?—Yes.

844. What is their position with regard to the making of any new road? Are they entitled to make a new road or are they only entitled to make it where it is a by-pass of an existing trunk road?—Our practice is, of course, to improve our trunk roads and other roads by by-pass roads—new roads—and then we have to decide upon the line of that road and acquire the necessary property for it, sometimes after some considerable difficulty and inquiries, and then construct our road. (Sir *Gilbert Upcott*.) The Ministry cannot increase the number of trunk roads. If they make a new trunk road they must surrender the road which it supersedes.

845. That they have already got statutory authority for?—Yes. (Sir *Leonard Browett*.) I thought you were referring to roads generally, Sir.

Mr. *Pethick-Lawrence*.] Paragraph 58 is formal.

Sir *Isidore Salmon*.

846. Is it the intention of the Ministry to take the local authority to account for all time or for any length of time. Have you any agreement on that?—We made agreements with them under the Trunk Roads Act for two years to carry on and our present policy is to continue those arrangements which are working very satisfactorily.

847. Therefore it will go on year by year after the two years expire, is that the idea?—Possibly.

Mr. *Pethick-Lawrence*.] Now we come to the Roads, etc., Vote on pages 315 and 316.

Sir *Isidore Salmon*.

848. The fines are much greater than you anticipated; you anticipated £375,000 and you have received £470,000. Presumably this is where the motorist is fined throughout the country?—Yes.

849. Do you get the total fines or is it reduced by the expenditure? Is this the net fine?—This is the gross figure. Obviously you will agree it is an item which it is impossible to estimate with any accuracy.

850. It is a very large figure. It is the largest figure you have ever had, is it not?—I do not know. I have not the figures.

Mr. *Pethick-Lawrence*.] May I take it that the Account is approved? (*Agreed*.)

* *Note by Witness*: It has since been ascertained that Government vessels are exempt by statute and that no cash transactions could therefore arise.

23 February, 1939.] Sir LEONARD BROWETT, K.C.B., C.B.E.

[Continued.]

ROAD FUND ACCOUNTS, 1937.

Mr. *Pethick-Lawrence*.

851. Now we come to the White Paper on the Road Fund Accounts, 1937. The Comptroller and Auditor General's Report is at the end on pages 6 and 7. At the top of page 7, I notice that there was a very considerable underspending. The estimate was over £4,750,000, and you have actually spent a little under £3,500,000 on the trunk roads. Can you give us an explanation of that?—(Sir *Leonard Browett*.) It is the difficulty we are always in in getting these works on the trunk roads really under way. As I have already said, we took over this 4,500 miles of roads on the 1st April, 1937, and that necessarily involved a good deal of organisation in the Department to get the work really going. One of our main difficulties, to which I have already referred, is the acquisition of land. I think I can say that the Department is now organised to enable that work to be carried through much more expeditiously than it has been in the past and I am hoping that in future years we shall work more nearly to our estimate on trunk roads than we have in the past.

852. Can you tell us what are your present commitments with regard to paragraphs 3 and 4 as a whole?—The commitments of the Fund are set out in the footnote on page 4 of the Road Fund Account, which shows that the commitments outstanding at 31st March, 1938, in respect of grants—that is, grants to highway authorities—made or indicated with Treasury approval, amounted to £54,762,000. In addition there was this outstanding liability of £8,332,000 in respect of works on trunk roads the commencement of which had been approved by the 31st March, 1938.

Sir *Isidore Salmon*.

853. It will take us a long time to spend anything like this large sum of money at the rate we are going, will it not?—The expenditure on some of these works is beginning to increase. On the 5-year programme in this year we have spent £6,600,000.

854. What was the total value of the 5-year programme?—The total to date of the 5-year programme I can give you.

855. It is not what we have spent: it is what we anticipated to spend?—By 31st December, 1938, under the 5-years programme, schemes estimated to

cost over £103,000,000, of which £61,000,000 will be found out of the Road Fund had been approved for commencement, while work to the value of some £31,000,000 had been completed by that date.

Sir *Isidore Salmon*.] About one-third.Mr. *Mabane*.

856. Could we have the reply to Sir *Isidore's* question? What was the total amount to be projected?—I have given you the figures. £103,000,000 by the 31st December, 1938.

857. That was the whole of the five-year programme?—Outside the trunk roads.

Mr. *Lathan*.

858. I understood the reply to be that it was anticipated that the arrangements now in operation would expedite the work?—We hope so.

Mr. *Lathan*.] It is correct, I think, to say that it provides a very good field for the employment of labour.

Mr. *Pethick-Lawrence*.

859. You were telling us with reference to the estimated programme and the actual fulfilment during the quinquennium. I do not think you entirely answered the question of Sir *Isidore*, and I will put to you again the question as I understood it. The question is: what was the actual programme promised for the period of the five-years? In reference to that programme what are the actual commitments altogether to date and what part of it has actually been realised, in fact? There are three separate figures we want for that purpose and perhaps you will be so kind as to give us those?—The five-years programme was a programme of road works which the Government hoped would be put in hand by the authorities with assistance by way of grant from the Road Fund, during the quinquennium 1935 to 1940.

860. What was the amount of that?—That depended, of course, on the authorities. It did not mean and was never intended—

861. First of all, what was the figure that was given in that programme? That is the question that Sir *Isidore* asked, I think?—The figure up to 31st December, 1938—

862. Excuse me, that is not the question Sir *Isidore* asked. There are three

23 February, 1939.] Sir LEONARD BROWETT, K.C.B., C.B.E.

[Continued.]

figures involved. First of all, the figure that was promised or as you prefer to put it hoped to be brought into operation. We want you to give us that figure first?—This programme was an offer by the Government to find its share of the cost of road works involving an aggregate figure of £100,000,000, if highway authorities were prepared to start the works and find their share of the expenditure.

863. That is the first figure. You were going to make an explanation as to the progress made?—The progress is, as I have already stated, that by 31st December, 1938, schemes estimated to cost over £103,000,000 have been approved for commencement, while work to the value of some £31,000,000 had been completed by that date. This is in addition to certain works on trunk roads which were originally included in the authorities' programmes but which became the Minister's sole responsibility on the 1st April, 1937.

864. Is £103,000,000 strictly comparable with the £100,000,000 that was promised?—I think so.

Sir *Irving Albery*.

865. Was the £100,000,000 offer the Government's contribution or the

total amount of the work?—The total amount of the work.

Mr. *Pethick-Lawrence*.

866. On pages 2 and 3, I should like to ask what precisely is the £10,000 which occurs in the footnote (a)?—That was an extra-contractual payment which was made with the approval of the Treasury to the engineers who were concerned with the Royal Victoria and other Docks Approaches Act or the works under that Act—Victoria Docks Road. The arrangement made with those engineers was that they should receive an all over fee of 5 per cent. on the estimated cost of these engineering works to cover everything. As it turned out, the actual cost of the work, largely owing to their skill and the services they rendered, turned out to be approximately £500,000 less than the estimate, with the result that their fees were reduced by £25,000. It was shown to the satisfaction of the Treasury that the net return which the firm thus received was not commensurate with the value of the services they had rendered and this extra-contractual payment of £10,000 was authorised.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed.*)

(*Sir Leonard Browett withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 20.

CLEARING OFFICES.

Mr. D. J. WARDLEY, M.C., called in and examined.

Mr. *Pethick-Lawrence*.

867. Mr. Wardley, I think you were not actually the Accounting Officer during the period with which we are dealing?—(Mr. *Wardley*.) No, Sir, I was not.

868. But as the present Accounting Officer, you are answering for them?—Yes.

869. On page 325 of the Civil Appropriation Accounts, is your Account now self-supporting or do you expect to become now?—In respect of the year now in question we were. We shall not be self-supporting this year, I think, but taking it by and large, I think in

due course over a period of years, we can be regarded as self-supporting.

870. Roughly speaking, there is not any large balance on either side?—That is so.

Mr. *Pethick-Lawrence*.] Are there any questions on the Account?

Sir *Isidore Salmon*.

871. Why was it necessary to have a supplementary grant for salaries?—Because when the estimate for the year was originally framed, the Italian clearing had been in operation for a very short time. It was impossible to estimate accurately the number of staff required, and we actually underestimated it.

23 February, 1939.]

Mr. D. J. WARDLEY, M.C.

[Continued.]

872. Does that apply also to payment to agents?—It applies also to payments to agents; but in that case the increase was due as much to the other two clearings as to the Italian clearing.

The receipts generally were in excess, and we pay on receipts and receive on payments.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed.*)

DEBTS CLEARING OFFICES AND IMPORT RESTRICTIONS ACT, 1934,
ACCOUNTS, 1937.

Mr. *Pethick-Lawrence*.

873. We now take the White Paper. This is not public money with which we are concerned in the White Paper on the Debts Clearing Offices and Import Restrictions Act, 1934. It is the money of the commercial firms concerned?—Yes.

874. Paragraph 2, Anglo-Spanish Account. That has been held up some little time. Is there any change with regard to that?—No.

875. On paragraph 3, can you explain the present position with regard to the

Anglo-Roumanian Account?—The position as it now is, or the position as disclosed on this Account?

876. The position as disclosed on this Account; and if there has been any subsequent important change since perhaps you will just mention it?—The main change since this Account is, of course, the new agreement concluded last September.

877. Is it working satisfactorily?—It is working very satisfactorily.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed.*)

(*The witnesses withdrew.*)

(*Adjourned till Tuesday next at 2.30 p.m.*)

TUESDAY, 28TH FEBRUARY, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Benson.
Sir Edmund Brocklebank.
Mr. Culverwell.
Major Sir George Davies.

Sir Haydn Jones.
Mr. Lewis.
Sir Assheton Pownall.
Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS V.

VOTE 10.

COMMISSIONER FOR SPECIAL AREAS (ENGLAND AND WALES) (STATEMENT OF LOANS AND OTHER EXPENDITURE, ETC.).

Sir THOMAS PHILLIPS, K.C.B., K.B.E. and Mr. H. C. EMMERSON, called in and examined.

Mr. *Pethick-Lawrence*.

878. Civil Appropriation Accounts: we will take pages xix to xxii of the Comptroller and Auditor General's Report. On paragraph 33, what is the present position, Sir Thomas? Is the scheme going on, and what is the Commissioner's policy with regard to it? I notice the Comptroller and Auditor General says there are no grants to this organisation here, but are there grants to this organisation anywhere else?—(Sir *Thomas Phillips*.) May I say, Sir, it has been the practice of the Committee in previous years to take the detailed evidence as regards the Commissioner's matters from the Secretary to the Commissioner. If that course suits the convenience of the Committee Mr. Emmerson is here.

879. Then I will take that course. I will ask Mr. Emmerson to answer those questions. What is the present position? Is the scheme going on? What is the Commissioner's policy with regard to it, and is he making grants to the same organisation in other places, although they may be stopped here?—(Mr. *Emmerson*.) The scheme is going on. The facts are, of course, as stated in this

Report. With regard to the Commissioner's policy, nothing has been done since this grant referred to in the Report was made. This grant was regarded as the final grant, but we have recently received certain new proposals from the body responsible for the scheme, and we are at present considering what we should do on those proposals, that is to say, the Commissioner's policy is now under review. They have put forward certain suggestions for a re-organisation of the scheme, and we are looking into them at the moment. We have not reached any decision about it. Of course, before we reach a decision, we should have to consult both the Ministry of Labour and the Treasury.

Sir *Isidore Salmon*.

880. In the last paragraph of the Comptroller and Auditor General's Report, he says: "£12,000 of the final grant was issued before 31st March, 1938." Does it mean to say that unless you re-organise the whole scheme, this particular scheme is stopping?—The question whether the scheme stops, really depends on whether the Society is able to get other financial support from outside sources. The point was that

28 February, 1939.] Sir THOMAS PHILLIPS, K.C.B., K.B.E.
and Mr. H. C. EMMERSON.

[Continued.]

the Commissioner offered a certain grant; I think the total grants to the Society now amount to over £97,000. It was made clear to the Society, first of all, that it was not the intention of the Commissioner to continue to meet recurring losses. The Commissioner offered this final grant to enable the Society to re-consider the whole position with a view, we hoped, of course, to enable the Society to make the scheme self-supporting. At present we have these new proposals and we are going again into this question of whether, with the changes now proposed, the scheme could be self-supporting. It is certainly not the Commissioner's intention to go on making good these losses.

Mr. *Pethick-Lawrence*.

881. Paragraph 34 is mainly expository. I take it no one wishes to raise any point on that? Paragraph 35 again, I think, is a question for Mr. Emmerson. We will leave out Scotland at the moment, because that is a separate matter. What is the principle on which the Commissioner decides what he can put up to assist this scheme, and what do the North Eastern Trading Estates Limited do on their side?—I think I can answer both questions in one. The whole conception of these trading estates—that applies to the North Eastern Trading Estate and the one in South Wales—was that a company should be set up to operate as a private company, on a commercial basis, subject to the general control and approval by the Commissioner of the company's policy. The procedure is for the Trading Estate Company to put to the Commissioner their proposals for the acquisition, engineering development, factory construction, and general amenities of the estate. A scheme, together with estimates of cost, is approved by the Commissioner, and the company is then left, so far as the day to day administration is concerned, to carry out and complete that scheme. If they wish to go beyond the original scheme, then it is for the company to put to the Commissioner new proposals with new estimates, again for the Commissioner's approval. Within the approved scheme the company are at liberty, subject again to general conditions approved by the Commissioner, to enter into certain commitments and they apply to the Commissioner for advances.

882. I notice in the second sentence of the second sub-paragraph that it would appear that the company went a little beyond what they were perhaps entitled to do, and that in consequence the Commissioner had to take some action with regard to it. Is the Commissioner satisfied that he now has adequate financial control?—Yes, Sir, we are now satisfied. Perhaps I may explain that the offence was not perhaps so serious as might be thought. The company did not, in fact, exceed its total expenditure of £1,432,500. That was a total expenditure for the scheme as approved, but that expenditure was, of course, made up of a number of different items, an estimate of which was given by the company at the time. On one of those items, that was the actual engineering construction necessary for the development of the estate, the company, for good reasons, went ahead rather quicker than they had originally intended, for example with the provision of roads and certain services of that kind. But so far as their total expenditure was concerned, they were still within this total and they considered, wrongly in our view, that so long as they did not exceed the total amount, they were entitled to carry on. Of course, when we discovered this, we pointed out to them that in accordance with the best orthodox practice, they must keep within the approved estimate in respect of each particular item and we have now taken steps to see that they do that. There is a system now of quarterly reports by the company on the actual commitments and through this direct control and through the debenture holder on the board of the company, we are satisfied now that that will not occur again.

Mr. *Pethick-Lawrence*.] Are there any questions, excluding, as I have already said, the Scottish sub-paragraph, which we shall consider on a later day?

Sir *Irving Albery*.] I wanted to ask a rather general question, which, I think, rather affects questions which may be asked by members. I was wondering whether we were entitled to see, or whether there is available to see, a Report and balance sheet of the North Eastern Trading Estates, Limited?

Mr. *Pethick-Lawrence*.

883. What is your view about that, Sir Thomas?—(Sir *Thomas Phillips*.) I should have thought so. Mr. Emmerson

28 February, 1939.] Sir THOMAS PHILLIPS, K.C.B., K.B.E.
and Mr. H. C. EMMERSON.

[Continued.]

tells me that such a document is published and could be made available. (Mr. *Emmerson*.) We could put in the published balance sheet, which is published in the ordinary way by the company and supplement it with any other information the Committee would like to have.

884. Would that be in order, Mr. Comptroller and Auditor General? Is it usual to publish things of that kind inside the minutes?—(Sir *Gilbert Upcott*.) This is a public company and the balance sheet is published. There is no reason at all why the Committee should not see it.

Mr. *Pethick-Lawrence*.] If that meets you, Sir Irving, that can be done.

Sir *George Davies*.

885. It states in the middle of the second paragraph that: "The first factories available were let very readily". If that were the case, why was a revised scheme of accelerated development so urgent that the Commissioner actually went beyond the terms of the authorised commitments? Is there any explanation of that?—(Mr. *Emmerson*.) I think it was the fact that the first factories were let very readily that led perhaps to the excess of enthusiasm on the part of the Trading Estates Company, or led them, at any rate, to decide to get ahead more quickly than they had originally anticipated with the engineering development—the laying out of the estate. A good deal of the preliminary work had to be done there: the levelling—in fact the raising of the level of the Team Valley—the provision of roads, electricity supply, and so on, and it was this very fact that they found tenants quickly for the first few factories that led them to decide to go ahead with the development of another part of the estate. At the same time they prepared their second scheme and came along to the Commissioner for approval of that second scheme.

Sir *Irving Albery*.

886. I was rather puzzled about this: when the development was increased after they had a loan of £1,432,000 and there was a revised scheme of loans for £2,361,000, were the additional loans given on the same conditions as the first loan?—So far as general conditions were concerned, yes. It was, in effect, merely an extension, by way of commitment, of the original scheme.

887. What was puzzling me, was that the first factories available were let very readily. In those circumstances, I was wondering, in making an additional loan, whether they would have given that loan free of interest for the first five years. All those things may explain this more when one sees the balance sheet of the company, but on the face of that it looks as if there ought to have been a good revenue coming in if these factories were letting readily and that there was no need to give money free of interest for five years?—The rent of the factories may be a good return on the cost of building the factories, but I do not think in the early days it will be a sufficient return on the cost of the engineering development, which is, of course, a pretty big item. The same circumstances apply to the extension of the scheme as applied to the original scheme. In the original schemes there are certain items of expenditure; for instance, on administrative offices, which would obviously not arise on the extended scheme, but it certainly was not felt that such a measure of success had been secured on the original proposals that the Commissioner was likely or could reasonably expect to get a return on the advance within the five years, and I doubt very much if the company would have been able to accept such a condition.

Sir *Isidore Salmon*.

888. Mr. Emmerson, what I do not quite follow is this: the scheme originally, as I understand it, was £1,432,000. You said that, as a matter of fact, the company, did not overstep the boundary in that connection. On the other hand we find what they did was to necessitate an expenditure, not of £1,432,000, but £2,361,000. Is that a fair way of putting it?—I am afraid I have not made it clear. The original scheme was estimated to cost £1,432,500, and that estimate was approved by the Commissioner. Within that figure there was an estimate for engineering development and amenities and facilities of £420,000. That figure was exceeded by the company, due to an extension of engineering development and a revision of the ideas of the amenities on the estate, but the total figure of £1,432,000 was not exceeded. In fact, the commitment at the time they put forward this additional scheme did not amount to more than £1,163,700.

28 February, 1939.] Sir THOMAS PHILLIPS, K.C.B., K.B.E.
and Mr. H. C. EMMERSON.

[Continued.]

Then they came along with this application for an extended scheme, and this figure of £2,361,500 is the total estimated cost of the whole scheme.

889. Completed? — The complete scheme. That is to say, it includes the previous figure mentioned of £1,432,500.

890. But the point, as I understand you now, is that, where they went wrong was that they spent the money under the heading of engineering at a greater pace than was anticipated?—Yes.

891. You did know that that had to be spent ultimately, but instead of taking six months, as you thought, they probably did it in three months?—Yes.

892. That is the only complaint that one could have as regards the scheme. It did not prejudice the position of the Commissioner in considering the second scheme?—No.

893. He did that on its merits?—The work that they had done would, without doubt, have been approved by the Commissioner. Their only fault was in going ahead too quickly with their first provisional scheme.

Sir *Irving Albery*.

894. May I know what is the paid-up capital of this trading estate—the North Eastern Trading Estates, Limited?—There is no paid-up capital in the ordinary sense. The capital is made up of the advances made by the Commissioner to meet their commitments and on those advances the company are under obligation to pay the Commissioner 4 per cent. interest after five years.

895. Is there no question of a profit or a loss?—(Sir *Gilbert Upcott*.) It is a company limited by guarantee without share capital, which does not operate for profit.

Sir *Assheton Pownall*.

896. Is it likely to operate for 4 per cent. interest?—(Mr. *Emmerson*.) That is a matter of opinion, but the board of the company believe that they will be able to pay the 4 per cent. after five years.

Mr. *Pethick-Lawrence*.

897. Now we come to paragraph 36: I understand that this somewhat complicated question really relates principally to the relationship between the Commissioner and the local authorities.

The only question that I should like to ask is: What are his relations to bodies other than local authorities?—That depends very much on the nature of the body. Those other bodies include for the most part voluntary organisations, and the relationship depends to some extent also on the nature of the service. I think reference is made in paragraph 36 to the grant that was paid in respect of a swimming pool. The point there is that the Commissioner does not pay grants to local authorities which are eligible for grant from some other Department. In this particular case that is mentioned, a nominal exception was made; it was in fact nominal. It refers to a scheme which the Commissioner had under consideration for about two years, and for one reason or another there was delay with discussions between the Ministry of Health, the Commissioner and the authority. The negotiations were finally completed about a month before the passing of the Physical Training and Recreation Act. Although the authority were authorised about a month before the passing of the Act, the formal approval was not given, I think, until one day after the Royal Assent to the Act, but that was by agreement with the Ministry of Health and with the National Fitness Council, who would, in any case, have made the same grant.

Mr. *Pethick-Lawrence*.] Will you please turn to the Accounts on page 223?

Sir *Isidore Salmon*.

898. Is your staff now complete in this Department? I see your salaries are up by £6,000?—Yes, that increase was due entirely to the additional duties put upon us under the 1937 Act. There has been a considerable increase in the work on the industrial side and that increase is still continuing, but I do not anticipate any substantial increase in staff.

Mr. *Pethick-Lawrence*.

899. On pages 223, 224 and 225, there is only one question I propose to raise. With regard to the item "Housing, £668,659" on page 224, can you tell us whether that is larger than the figure last year and if so by how much?—The figure is certainly larger than it was last year. I should have to look up the statement to see by how much. That

28 February, 1939.] Sir THOMAS PHILLIPS, K.C.B., K.B.E.
and Mr. H. C. EMMERSON.

[Continued.]

represents almost wholly the payments to the North Eastern Housing Association. No less than £662,000 out of the £668,000 is to that Association. They are carrying out in the North East certain re-housing programmes under the slum clearance and housing programmes of local authorities. That programme is being continued, so that the figure is likely to increase. Last year I am told it was about £200,000.

900. It has very much increased?—Very much increased.

Sir Isidore Salmon.

901. How is it under sub-head D.1 you asked for nearly half a million of money more than you really required? What is surprising is that the original figure was £4,190,000 and then in a Supplementary you asked for £100 more after that, yet you spent in fact half a million less than your grant?—I think the explanation very largely is in the progress of the Public Health schemes. In the case particularly of the Public Health schemes, we have been disappointed with the rate of progress on the part of local authorities. Even when the schemes have been approved, there have been delays in putting the work in hand, and that estimate, which was based quite reasonably, I think, on what we anticipated to be able to approve, was affected by the delay on the part of the authorities. (*Sir Thomas Phillips.*) As regards the Supplementary, it was a token amount, as you have observed, which was necessary for technical reasons.

902. Did Lord Nuffield give any money towards these schemes under review?—There is nothing in the Accounts about it?—(*Mr. Emmerson.*) It would not appear in the Accounts, because the money that Lord Nuffield gives is administered by the Nuffield Trust. It does not come under the administration of the Commissioner at all. We cooperate with them, but we are not in any way responsible for the money.

Sir George Davies.

903. Reverting to that original and Supplementary Estimate, you say that the Supplementary, as is obvious, was only a token?—Yes.

904. Was that to cover certain expenses which could not be covered under the original Vote but which must be in addition to them?—It was necessary by reason of the new Act extending the powers of the Commissioner, and therefore for technical reasons a token Vote had to be taken, so as to bring it within the estimate.

905. It was technically necessary, although the whole of the money under the original estimate was not spent?—That is so. No additional money was spent.

Mr. Pethick-Lawrence.

906. On page 226, I notice that the balance, which at the beginning of the year was £2½ millions, is now only a little over £1½ millions. I think that is in accord with an expression of opinion from this Committee, but perhaps the witness would like to say something about it?—(*Sir Thomas Phillips.*) If I may say so, that is not within our scope. Sir Richard Hopkins is the Accounting Officer. (*Sir Gilbert Upcott.*) I think the Treasury answered that question last year.

Mr. Pethick-Lawrence.

907. Perhaps the Treasury will answer that question?—(*Mr. Brittain.*) I am not sure what the precise question was.

908. I notice the balance is very much reduced. I am asking: Is that a matter of definite policy, I think somewhat at the request of this Committee?—Yes, the balance there is taken into account in deciding each year how much we have to pay into the Commissioner's accounts, and that in turn is determined by their rate of expenditure and their policy. (*Sir Gilbert Upcott.*) Mr. Fraser, who was asked last year why the balance was apparently rather large, explained that it would in future years be gradually running down, as the rate of expenditure overtook the receipts.

909. That is what has exactly happened?—Yes, it is beginning to show a reduction.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (*Agreed.*)

(*Mr. Emmerson withdrew.*)

28 February, 1939.] Sir THOMAS PHILLIPS, K.C.B., K.B.E.

[Continued.]

VOTE 8.

MINISTRY OF LABOUR.

Mr. *Pethick-Lawrence*.

910. Now we come to paragraphs 31 and 32, immediately preceding those which we have just been discussing. Paragraph 31, I think, is mostly statement of fact. I would like to ask this question. The Ministry of Labour, of course, has training schemes for ex-soldiers, but this relates to men who are at the moment actually soldiers. In whose control are these men when they are undergoing this period of training? They are soldiers, yet they are being trained by your Department. Who has the control of them?—(Sir *Thomas Phillips*.) We try to make the arrangements as nearly similar to ordinary industrial conditions as possible. The men live in lodgings, but there is a military officer attached to each centre who looks after questions of pay and allowances, and I suppose—although I do not know that the question has arisen—he would deal with any matter of discipline that might arise.

Mr. *Lewis*.

911. Do I understand that this does in fact refer to soldiers who are still serving?—Yes.

912. From reading it, it looks as though they have left the Army. It says: "facilities were offered to men leaving the Colours to train for industrial employment." Is this in excess of the vocational training arrangements provided by the Army?

Sir *George Davies*.] The last six months of their Colour service?—This paragraph describes a change which took place. In the first instance, the proposal was, as you have said, that the training should be given to the soldier after he had left the Colours. That did not prove successful. A change was made so that the training was received in the last six months of his Colour service. That is the arrangement which is now in operation. The earlier arrangement was only in operation for a very short time.

Mr. *Lewis*.

913. That is in addition to the vocational training which is provided by the Army itself?—The Army has not continued its vocational training. This scheme takes over what the Army did

and increases it. (Sir *Gilbert Upcott*.) In giving this training, the Ministry of Labour is acting as the agent of the Army. It is not acting as the principal, but as agent of the Army.

Sir *Irving Albery*.

914. "On repayment terms": who makes the repayment, the Army authorities or the men?—(Sir *Thomas Phillips*.) This phrase refers to repayment from the Army, that is, from the War Office Vote.

Sir *Isidore Salmon*.

915. How many centres have you working at the present time and how many men are attending?—I have not the figure in mind at the moment. I can get it.*

916. Has the scheme been working a full six months?—Yes, it came into operation as stated here, in November, 1937.

917. Are you in a position to say if you have found jobs for the men who went through the centre?—I cannot speak specifically about the soldiers, but I am pretty confident that, as is generally the case with men who have left the training centres, they have found employment without difficulty.

918. So far as this particular training of six months is concerned, you have not the figure before you? I suppose it is ascertainable?—Yes.

Mr. *Pethick-Lawrence*.] Turn please to the Accounts, pages 216 and onwards.

Sir *Isidore Salmon*.

919. Last year attention was called to the very large increase in the cost of administration under this head. It has gone up tremendously. I think I am correct in saying the Comptroller and Auditor General called attention to its having grown. Is it still growing?—The increase in this particular Account as compared with the previous year was largely due to the inclusion of agriculture for a full year and other changes of that sort. There were, in addition, increases due to certain improvements in salary scales and otherwise.

* *Note by Witness*: Six centres are reserved entirely for serving soldiers and airmen together with accommodation, as necessary, at other centres. There are approximately 3,050 men (soldiers and airmen) in attendance.

28 February, 1939.] Sir THOMAS PHILLIPS, K.C.B., K.B.E.

[Continued.]

920. It is not necessarily due entirely to additional staff, but more to salary scales?—That is one of the points. It has to be remembered that the total number of insured persons increases every year, even apart from such things as an addition to the range, such as the inclusion of agriculture, and an increase in the total number of insured persons, whether they are unemployed or not, does mean some increase in the necessary administrative costs.

Mr. *Pethick-Lawrence*.

921. Pages 218 and 219. I should like to ask a question under sub-head J. Why were there such extensive savings under sub-head J?—Because the number of persons coming forward for these particular facilities was not as large as had been estimated. It is not easy to forecast at all accurately how much business will arise.

922. It is voluntary action on their part and you cannot tell how many people will take advantage of it?—That is right. It is affected to some extent by the relative attraction of the South of England as compared with the North, and I should say during this year the relative attraction was rather less than it had been previously.

Sir *Isidore Salmon*.

923. Under sub-head J, it says: "Included under this sub-head, are charges in respect of the cost of adaptations at a hostel for boys at Highgate." Would you mind telling us how many boys you have there?—Yes, I have the numbers here: a capacity for 42.

924. I see the charge was £2,057. How many boys did it cater for?—Forty-two.

925. Are you full there?—It is organised and run by the Y.M.C.A. I cannot say definitely whether it is full. I have not the information here.*

926. When you speak of a hostel, you have not taken a building and adapted it as a hostel, but you have got facilities from the Y.M.C.A.?—No, this particular one is one where we acquired the house for something over £5,000 and spent another £2,000 in the year 1937-38 on adaptations.

927. Can you give us any idea what you are paying in the way of costs for the

* *Note by Witness*: At the end of December there were 33 boys in residence.

lads who are residing there?—I think the out of pocket expense comes to something rather more than 30s., but towards that the boys pay something out of their wages.

928. But the net figure of cost you do not know?—It would depend on the wages. We should charge according to the rate of wage that the boy was getting.

929. What I am trying to arrive at is this: It cost a capital sum to acquire and to make the adaptation of the building and you either bought the freehold or you pay a rent for it, and there are certain local taxes. In addition to that, you have a certain number of boys who live there and are fed there. So far as they are concerned, do the Ministry pay anything or do the boys out of their wages pay the Y.M.C.A.?—The arrangement in this particular hostel is that the Y.M.C.A. run it on what is described as an "out of pocket basis". That means that it costs us, by way of ordinary running, as distinct from capital charges, something over 30s. a head, less whatever the particular boy pays for his own board and lodging.

930. Pays whom?—The Y.M.C.A.

931. But so far as the Ministry is concerned, it costs them 30s. a week capitation rate?—No, the amount paid to the Y.M.C.A. by the boys is set off against the 30s. or so per head, and the actual cost to the Ministry, so far as maintenance is concerned, is the difference between those two sums. What it is I could not say without further enquiry.

Mr. *Culverwell*.

932. I see that under item N you have a note "Saving due mainly to less expenditure than anticipated on domestic training centres and outfits". Does that mean that fewer women attended your centres or that you had not extended your centres as much as you had anticipated?—Substantially it is due to the difficulty of getting suitable women to come and be trained.

933. It was not due to any cutting down of your centres?—No.

Mr. *Pethick-Lawrence*.] Are there any questions on pages 220 and 221? May I take it that this Account is approved? (*Agreed.*)

VOTE 9.

GRANTS IN RESPECT OF EMPLOYMENT SCHEMES.

(*On this Account no questions were asked.*)

28 February, 1939.] Sir THOMAS PHILLIPS, K.C.B., K.B.E.

[Continued.]

UNEMPLOYMENT FUND ACCOUNTS, 1937.

Mr. *Pethick-Lawrence*.

934. Now we come to the White Paper which I think you have got: Unemployment Fund Accounts, 1937. On page 2, would Sir Thomas like to comment on what is called a loss on the realisation of a certain amount of conversion stock appearing in the fifth item on the left-hand side of page 2?—(Sir *Thomas Phillips*.) That was a case in which the price realised on the sale of this particular item was less than the amount paid for it, but that I think I can say was a loss which was duly anticipated and allowed for. In selecting a particular item for investment, account is taken, of course, both of the interest rate and of the purchase cost in relation to the date at which the stock is to be paid off, and in this particular case it was a 5 per cent. conversion stock that was concerned.

935. Was there not some question of ex-dividend?—(Sir *Gilbert Upcott*.) The Treasury will correct me if I am wrong, but I think what is described as a loss here was due to the fact that it was bought cum-dividend and sold ex-dividend. (Sir *Thomas Phillips*.) There was partly the fact that it was bought cum-dividend and sold ex-dividend, but there was also a drop in the market price partly due to the fact that the date of redemption was getting nearer.

(Sir *Thomas Phillips* withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS V.

VOTE II.

UNEMPLOYMENT ASSISTANCE BOARD.

Mr. G. T. REID, C.B., called in and examined.

Mr. *Pethick-Lawrence*.

939. Turn, please, to page xxii of the Comptroller and Auditor General's Report, paragraph 37. I note the increase which occurs in the administration and the remarks made by the Comptroller and Auditor General with regard to it. Are there any questions on paragraph 37? Paragraph 38: Perhaps, Mr. Reid, you would give us some explanation of why the Board thought it right to take the action they did without first coming to Parliament, and even after the thing had been running for some time not getting an authorisation from Parliament

Mr. *Pethick-Lawrence*.] I am going to put the Report of the Comptroller and Auditor General which appears on pages 7 and 8 and the Accounts together. Are there any questions?

Sir *Isidore Salmon*.

936. May I ask one simple question: On page 2, you received less money from the Defence Departments this year than hitherto. Is there any particular reason for it?—Because of a change in the amount received per head, particularly in the case of the Army. That amount is fixed every year on the advice of the Government Actuary and on the basis of unemployment experience, and there was a very substantial drop in the amount per head.

937. So that it fluctuates according to the unemployment?—It fluctuates year by year both according to the numbers and the rate.

Mr. *Pethick-Lawrence*.

938. On what principle do you apportion the interest on the investments between the two accounts?—For the most part, on the basis of their average balances.

Mr. *Pethick-Lawrence*.] May I take it the Account in the White Paper is approved? (*Agreed*.)

for their action? Perhaps you will give us the explanation that the Board felt entitled them to take that course?—(Mr. *Reid*.) On the basis of the legal advice that the Board received it was unnecessary to alter the regulations to meet the precise situation with which we were faced then. We were told that, in view of the concurrence of a rather unexpected increase in the cost of living and the oncoming of winter, we could treat the situation as an emergency measure under our existing powers. As I think the Comptroller and Auditor General says, we did take steps the

28 February, 1939.]

Mr. G. T. REID, C.B.

[Continued.]

following year to get regulations which would enable us to pay winter allowances as such, whether the coming of winter coincided with an increase in the cost of living or not, but for that particular winter with which the Committee are concerned now, we regarded ourselves as covered by the legal advice.

940. Are there any questions on paragraph 38? Paragraph 39: Can you tell us, Mr. Reid, what sort of numbers are involved in these first two paragraphs and what is the nature of the training that those who are there receive?—Yes, Sir. So far as the Ministry of Labour Training Centres are concerned the training is of two kinds, the Government Training Centre which is a six months vocational course, and the Instructional Centre, which is an unspecialised three months course. The Board make full use of the facilities offered, and in the case of the Instructional Centres they do practically the whole of the recruiting. It is perhaps a pity to use a martial term of that kind, but I mean the canvassing of the men—bringing before men the facilities which are offered by these centres. It is necessary for someone to approach the men with a view to seeing whether they are willing to receive training.

941. I do not think you are quite answering the question I put to you. What I wanted to know was this: When they got there what was the particular kind of training that you gave them?—My opening sentence answered that, I think. We use the Ministry of Labour Centres. I have no doubt my predecessor in this chair, Sir Thomas Phillips, explained the Government Training Centre, which is a six months' course, in some form of handicraft. In the Government Training Centres about half the men are Board's applicants. The other half are on unemployment benefit. In the Instructional Centres I think we have something like 90 per cent. of men.

942. What sort of centres are they? I am afraid I do not carry in my head the figures of the whole 100 per cent. What does 90 per cent. mean?—Ninety per cent. of the men in the Instructional Centres, which are the centres providing this three months' course of unspecialised training, Forestry Camps and so on. Ninety per cent. of the men in those centres are persons drawing unemployment allowance.

943. Perhaps I have not expressed my point very well. Could you not turn the 90 per cent. into hundreds, or thousands, or whatever it is? That is what I want to get at?—In the year I think something like 19,000 men went to the Instructional Centres.

944. In the third sub-paragraph of paragraph 39, there is a reference to this Wigan and District Scheme. Can you tell us the present position of the scheme?—It has gone out of existence. It was wound up.

Sir *Isidore Salmon*.

945. Do I understand, Mr. Reid, that the Unemployment Assistance Board use the Ministry of Labour Centres for their work? There is no overlapping at all?—No overlapping.

Mr. *Pethick-Lawrence*.] Paragraph 40, I understand, is a formal report. Turn, please, to page 228 of the Accounts.

Sir *Isidore Salmon*.

946. The cost of administration has gone up I see, by £336,000. Is there any special reason for it?—The general explanation is increase of work. The year was a very active one in various respects. That is to say, in the year 1937-8 there were several heavy tasks. It was in 1937-8 that most of the work of liquidating the stand-still, as it is known as, went on. When the present regulations came into force they provided for the winding-up of those excess payments which had been due to the stand-still legislation that Parliament had passed, and that involved a great deal of work. The second important fact was that the 1st April coincided with the second appointed day under the Act when some 90,000 persons were taken over from the local Public Assistance Authorities.

Sir *Isidore Salmon*.] Do I understand that this £336,000 is a permanent charge, or part of it is only temporary, on account of the new work and your staff not being used to the job?

Mr. *Benson*.] Might I ask where Sir *Isidore* gets his £336,000 from?

Sir *Isidore Salmon*.] The difference between the cost of administration in the year of account and the year before.

Mr. *Benson*.] According to the estimate, it is only £145,000.

28 February, 1939.]

Mr. G. T. REID, C.B.

[Continued.]

Sir Isidore Salmon.

947. Take the year before?—(Sir Gilbert Upcott.) The figures are in my Report paragraph. The total administration expenditure in 1936 was £4,374,000, and the total administration expenditure in 1937 was £4,710,000.

948. That is right. Is this increase, whatever it may be, of a permanent character?—(Mr. Reid.) I hope not.

949. Therefore the staff are temporary?—I was going to say the Board has a large staff, but a very large proportion of the Board's staff is temporary. That must be so, because the Board's load of applicants changes from time to time and the amount of work to be done will fluctuate, and therefore the Board is obliged to have a very large number of temporary officers.

950. Is it being strictly looked after, so that when the numbers fall the staff fall correspondingly?—I hope so. We try to do that. On the point of the numbers, I would ask the Committee to keep this in mind, that the average live load for the year—that is the average number of applicants carried by the Board during the year—is not really a very satisfactory criterion of the amount of work done because—in point of fact this year illustrates it—you may have a smaller live load but an increased activity.

Mr. Pethick-Lawrence.

951. I will take the remainder of that page and the notes. Why is the amount spent under sub-head C so very much less than was anticipated? I know there is an explanation given, but it seems to me to be rather inadequate?—Yes. It is the difficulty of forecasting two things. First, what the state of employment or unemployment is going to be, and secondly what proportion of that unemployment is going to fall on unemployment allowance and unemployment insurance respectively. Broadly speaking, when a man first becomes unemployed, he draws unemployment insurance, and it is only after a certain length of time that he exhausts his benefit and comes on to unemployment allowance. We find on such experience as

we have had since the Board was established that the proportion of men who are unemployed who were drawing unemployment allowances and unemployment benefit respectively changes very much according to principles or laws, which I have not been successful yet in fathoming. I do not know whether I might ask the Committee to look at that chart. (*Chart was handed in.*) You will see the top line represents the total amount of unemployment. The lower line represents the number of Board's applicants. You can get great fluctuations in the unemployment figure without corresponding fluctuations in the Board's figure, so that, as I say, the difficulty of estimating turns on those two facts: first the difficulty of forecasting what the general state of employment is going to be, and secondly how much of unemployment in a certain time is going to fall on the Board.

952. On the other hand, I think you will admit this, that it looked as if 1937, the year under review, would be even better than it actually turned out to be. The year turned out towards the end a little worse than you had expected, yet even when that happened you had really allowed for the year being a great deal worse than it turned out to be?—Yes, when the estimates were formed one could not tell what was going to happen, but of course, as I said, even if one could foretell a year with good employment, it would not necessarily mean that the number of the Board's applicants would fall very considerably.

953. There is only one other question. On item 6 on page 231 and the note: I notice that the expenses of the Advisory Committees were anticipated to be £15,000, and in fact they were under £2,000. I notice the note, but it does not help us very much. It seems a very considerable difference?—I think that is explained by the fact that we had no experience to go on. The Advisory Committees had only recently been brought into being, and we did not know what changes would be made. There are no salaries attached to the Advisory Committees.

Mr. Pethick-Lawrence.] Are there any questions? May I take it the Account is approved? (*Agreed.*)

(Mr. Reid withdrew.)

28 February, 1939.]

Sir GILBERT UPCOTT, K.C.B.

[Continued.]

CLASS I.

VOTE 9.

EXCHEQUER AND AUDIT DEPARTMENT.

Sir GILBERT UPCOTT, K.C.B., examined.

Mr. *Pethick-Lawrence*.

954. On page 19, Class I, Vote 9. I should like to ask the Comptroller and Auditor General whether he expects there to be any further changes in staff, in addition to those that were made last year?—(Sir *Gilbert Upcott*.) I mentioned last year that certain additions had been made in my Department to meet the growth in the amount and the complexity of auditing duties which were placed upon me. The first effect of those increases falls in the year under review and the full effect will come in the current year. I am afraid that further additions to the Audit Staff have been necessary in the current year and yet more will be necessary in years to come, if the growth in public expenditure proceeds at the rate at which it is now proceeding.

955. Do you expect any further new Accounts in the year?—Apart from the growth in the amount and complexity of the expenditure on the Defence Departments, perhaps one of the most difficult problems with which we are now faced is the growth in the amount and forms of expenditure on Air Raid Precautions; but apart from that there are several additions to the already many various forms of agricultural expenditure, namely, the Land Fertility Vote and Research Fund, and there are Oats and Barley Subsidy Votes and the Bacon Industry. There are also of course the Essential Commodities Reserves Fund and an item which I hope will not long continue to require my attention—the International Board of Non-Intervention in Spain.

Mr. *Benson*.

956. I notice you have £4,000 down for travelling and removal expenses which, including even charwomen, works out at about £15 per head of your staff. Is that due to the fact that you have to send your auditors up and down the country and have them in hotels?—Yes, local audits are conducted all over the country during the summer.

957. You have a large number of Appropriations in Aid, all of which seem

to come from audit fees for various institutions and accounts. On the whole, do you reckon that the fees charged cover the cost of the work you do?—When the charges are made, they are calculated as nearly as may be to cover the actual cost of the examination.

958. Supposing the work grows?—Where a charge is made it is generally made either annually or for a period, and revised according to the circumstances. It is not an indefinitely fixed charge.

Mr. *Pethick-Lawrence*.] Are there any further questions?

Sir *Isidore Salmon*.

959. I notice that the work and the expenditure of the Exchequer and Audit Department has grown progressively, but I notice on the other hand that the fees have not grown as progressively?—There is no reason why the receipt as appropriation in audit should be in any way commensurate with the growth of work, because the audit of appropriation accounts is not the subject of a charge. These fees are only charged for either independent authorities such as, for example, the Government of the Isle of Man or self-supporting funds like the Unemployment Funds where charges are made in order to place upon the funds the full cost of its administration.

960. I may have misunderstood you, but thought you said, in giving a list of the increased work that you were doing in the last 12 months, that some of it is work where you charge an audit fee, such as the Bacon Board and things of that sort?—No, a charge is not made to them. That is Exchequer money.

961. Wherever there is Exchequer money you do not make any direct charge?—Inter-departmental payments are not made. The necessary accounting entries will be shown in the Gross and Net Cost Return which is presented by the Treasury, but payments are not made except by independent authorities or self-supporting funds.

28 February, 1939.]

Sir GILBERT UPCOTT, K.C.B.

[Continued.]

962. In the return that is made of expenditure of Departments, every Department is charged a figure for audit during the year. Is not that so—that is in the Gross and Net Cost Return?—Yes.

963. Does the aggregate amount that is charged cover your expenditure, or not?—I think there is some misunderstanding. That is not a charge. It is not a payment.

964. It is only a book entry?—That is only a book entry for the purpose of the Gross and Net Cost Return. That is, as near as may be, apart from the fact that to some extent it is based on estimated figures, the actual cost. It is simply a distribution among all the various Departments concerned of the actual expenditure of my Department.

965. So that, whatever figure your total expenditure may be, it is divided according to the work among the whole of the Departments of the State?—That is so.

Mr. Pethick-Lawrence.] May I take it that this Account is approved? (Agreed.)

Mr. Pethick-Lawrence.

966. Before we part, I have been asked to draw your attention to this volume which has been published: "Epitome of the Reports from the Committees of Public Accounts, 1857 to 1937." It may be useful to Members of the Committee?—I mentioned last year that that was about to be issued, and it was duly issued in the course of the autumn. I hope it may be of value to the Committee and to the Public Departments. It brings the Reports up to the year 1937 inclusive.

Sir Isidore Salmon.

967. Who produces that?—My Department.

968. Surely the Members of the Committee are entitled to a copy of that book?—That is not for me to judge. It is produced largely for their convenience. (Mr. Brittain.) I think it is a Parliamentary publication presented to the House, and every Member of the House is entitled to a free copy. (Sir Gilbert Upcott. I beg your pardon, it is a House of Commons paper.

(The witnesses withdrew.)

(Adjourned till Thursday at 2.30 p.m.)

THURSDAY, 2ND MARCH, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Sir Edmund Brocklebank.
Mr. Culverwell.
Major Sir George Davies.
Mr. Lathan.

Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

TREASURY MINUTE ON PARAGRAPH 8 OF THE SECOND REPORT OF
THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE 19.

SUPREME COURT OF JUDICATURE, ETC., NORTHERN IRELAND.

Mr. W. T. BARRY, called in and examined.

Mr. *Pethick-Lawrence*.

969. We will take the Supreme Court of Judicature, Northern Ireland, and start with the Treasury Minute dated 20th December, 1938, paragraph 8, which is headed: "Lunacy Administration in Northern Ireland". I will ask the Comptroller and Auditor General if he has anything to add to his statement. At the same time we may as well take paragraph 27 of his Report in the Appropriation Accounts.—(Sir *Gilbert Upcott*.) I think it would be convenient to the Committee if I were to relate the matter dealt with last year in paragraph 8 of the Second Report of the Public Accounts Committee with paragraph 27 of my own Report on the Civil Appropriation Accounts this year. Last year the Committee had before them the case of the existence of a fund called the Lunacy Fund in Northern Ireland, under the Lunacy Regulation (Ireland) Act of 1871, which is fed by certain fees and is available for the payment of certain expenses at the discretion of the Lord Chief Justice of Northern Ireland. The attention of the Committee was called to the fact that the arrangements have been changed in England, where nowadays the whole

of the expenses are borne on, and the receipts credited as Appropriations in Aid of, the Vote for the Supreme Court of Judicature in England, and the Committee observed that "this procedure is in accordance with modern practice, and secures parliamentary control over the expenditure on a service". They said "they regard it as very desirable that the arrangements in Northern Ireland should be put upon the same footing as in England". Upon that, the Treasury observed that "a proposal . . . is at present the subject of discussion with the Northern Ireland authorities". Paragraph 27 of my Report in the Civil Appropriation Accounts illustrates the inconvenience, if I may say so, of the existing system in Northern Ireland. An officer in the Supreme Court of Northern Ireland holding the post of Chief Clerk, who receives a salary of £1,400 per annum from the Vote for the Supreme Court in Northern Ireland, has been performing, in addition to his ordinary duties, the duties in Northern Ireland of Registrar in Lunacy, and it was hitherto considered that those duties were covered by the full-time salary which he received from the Vote.

2 March, 1939.]

Mr. W. T. BARRY.

[Continued.]

970. What was the amount of that salary?—£1,400 a year; that is the salary mentioned in paragraph 27 of my Report. In 1937 the late Lord Chief Justice of Northern Ireland wrote to the Treasury and told them that he proposed to make an order granting to this officer out of the Lunacy (Ireland) Fund a lump sum of £2,000 for his past services as Registrar in Lunacy in respect of the period 12th October, 1921, to 31st October, 1937, and a salary thereafter at the rate of £300 a year in addition to his existing salary from the Vote. The Treasury thereupon took note of the fact that under the statute the Lord Chief Justice had absolute discretion to give any remuneration that he thought fit out of this fund, but they stated their opinion that the remuneration of officers of the public service who are required to devote their whole time to their official duties should be paid wholly from moneys voted by Parliament, and that the supplementation of their salaries from other sources was open to objection. It appears from the correspondence that, when the Chief Clerk's salary of £1,400 a year from the Vote was fixed, consideration had already been given to his duties as Registrar in Lunacy. The Lord Chief Justice in reply informed the Treasury that, with a full knowledge of all the circumstances, he considered it just and right to make the order, and he in fact made it. It would be improper for me to criticise the decision of the late Lord Chief Justice which he took in this particular case in the exercise of his discretion under the Act, but I feel obliged to say that it is not, I think, in harmony with modern financial standards that public funds should be available for supplementing the remuneration of civil servants at the sole discretion of an officer of state, however highly placed, without any parliamentary control or without any necessity for the concurrence of the Treasury. Indeed, the existence of the Lunacy (Ireland) Fund under that old Act of 1871 is really an anachronism and a survival from a period during which it was common for public officers to be remunerated from the fees which they took for services rendered. In modern times that system has been, generally speaking, swept away, fees are taken into the Exchequer, and the salaries which are thought proper and agreed by the

15417

Treasury are provided from Parliamentary Votes; so that I really return to the general recommendation which was made by the Committee last year when they said that it was very desirable in their view that the system in Northern Ireland should be brought into line with that which prevails in the Supreme Court of England.

971. Mr. Barry, have you any statement to make as regards the facts or any comments to make upon the position?—(Mr. Barry.) The facts are perfectly true, but I do not see what can be done unless this Act is amended. It is the Lunacy Regulation (Ireland) Act, 1871. The procedure that is adopted by us is exactly in line with that Act, and I would say, until something could be done there, it would be very difficult to alter the procedure.

972. Have the Treasury anything to say on this matter?—(Mr. Brittain.) I think we should agree with the Comptroller and Auditor General both as to the facts as he has disclosed them and as to his expression of opinion on the position. We entirely agree in principle with him that the present arrangements are wrong and should be put right, but it naturally involves discussions with the authorities in Northern Ireland. Those discussions are going on very actively at the moment, but I am sorry I am not in a position to-day to say what the final settlement will be.

973. Perhaps, Mr. Barry, if you feel able to, you could tell us to what point the negotiations have gone?—(Mr. Barry.) I have not the slightest notion. I have not been approached about it at all. I understand that Treasury officials have been over, but I have not heard the outcome of the negotiations.

974. You are not in a position to say yet as to what the outcome is likely to be?—(Mr. Brittain.) Actually, the negotiations have been carried on by the Home Office with the Treasury fully in touch throughout, and I am sorry they have not yet got to the point where I can make any statement, but we shall pursue them very actively, as the Committee will no doubt wish us to.

Sir Isidore Salmon.

975. It is over 12 months ago since this was raised, and one would have thought some arrangement should have been reached by now. Someone seems to be holding it up, or they cannot come to a conclusion on what is after all

F

2 March, 1939.]

Mr. W. T. BARRY.

[Continued.]

the practice in this country. Can the witness say if anything can be done to accelerate the decision?—(Mr. Barry.) I do not think I would be approached in the matter at all. I do not know that it is my duty.

Mr. Pethick-Lawrence.] Perhaps you had better put the question to the Treasury, Sir Isidore.

Sir Isidore Salmon.

976. Can the Treasury say anything on the matter?—(Mr. Brittain.) Agreement has to be reached between the Lord Chief Justice in Northern Ireland and other authorities in Northern Ireland and the Home Office and ourselves. I think there were various reasons last year why we did not get on quite as quickly as possible. In fact, immediately after this order was made, a new Lord Chief Justice was appointed; the previous Lord Chief Justice retired. Naturally the new Lord Chief Justice had to take a little time to get acquainted with his new post, and various matters, such as the crisis in the autumn, put it off again; but at the moment, as I say, discussions are going on. I know the Committee will want us to carry them through as quickly as possible.

Sir Irving Albery.

977. I should like to ask Mr. Brittain: How did it arise that this particular payment was made; it has actually been made, I understand?—(Mr. Barry.) It has. (Mr. Brittain.) I think so. (Sir Gilbert Upcott.) The lump sum has been paid and the annual payments are in course of payment under the order of the late Lord Chief Justice of Northern Ireland.

978. How did it arise that it was paid at the particular date when it was paid? I see it covers many years?—(Mr. Brittain.) I am afraid I can only say that the first we heard of it was a semi-official intimation from the Lord Chief Justice on the 4th November, 1937. He wrote semi-officially to the Treasury announcing his intention to make this order.

979. Had the Treasury no notification before then that this question was going to be raised?—No.

980. You can give no explanation as to why it was raised at that time?—I am afraid that was in the mind of the late Lord Chief Justice on that point.

981. Was there any change impending which, if somebody wanted to raise that question, made it desirable to raise it at that particular moment?—There was no change in the holder of the office of Registrar and Chief Clerk that I know of.

982. Is the official who held that post now getting the £1,400 a year plus the extra remuneration which has been ordered?—I think so; perhaps Mr. Barry will confirm that. (Mr. Barry.) Yes; he is.

983. What I do not quite understand is this: If, as I understand the Comptroller and Auditor General to say—and I think perhaps you too, Mr. Brittain—the payment of £1,400 was definitely made to include these services, is it not within the power of the Treasury in that case to reduce the amount the Treasury pays by the extra amount which is being paid now from another source for these extra services?—(Mr. Brittain.) I think it might have been rather difficult for the Treasury, faced with the fact that the Lord Chief Justice in Northern Ireland, in the full and admitted exercise of his powers, had given this extra remuneration, however much we differed from his action.

984. I was not referring so much to the past as to the future?—As regards the future, I think it would come to the same thing. It would have been rather difficult for us to say, "We cannot stop you granting that extra £300, but we will counter what you have done in the exercise of your jurisdiction by reducing his salary from other sources."

985. It seems to me that in any ordinary transaction—perhaps they would not be faced with some of the difficulties you are faced with—if a certain person is paid for a certain service and that service is rendered to a third party and subsequently funds are made available by the third party, they would ordinarily automatically go to the original payer?—I quite agree, in a normal case.

Mr. Lewis.

986. I understood from the Treasury witness that he is not in a position to tell us to what stage these negotiations with the authorities in Northern Ireland have got because his Department in fact are not carrying on the negotiations. I understand the Home Office are carrying them on. Is there anyone from the

2 March, 1939.]

Mr. W. T. BARRY.

[Continued.]

Home Office in the room who can answer that?—I do not want to put any blame on the Home Office. I think I mentioned that, while the Home Office is the official channel for negotiations with the Northern Ireland authorities, the Treasury is in close touch, and before anything is said either way the Treasury and the Home Office are agreed, so if there is any fault at all the Treasury share it equally with the Home Office.

Mr. Pethick-Lawrence.

987. I did not understand you to say that you did not know how they were getting on but that you were not in a position to disclose how they were getting on while they were still in process. That is what I understood you to say?—Exactly.

Mr. Lewis.

988. I understood you to say you did not know?

Mr. Pethick-Lawrence.] Mr. Barry said he did not know and Mr. Brittain said he was not in a position to disclose them at this juncture.

Mr. Lathan.

989. You say you think this procedure must continue so long as the statutory authority remains?—(Mr. Barry.) That is my opinion.

990. Can you tell me whether this statutory authority endows the Lord Chief Justice of Northern Ireland with the right to say that a person shall be paid twice for a particular service. Can the Treasury tell me that?—(Mr. Brittain.) I think it endows him with a right to make payments to this officer out of this particular fund.

Mr. Lathan.] He presumably has a single payment for services rendered.

Mr. Pethick-Lawrence.

991. Is not the Lord Chief Justice entitled to make use of the fund in his absolute discretion? It only includes this incidentally?—Yes.

Mr. Lathan.

992. I gather from the statement made by the Comptroller and Auditor General and confirmed by the Treasury representative that provision had been made in the salary for remuneration for services rendered in respect of this lunacy business, but the Lord Chief Justice of Northern Ireland sees fit to

order that a further payment shall be made for precisely the same services?—(Sir Gilbert Upcott.) Perhaps I should have made it more clear that what I meant was that in fixing the salary of £1,400 a year the Treasury considered that they had taken account of his duties in regard to lunacy. I have no doubt the view the Lord Chief Justice of Northern Ireland took was that the Treasury did not give adequate consideration to it.

993. Has not the Treasury the last word on it?—(Mr. Brittain.) Not as far as the payments out of the Lunacy Fund are concerned. We have no *locus standi* in that matter.

994. Cannot the Treasury take appropriate action with regard to the salary of £1,400? If that salary of £1,400 was fixed under the impression and the belief that it was to cover the services rendered in connection with the Lunacy Acts, then clearly they are entitled to give some reconsideration to that?—As I mentioned in reply to Sir Irving Albery just now I think in principle that might have been a little difficult in the special circumstances of this case.

995. But why difficult? If the Treasury says: "In fixing this salary of £1,400 we have regard to the services you are rendering in connection with so on and so on and so on", and subsequently you find that provision has already been made for one of the items that you had in view, why should you have any difficulty in reconsidering it?—It would seem to be definitely a way in which we were seeking to counter a right which was admittedly given to the Lord Chief Justice to make certain payments out of this fund.

996. I gather that the matter is still under consideration? It is not closed?—The matter of the future of the Lunacy Fund and the payments made thereout is certainly under consideration.

Mr. Lathan.] Am I correct in understanding that the Treasury will take such action as appears to be appropriate to them?

Mr. Pethick-Lawrence.] That is for us to consider and urge upon the Government. It will be appropriate for this Committee to come to a decision on that and that no doubt we shall discuss at a suitable time.

Mr. Lathan.] Then I will leave it.

2 March, 1939.]

Mr. W. T. BARRY.

[Continued.]

Sir Edmund Brocklebank.

997. Is this an isolated payment, or has it been going on for some years?—(Mr. Barry.) No, it is unique. It is the first.

998. It is the first ever since the Act was passed in 1871?—There are annual payments for visiting made out of the Lunacy Fund, but not of this nature. (Sir Gilbert Upcott.) It has hitherto borne only various travelling expenses. (Mr. Barry.) Yes.

Mr. Culverwell.

999. I note that the Lord Chief Justice who made this increase justified his action to the Treasury and thought that he had done the right thing. Does the present Lord Chief Justice concur in that view?—I could not answer that. I do not know his views at all on it.

1000. It seems to me if it is a matter of individual opinion and the Treasury do not wish and apparently do not like (and I sympathise with them) to counter the views of the late Lord Chief Justice, it might well be that the present Lord Chief Justice may disagree with his predecessor, in which case the Treasury action would be easier, I should have thought. Perhaps Mr. Brittain can say whether the present Lord Chief Justice agrees with his predecessor?—(Mr. Brittain.) If I may I would rather be excused from venturing an opinion whether the present Lord Chief Justice would differ from his predecessor on what is in fact a legal order made by his predecessor.

Mr. Mabane.

1001. Do not the lines on page xvi refer to the present Lord Chief Justice?—No.

1002. It does not say "the late"?—No.

Sir Assheton Pownall.

1003. The annual payment is still being made?—(Sir Gilbert Upcott.) The annual payment is still being made.

1004. At £300 a year?—Yes.

1005. Am I right in thinking that from 1871 till 1937, sixty-six years, no payment whatever had been made, and that in the sixty-six years payments were made for the last sixteen only?—(Mr. Barry.) This payment was made from 1921.

1006. The last sixteen years; and for the previous fifty no payment had been made, or asked for?—If it had been,

it would have been done through Dublin. I cannot answer that. (Mr. Brittain.) There was a change in 1921. There was a Lunacy Fund for all Ireland and that continued in Dublin for Southern Ireland. This particular Lunacy Fund which is being discussed just now is one which has accumulated in Northern Ireland since the change took place in 1921. (Sir Gilbert Upcott.) I think I am right in saying that there was a single Registrar in Lunacy for the whole of Ireland in the days before the separation.

1007. Might I ask the amount of the Lunacy Fund, because, as I see it, there is nothing to stop, instead of £300 being paid, a much larger sum being paid by the Lord Chief Justice, is there?—(Mr. Barry.) Yes, that is quite so. The fund could bear a larger charge.

1008. The fund is sufficient to bear a larger charge than that?—The fund is sufficient to bear a larger charge than that.

1009. Therefore if the suggestion were adopted by the Treasury of reducing *pro tanto* the amount we pay, the Northern Ireland authorities could easily make up for it by giving him more from the fund if they wanted to. That is the position, is it not?—The fund can easily stand that charge of £300 per annum. It could bear a bigger payment than that, even.

1010. Do we have these Lunacy Funds before us at all?—(Sir Gilbert Upcott.) No.

1011. They do not come within our purview?—They are held as part of the Supreme Court of Northern Ireland Accounts and audited by me. The Accounts are not presented to this Committee.

Sir Irving Albery.

1012. I wanted to ask the Treasury, having in view the remark of the Lord Chief Justice, that in all the circumstances he considered it just and right to make the order, whether they understand that to mean that the Lord Chief Justice in all the circumstances considered this official was under-paid?—(Mr. Brittain.) I am afraid one can only assume that was what he meant.

1013. Are there any circumstances, for instance, by comparison with the payment of any other officials in a similar position, which could justify that assumption?—In the view of the Treasury, certainly not.

2 March, 1939.]

Mr. W. T. BARRY.

[Continued.]

1014. The next point is this: Would one be right in regarding this Officer as serving directly under the Lord Chief Justice? Would he be one of his subordinate officials?—(Sir Gilbert Upcott.) He is an officer of the Supreme Court of Northern Ireland.

1015. And as such could be regarded as coming under the Lord Chief Justice?—The Lord Chief Justice is the head of the Supreme Court.

1016. The last question I wanted to ask was this: We have already heard that the Treasury regarded this salary of £1,400 as being adequate to cover both services. Was that also clearly understood by the official when he took over the work?—(Mr. Brittain.) All I can say on that is that this officer was appointed in 1921 and I think on two occasions since then the Treasury was asked to reconsider it and refused to increase it.

Mr. Culverwell.

1017. I understood Mr. Barry to say that the Lunacy Fund could stand a larger salary?—(Mr. Barry.) Yes.

1018. What did happen to this £300 a year when it was not spent on this service?—It was invested in War Loan.

1019. And accumulates?—Yes.

1020. For what purpose?—These visiting charges are paid out of that fund. Mr. Wallace, the Registrar in Lunacy, about whom we are talking, visits the different asylums, visits the patients, and those charges are charged against the Lunacy Fund.

1021. Is that the only charge against it?—It is.

1022. It says it is fed by receipts collected in cash as distinct from stamps. What are those charges based on?—It is fed from what is known as a lunacy percentage, which is a percentage on the net income of each lunatic.

1023. Does it not show that the percentage taken from each lunatic is too big? If you could spend even more than £300 a year upon this salary (and you have not been paying the £300 a year for the first forty odd years or whatever it was until the year 1921) does it not show that your charges are too big?—It might show that the Registrar in Lunacy's salary is not big enough. (Sir Gilbert Upcott.) What it really illustrates is the anomalous state of the arrangements. The fees are payable, of course, in respect of the cost of administration of estates of the

lunatics, but most of the administrative expenses are paid out of Votes and not out of this fund, under modern arrangements, although it was originally intended that the administrative expenses should be borne on this fund, but nowadays, with the exception of those travelling expenses, and this particular payment, the administrative expenses are borne on the Vote of the Supreme Court of Northern Ireland with a view to securing the normal form of Parliamentary and Treasury control.

1024. Would the money voted by Parliament have been less had this £300 a year not been taken out of the Lunacy Fund? What would have happened to this £300 a year or even more if it were saved or what did happen to it when it was not paid?—(Mr. Brittain.) The fund had over £6,000 in hand accumulated from fees before the Lord Chief Justice made this order and was receiving income at the rate of about £1,000 a year.

Mr. Pethick-Lawrence.] Is not your question, What is the ultimate destination of the fund?

Mr. Culverwell.] Yes.

Mr. Pethick-Lawrence.

1025. I understand your answer to be, Sir Gilbert, that there is no ultimate destination: it stays as it is?—(Sir Gilbert Upcott.) My view is that as the Committee stated last year, the present position is an anomalous division between this fund and the Vote of Parliament. The Committee recommended last year that the fund should be put on the same basis as in England, in which the fees are payable to the Exchequer and the expenses are met out of votes.

1026. Turn to page 150, the Account. I have only one question to ask on that, and that is with regard to the item, under sub-head F, the general heading at the top of which says: "Expenses in connection with Remanet Duties of Land Purchase in Northern Ireland". Can you give us any further particulars with regard to that, Mr. Barry?—(Mr. Barry.) The Land Purchase Commission Accounts were taken over by the Supreme Courts and are absorbed by the Chancery Division now. I think the reason that separate sub-head is shown is that the officers who are attending to that work could not be considered as Supreme Court officers, because their

2 March, 1939.]

Mr. W. T. BARRY.

[Continued.]

services may come to an end shortly and I think they could be liable to be transferred.

Sir Isidore Salmon.

1027. From your answer one might assume that expenses in connection with *Remanet Duties of Land Purchase in Northern Ireland* is merely a temporary expenditure and likely to cease?—I think that was the intention.

1028. I notice on the details of receipts

“Fees from stamps”. You received £4,000 more than you estimated. Is there any special reason for that?—It is most difficult to estimate these receipts. When I am estimating in November I really have not got the final receipts for six months previously. I have just to go on past figures.

1029. You can only make an estimate?—That is all.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (*Agreed.*)

SUPREME COURT OF JUDICATURE, NORTHERN IRELAND.

LAND PURCHASE ACCOUNT, 1937.

Mr. Pethick-Lawrence.

1030. We have the White Paper headed “Supreme Court of Judicature, Northern Ireland Land Purchase Account 1937”. On page 4, the back page, you have the Comptroller and Auditor General’s Report. I should be glad if he could tell us if he has any additional remarks to make on that?—(*Sir Gilbert Upcott.*) No. It is intended to explain what *Sir Isidore* was inquiring about just a moment ago, that the functions which have been transferred to the Supreme Court of Northern Ireland are winding-up functions in relation to the Northern Ireland Land Purchase. This is the first account rendered by the Supreme Court of those functions which

were transferred to them from the former Northern Ireland Land Purchase Commission. I have no observations on the Accounts.

Sir Isidore Salmon.

1031. On the Account, I notice that the balance on the 1st April, 1937, was £348,833, and I see that the balance in March, 1938, was £304,000. Does that mean to say that the securities have fallen to the extent of £40,000?—(*Sir Gilbert Upcott.*) The money has been distributed. (*Mr. Barry.*) They have been distributed—paid out of court.

1032. It is money paid to litigants?—Yes, under an order.

(*Mr. Barry withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE 20.

IRISH LAND PURCHASE SERVICES.

Mr. E. S. Jones, O.B.E., I.S.O., called in and examined.

Mr. Pethick-Lawrence.

1033. Civil Appropriation Accounts, page 152: “Irish Land Purchase Services”. Can you tell us with regard to this Vote: Is this really a new Vote and was it before under some other office?—(*Mr. Jones.*) It is a new Vote in title. The service of the fund has in the past been met from two Votes, the Vote for Irish Land Purchase Services and the Vote in respect of the Irish Free State Services. By recent developments the latter Vote has terminated inasmuch as the charge has been assumed by the

Consolidated Fund, leaving the service of the fund now met by the Irish Land Purchase Services Votes plus the Consolidated Fund.

Sir Isidore Salmon.

1034. Do I understand that we have already dealt with the administration for this branch, or does it come under the Consolidated Fund?—The cost of management?

1035. The administration for dealing with this. Is there no administration at all required in dealing with these Land

2 March, 1939.]

Mr. E. S. JONES, O.B.E., I.S.O.

[Continued.]

Purchase matters? Some staff are engaged in dealing with this matter, or is it merely a book entry?—The money is provided by the National Debt Office. The remaining advances, such as they are, are now being made and dealt with

by the Supreme Court of Judicature in Northern Ireland, the advances in the Free State of course having terminated.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (Agreed.)

IRISH LAND PURCHASE FUND ACCOUNTS, 1937.

Mr. Pethick-Lawrence.

1036. Now we come to the White Paper, "Irish Land Purchase Fund Accounts, 1937". We come to pages 15 and 16, the Comptroller and Auditor General's Report. Paragraphs 1 and 2, I think, are mainly statistical. With regard to paragraph 3, I should like to ask Mr. Jones if he can tell us what is the position to-day and whether there are any proposals for meeting the arrears of the sinking fund. It is the last sentence of paragraph 3 of the Comptroller and Auditor General's Report?—(Mr. Jones.) Yes, the position has been, so far as the Irish Land Purchase Fund is concerned, partially cleared by the passing of the Eire (Confirmation of Agreements) Act. By that, after the certified date on which the Irish Government paid over £10,000,000 to the Exchequer, the full charge in respect of the former Irish Land Purchase Services in the Free State was assumed by the Consolidated Fund and appeared in the paper attached to the Bill presented to the House, so that the full service of the loans has now been restored and will be met partly from the Vote for Irish Land Purchase Services which you have just looked at, and the balance, which represents the liabilities in respect of the former Free State, from the Consolidated Fund. I must say as regards this concluding paragraph that, though that will put the matter right from the 30th September, 1938, when the Consolidated Fund assumed its full liability, there are still certain arrears arising out of the Free State default which have not been made good to the Land Purchase Fund, nor ever will be made good, so that the Land Purchase Fund has definitely suffered in two particulars: the sinking fund in respect of stocks issued in respect of the Irish Free State, and interest on sinking fund loans to capital account, the amounts of these are respectively: sinking fund about £411,500 per annum; interest about £250,600; so the Fund will be

permanently short of 6½ times £411,500 plus £250,600, which is about £4½ millions shortage to the Fund, attributable entirely to the Free State default.

1037. Is there not some provision about the sinking fund? Unless there is some alteration, will not this affect the contribution from Northern Ireland?—No, the Northern Ireland contributions have been made in full from the start of the Fund. It is pretty clear that inasmuch as the Fund has suffered loss on account of the default, the accumulation of the sinking fund has to some extent been retarded. I think it is proper to tell the Committee that at the moment we are considering dividing the Accounts to show the amounts applicable to Northern Ireland and the amounts applicable to the former Free State and to so sub-divide the assets and the liabilities of the Account that the Northern Ireland Government and the Northern Ireland tenant-purchasers may not suffer in any way from the default.

1038. Have you anything to say on that, Sir Gilbert?—(Sir Gilbert Upcott.) No, I think it is a matter which the Government will have to meet, presumably by legislation.

1039. In order to achieve the purpose that the witness has described as being the intention, you suggest that there will have to be legislation? Is that what you are saying?—If legislative provision is not made, the effect of the non-receipt of this money, of course, is to delay the date when the Sinking Funds liquidate the advances, and the annuities cease to be payable.

1040. Now we come to paragraph 4. With regard to the very last words of the Report, the figure of £3,828,914, I should like to ask Sir Gilbert whether that represents the final end of our liabilities or whether there is still any additional amount?—That figure is intended to represent the net cost to the British Exchequer of Land Purchases in Ireland under the

2 March, 1939.]

Mr. E. S. JONES, O.B.E., I.S.O.

[Continued.]

Act of 1903, and subsequent Acts, but as the Committee are aware, there were earlier Acts, and I calculate that the cost to the British Exchequer of all the land purchase operations in Ireland for the year under review would be approximately £4,195,000.

Sir Isidore Salmon.

1041. Is that without the cost of

management?—That includes management expenses paid to banks, not the administrative expenses of the National Debt Office.

Mr. Pethick-Lawrence.] Now we come to the Account itself. Are there any questions? May I take it the Account is approved? (*Agreed.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS I.

VOTE 16.

NATIONAL DEBT OFFICE.

Mr. Pethick-Lawrence.

1042. Now I will ask you to turn to pages v and vi, paragraphs 8 and 9. I should like to ask Mr. Jones if he would kindly tell us whether in his view any anticipation of this could have been expected when the original Act was passed?—(Mr. Jones.) I am afraid I have not got your reference at the moment. (Sir Gilbert Upcott.) Paragraph 8 of my Report is purely formal.

1043. There are two paragraphs in the Report of the Comptroller and Auditor General regarding the National Debt Office. One is paragraph 8, which is purely formal, and the other relates to the Welsh Church and the Tithes. It is a question of the tithe and the effect that the new Tithe Act had upon the repayment of a loan. The question I asked you was whether you thought that at the time the original Act was passed and, subsequently, when the loan was made, there could have been any anticipation of what was likely to happen?—(Mr. Jones.) I think I may say quite frankly there was not the slightest anticipation that such a wholesale repayment could ever conceivably take place.

1044. Has the Treasury anything to say on that point?—(Mr. Blunt.) No, Sir, I do not think there is anything to add to the Comptroller and Auditor General's version of the story as given here.

1045. I may take it, I suppose, that the Post Office depositor does not suffer in any way by this arrangement?—No, as a matter of fact, I think it is the Exchequer that suffers, except to a very slight extent.

1046. You do not mean that the Post Office depositor bears it to a slight extent, do you?—I think the Treasury take the greater part of the loss of interest. There is a loss of interest here and the greater part of that falls on the Exchequer and only a negligible portion falls on the Post Office. (Sir Gilbert Upcott.) A depositor would get his interest, even if there was not any money there to pay it, because he is guaranteed it.

1047. So there is no loss to the individual depositor in the Post Office Savings Bank?—No, there is no loss to the individual depositor.

Mr. Lathan.

1048. Do I understand that sub-paragraph 2 of paragraph 9 means there was something in the nature of a conversion; that the balance of the loan was converted to a liability of 3 per cent. as against a liability of 5½ per cent. originally fixed?—(Mr. Jones.) The position was that the liability of the Welsh Church to the National Debt Commissioners' Post Office Savings Bank Fund was a cash liability. Arising out of the issue of tithe stock to the Welsh Church, they had stock and they offered the National Debt Commissioners to discharge their cash liability by payment over of stock at the current market price, to which the National Debt Commissioners had no objection. But definitely the liability of the Welsh Church was a cash liability and it was merely a matter of convenience that the liability was discharged in the form of stock.

2 March, 1939.]

Mr. E. S. JONES, O.B.E., I.S.O.

[Continued.]

1049. It was, of course, to the advantage of the Welsh Church Commissioners that the arrangement should be made?—They were relieved of a considerable interest liability. (Sir Gilbert Upcott.) I think you might put it, Mr. Lathan, that the position really was that the passing of the Tithe Act presented the Welsh Church Commissioners with an unexpected windfall which will be to the benefit of the ultimate beneficiaries of the Fund. It enabled them to pay off a long-term $5\frac{1}{2}$ per cent. loan at 3 per cent.

1050. It seems to me to be very much to the advantage of the Welsh Church Commissioners?—It was within their rights under the Act.

1051. Am I right in understanding that the Tithe Act gave them that right?—The effect of it was to give them that right.

Mr. Pethick-Lawrence.

1052. I take it the Treasury were not unaware of that, but thought it undesirable to single out the Welsh Church in order to prevent them getting the benefit of the Act?—(Mr. Blunt.) That is so, undoubtedly. (Mr. Jones.) The point was raised when the Bill was before the House, so it was not overlooked.

Mr. Pethick-Lawrence.] I have no questions myself relating to the Accounts on pages 28 and 29. May I take it the Account is approved? (Agreed.)

VOTE 10.

FRIENDLY SOCIETIES' DEFICIENCY.

(On this Account no questions were asked.)

LOCAL LOANS FUND ACCOUNTS, 1937.

Mr. Pethick-Lawrence.

1053. We now come to the White Paper, "Local Loans Fund Accounts, 1937". In the Comptroller and Auditor General's Report, paragraphs 1 and 2 are formal. I should like to ask Mr. Jones whether he thinks this is the final loss that is represented in paragraph 3?—(Mr. Jones.) As regards advances in the Free State, yes, it is settled.

1054. Does the Treasury concur in that view? (Mr. Brittain.) Yes. (Sir Gilbert Upcott.) The effect of that will appear in the balance sheet of next year, showing the consequences of this write-off.

Mr. Lathan.

1055. What is the amount of the final loss?—I do not think I am in a position to say what is the precise amount of the final loss.

Sir Isidore Salmon.

1056. Was it contemplated that there would be a further liability to the Exchequer?—(Mr. Brittain.) I think it was contemplated that the National Debt Commissioners' share of the £10,000,000 paid by the Irish Free State would not entirely wipe out the original Free State liability.

1057. And that there would be a further liability?—There will always be an item—I think the Comptroller and Auditor General will confirm

this—in the capital account of the Local Loans Fund showing the amount of the capital written off after this transaction is completed. (Sir Gilbert Upcott.) There is a write-off of approximately £2,000,000, in the balance sheet, following upon the original agreement of 1926 with the Irish Free State and there will have to be further provision in the balance sheet for the loss arising out of this settlement of last year.

Mr. Lathan.] There are two figures mentioned in paragraph 4, one of £10,000,000, with which most of us are familiar, of course, and another of £3,750,000 paid from the Consolidated Fund and one might easily be persuaded that the amount to be written off was the difference between the two. I imagine that is not the case. It would be interesting if we might have some indication of what is involved. (Mr. Jones.) In the balance sheet at the 31st March, 1938, on page 5, the capital outstanding in respect of this annuity is £6½ millions. That is Item II. That is the position against which £3¾ millions has been received. It is still being discussed between my Office and the Treasury as to whether the whole of that £3¾ millions is to be applied to arrears of interest or partly to interest and partly to capital, or all to capital, the effect on the Local Loans Fund being negligible, whichever happens; it will merely affect the presentation of the Accounts next year.

2 March, 1939.]

Mr. E. S. JONES, O.B.E., I.S.O.

[Continued.]

But clearly £3½ millions will not repay a capital sum of £6½ millions. (Sir Gilbert Upcott.) Plus interest. (Mr. Jones.) So there will be a further item in the balance sheet. You will notice in the balance sheet, the second item of "Balance" on page 5, an amount of £1,896,000 "Principal" written down in 1926. That will be added to by the proportion of the £3½ millions which is attributable to capital or rather by the amount of the capital outstanding which is not replaced.

1058. It means we shall have the information I am now seeking in the balance sheet next year?—It will all appear in the balance sheet next year. These particular operations did not take place until October, 1938, six months after the date of this Account.

Mr. Pethick-Lawrence.

1059. Mr. Brittain, in previous years you have presented some return to us, and I understand you wish to have an opportunity of asking whether the Committee wish to have a similar return this year?—(Mr. Brittain.) Each year we have given you a statement showing what were the proceeds from the special duties imposed on imports from Eire and what were the payments withheld by the Government of Eire and met out of the Exchequer. This year we wondered whether the Committee really wished that statement to continue, because there are certain difficulties in the way of preparing it. For instance, the special duties came to an end, I think, in April, 1938, from the time when the agreement was signed. Again, after that agreement was signed, it is not altogether appropriate to speak of the Eire Government withholding these particular sums of money. Also, of the £10,000,000 which has just been referred to, part was devoted to extinguishing capital liabilities of the Irish Free State to the Local Loans Fund and other sources, and finally in the middle of this year 1938-9 there was a transfer from votes to the Consolidated Fund. Altogether the preparation of this statement might be rather difficult without a great deal of explanatory matter, and we wondered whether the Committee would perhaps be prepared to take the confirmatory Act of last year as closing this matter.

1060. Have you anything to say, Sir Gilbert, on that? (Sir Gilbert Upcott.)

I can visualise that there would be considerable difficulties in preparing the return at the present moment, and I feel very doubtful whether it would be of any particular advantage or interest to the Committee. I think what the Committee will desire to know next year is what was the financial sacrifice involved in the settlement with the Government of Eire, and that will emerge conveniently, I think, on the Accounts for 1938.

Mr. Pethick-Lawrence.] Has anyone any questions to ask?

Mr. Lathan.

1061. Does the question arise whether it is appropriate to debit the Local Loans Fund with any loss arising from this settlement with Eire? (Mr. Brittain.) I am afraid Parliament has settled that in the Act confirming the agreement with Eire. The agreement provided that the Government of Eire should pay us £10,000,000, which was duly paid. The Act, which confirmed that agreement, also said that it should be applied in certain ways, and £3½ millions was to be handed over to the National Debt Commissioners in satisfaction of their claims against Eire in respect of the Local Loans Fund.

Mr. Pethick-Lawrence.

1062. Unless the Committee wish to discuss it further or in private, may I tell Mr. Brittain that we dispense with this document that we have had in previous years? Is that the wish of the Committee? (Agreed.) You will take it that is the wish of the Committee?—Yes, Sir.

1063. I have a question to ask on pages 2 and 3 of this Report. I notice that the advances this year under review have been nearly double the investments. Is that tendency continuing, that the advances are considerably exceeding the investments?—(Mr. Jones.) I am afraid the investments are becoming depleted from year to year. I think the last Public Works Loans Act makes provision for borrowing up to £25,000,000 in the course of the current year, and if that is so, it is quite possible that the existing assets of the Local Loans Fund will be exhausted. You will see at the 31st March, 1938, the assets consisted then of £1,000,000 odd Treasury Bills and £11½ millions approximately of Local Loans Stock, and quite a considerable proportion of that Local Loans

2 March, 1939.]

Mr. E. S. JONES, O.B.E., I.S.O.

[Continued.]

Stock has been sold between 31st March, 1938, and the present time, to meet current advances. If the capital receipts are in the region of £12,000,000, as appears in the capital account, and the Public Works Loan Commissioners advance anything to the extent of £25,000,000, there is a deficiency to be

met somehow and I am afraid we have not at the moment got sufficient assets to meet that.

Mr. *Pethick-Lawrence*.] Are there any further questions? There is a separate Account on page 11. May I take it the Account is approved? (*Agreed.*)

SINKING FUNDS ACCOUNT, 1937.

(On this Account no questions were asked.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS I.

VOTE 19.

PUBLIC WORKS LOAN COMMISSION.

Mr. H. G. H. BARNES, called in and examined.

Mr. *Pethick-Lawrence*.

1064. Public Works Loan Commission: Civil Appropriation Accounts, pages vi and vii, paragraph 10 of the Comptroller and Auditor General's Report. I should like to ask you, Sir Gilbert, if you have any amplifications to make of what you said in the paragraph?—(Sir *Gilbert Upcott*.) As I say in the beginning of my paragraph, the Public Works Loan Commissioners have been obliged at times to enter into possession of farms in cases where borrowers under the Agricultural Credits Act have defaulted. I appreciate that their task in managing these farms and realising their security is not an easy one, but I have been obliged to mention this matter, because I have felt in the past that the Accounting Officer has not perhaps altogether appreciated that I also have my statutory duties to perform under rules which have been approved from time to time by this Committee as regards the administration of public funds. As I mentioned, in certain cases these farming operations have been financed by bank overdrafts. The Committee will appreciate that this is a very unusual arrangement as regards public transactions, and still more so where, as in certain cases, it was not altogether free from ambiguity as to whether the overdraft was that of the agent himself or of the Public Works Loan Commission. I thought that while it might be necessary that this system should be continued in operation, the Treasury ought to be consulted on such an exception from the general principles

of financing public transactions. Moreover, under the relation which I found between the Commission and the agents, there were cases in which the amount of the overdraft had been kept down by apparent delay in payments for supplies, and that is a matter on which the Committee have expressed very strong opinions on numerous occasions. Furthermore, the fact that the transactions with the agents were not adequately brought to account in the books of the Commission regularly, made the task of the auditor rather difficult. Some communications passed between my Department and the Accounting Officer, but eventually I felt that I had no alternative but to refer the matter to the Treasury for their views, because there did not seem to be any likelihood that those of the Accounting Officer and myself would be reconciled by mutual agreement. The Committee will see that the Treasury have arrived at the conclusion that, while it is normally undesirable that a Government Department should finance its operations by means of overdrafts, they think the Public Works Loan Commissioners are in a special position in this matter and therefore they have agreed to the continuance of this arrangement, subject to certain conditions. They have asked at the same time that instructions should be issued to secure that payments for supplies or services will be made as soon as they become due and that the transactions of the agents shall be brought to account in the books of the Commissioners at frequent regular

2 March, 1939].

Mr. H. G. H. BARNES.

[Continued.]

intervals. I hope that if those arrangements are carried into effect, matters may proceed more smoothly than they have done in the past.

1065. Mr. Barnes, have you anything to say with regard to the paragraphs, and what the Comptroller and Auditor General has said?—(Mr. Barnes.) At the present moment I am mortgagee in possession of 82 properties, in only six of which cases had my receivers any overdraft at the 31st December last.

1066. When you say 31st December last, do you mean 1938; not for the period under review but since the period under review?—I have taken the latest figures to 31st December, 1938. In one case the overdraft was 1s., due to the fact that in transferring his balance to me he drew a cheque for more than he had in the account. In another case, the overdraft was £14 10s. and in another case £22 3s. 2d. There was a rather larger overdraft of £185 4s. 6d. in another case, due to the fact that the property was about to be sold, and the receiver had certain expenses and that property has been sold. Completion took place two days ago, and I have the money in hand ready to replace that overdraft of his, directly certain adjustments have been made in the amounts due to the receiver. There is another overdraft of £566 2s. 4d. which is due to the fact that as regards a property which was let we were required by the County Council and the Rural District Council to make certain alterations in the buildings, cowsheds and things of that sort, to comply with various orders. Part of the £566 is undoubtedly capital expenditure, and we are considering with the Treasury at the present moment whether that part which can be considered capital expenditure and not merely repairs should be replaced by a permanent loan. There is the other case: the overdraft is a very large one, £3,050. We took possession, I think it was, in 1934, of a very large arable farm of 280 acres in the Midlands. We were unable to sell or let owing to the fact that there are about 5,000 acres of derelict land in the district which were going for nothing. This farm was in a very bad condition. It was valued at £1,400 and it was necessary to bring it back into cultivation. We have had no return of any value at all this last year. From a value of £5 an acre which was placed on it by the Inland Revenue,

when I took possession, the Inland Revenue and our receiver put the value of the farm at the present moment, brought back into cultivation, from £12½ to £15 an acre. As a matter of fact, the receiver is negotiating with a prospective purchaser now who has offered £10 an acre, and we hope to get him up to our figure.

1067. You have very properly given us the up-to-date figures, but could you supplement that by telling us whether the position that you state is the case to-day is roughly what was the position during the year under review, or was it substantially different?—I should think it is slightly better than in the year under review. Things have been improving.

1068. Somewhat similar?—Yes.

1069. You are saying to us that these overdrafts are very exceptional?—Very exceptional indeed.

1070. And that most of them are very small and it has been only in one case that it has been large?—Yes.

1071. You agree in principle that the overdraft is an undesirable method?—I agree it is most undesirable, but I have no other method. There is one alternative, and that is to come out of possession and let the property go derelict and lose all your money.

1072. You think an overdraft is the only method?—It is the only method of keeping the property in a state of cultivation and repair.

Mr. Mabane.] Could we hear Mr. Barnes on the matter of payment for supplies?

Mr. Pethick-Lawrence.

1073. I will take it all in a moment. I thought I would ask the Treasury on this question first and raise the other matter afterwards. Have the Treasury anything to say on this?—(Mr. Brittain.) No; I do not think we have anything to add, except just to mention that the conditions which the Comptroller and Auditor General spoke about were that the overdrafts should never exceed the value of the property, and, secondly, that the Board should report to the Treasury all cases over £100.

1074. With regard to the other two points, the question of the payment for supplies and also the question of bringing the transactions of the agents to account in the books of the Commissioners regularly and at short

2 March, 1939].

Mr. H. G. H. BARNES.

[Continued.]

intervals, what have you to say?—(Mr. Barnes.) All our receivers send in accounts either quarterly or half-yearly. (Sir Gilbert Upcott.) The point is that they should be brought to account in the books of the Commissioners. That is what the Treasury have asked should be done. (Mr. Barnes.) It is a question of doing what the Treasury have laid down. (Sir Gilbert Upcott.) That, from an audit point of view, is important. (Mr. Barnes.) There is provision in the Public Works Loans Act that the Board's Accounts shall be kept in a manner laid down by the Treasury, and the Treasury have laid down now after a long time how these receivership accounts should be brought to account, and it is being done.

1075. That is what I was going to ask: you are taking steps to implement what the Treasury pointed out on these two points?—Yes.

1076. That the payments for supplies should not be in arrear for more than a short time?—With regard to the supplies, in agriculture one usually gets about six months' credit from the seed merchants, and people like that.

1077. Do you think it desirable that your public body should act on credit in that way?—I see no objection.

Sir Assheton Pownall.

1078. It is a practice of the trade?—It means that, or a larger overdraft at interest.

Mr. Pethick-Lawrence.

1079. So that what you say with regard to that is that you keep within the custom of the trade; that is your answer on the question of payments for supplies?—Yes.

1080. And, with regard to the accounts from agents, you are acting in accordance with the views of the Treasury?—That is so. (Mr. Brittain.) On the accounts we are quite happy; as regards supplies, all we meant was that the accounts should be paid when the tradesman sent his bill in. We do not want Mr. Barnes to pay them six months before the tradesman sends his bill in.

Sir Isidore Salmon.

1081. How do you come into possession of 82 properties?—(Mr. Barnes.) By borrowers defaulting.

1082. What sort of borrowers?—Agriculturists—farmers.

1083. It is because they do not pay that you foreclose?—Yes, if they are more than six months in arrear and no hope of their default being overcome. There are cases, of course, where we allow them to get into arrear, where they are good men, and we nurse them for a bit.

1084. When you speak of nursing them, do you nurse them by helping them with money?—No.

1085. Or by not pressing them to pay their interest or their rent?—By not pressing them to pay their interest; it has very often proved a very beneficial thing to do.

1086. You made one observation which struck me as rather important. How are you going to get money to maintain the property so that it shall not deteriorate, because, as I understand, the cause of your overdraft at the bank has been that you have no money for doing what is a business necessity—that is, maintaining the property?—And very often it is a statutory necessity, where cottages have got to be repaired, and that kind of thing crops up.

1087. Would not it be a better arrangement, if you could reach it with the Treasury, that you should have an imprest advance of £4,000 or £5,000, or whatever the figure may be, and that you should account for it each quarter, rather than having either to go in for overdrafts or not pay your tradesmen quicker, because, if you pay them quicker, you get a discount. You are not buying in the best market when you take six months' credit. Have you ever thought that out at all?—No; I have not.

1088. Do you think such an arrangement, if it were possible, would be advantageous to your Department and to the State?—The Treasury would charge their interest just the same, would they not?

1089. The point I have in mind is that, after all, it is important you should maintain the property which you take over because the money has not been paid to the State?—Yes, we are maintaining it as far as we can.

1090. But the difficulty you seem to be in is that you are very short of ready money, and therefore, you have recourse to overdrafts or pay your accounts very late. Is it not a better

2 March, 1939].

Mr. H. G. H. BARNES.

[Continued.]

business proposition to have an imprest account so that you might be able to do it on more businesslike lines? It is true it is not the ordinary Government method, but is there any reason why it should not be introduced? Perhaps the Treasury might give a reason against that?—It is more their affair. (Mr. *Brittain*.) We put a suggestion almost like that to Mr. Barnes ourselves some time ago that we should ask Parliament to vote a sum of money as a revolving fund out of which this could be met. Our further suggestion was that, whenever the net amount of money sunk in a particular property reached a certain figure, that should be added to the permanent debt and a new charge raised against the borrower. We were informed that that was impracticable. (Mr. *Barnes*.) I think it would be, because most of these overdrafts are not for capital. They are for maintenance charges—what the ordinary landowner would do out of income or out of overdraft.

1091. Instead of having the overdraft, will you tell me what is the objection to having an imprest account? Is it because you pay $2\frac{1}{2}$ per cent. for it? Is that the difficulty?—No. (Mr. *Brittain*.) It means a bottomless purse unless you can add the net overdraft in any particular case at some point of time to the debt which is charged on the property. This revolving fund must be repaid from some other source. You cannot go on sinking money into a property like that unless you have a continuing Parliamentary grant behind it.

1092. I agree, it must be repaid?—That was the difficulty, that it must be charged up as a formal loan subject to a mortgage at some point of time, and the question was when.

1093. What do you pay for your overdraft?—(Mr. *Barnes*.) The large one I told you about, £3,050, is $3\frac{1}{2}$ per cent. The other one is 4 per cent.

1094. What do you pay your receivers?—They get paid the scale allowed by the Institute of Surveyors, I think it is. There is a recognised scale fee. We have sometimes asked them to take a little less when they have made a bad deal for us. We sometimes ask them to do that.

1095. Do you then have to buy live-stock to maintain a farm?—Very seldom. We did in this case of T. Harrison,

where we have the large overdraft, because it was necessary to have a large arable farm and, to get reasonable crops, we required a certain amount of manure, and that kind of thing, to plough in.

1096. Do you sell any produce at all during the period in which you are in possession?—In this case I am mentioning, we have had young bullocks coming on and they will be sold when they are ready for market, and the overdraft reduced; but in that case I hope to be selling in a few days now.

1097. Is that an isolated case, or do you often have produce of some sort to sell?—Very seldom.

Sir *Irving Albery*.

1098. I should like to ask Mr. Barnes, when these agricultural credits are given originally, what is the percentage of their value which is advanced?—Up to 75 per cent. of their value at the time of the application being made; that is in accordance with the Agricultural Credits Act, 1923.

1099. And, when one defaults and you get possession of the property, what would be the main deciding factor with you as to whether you will sell it for whatever it will fetch, or keep it and try to improve it?—We get the advice of the Valuation Department and the receiver we have appointed in that district, who is usually a leading estate agent in that area.

1100. Supposing you advanced 75 per cent. of the value: very likely the value has gone down, but, if you could realise 50 per cent., that is to say, lose 25 per cent., would you do that in all cases, or would you still sometimes retain it and try to improve it?—It is rather a difficult question to answer. There is no hard and fast rule. If we were advised by competent valuers that it was better to sell and cut our loss, we should do so.

1101. In other words, from a pure finance point of view, you have no general rule?—No; there is no hard and fast rule.

1102. Is it your experience that in many cases (or may I say in the majority of cases) by holding on to properties you do eventually save money?—Yes. I should think by holding on over these last few years we should probably have saved money. Prices are improving slightly, and also there is a readiness to buy now that there was not a few years ago. It is getting better.

2 March, 1939].

Mr. H. G. H. BARNES.

[Continued.]

1103. Perhaps I ought to ask the Treasury this: Does not it really come to this, that the Commissioner is put in the position of being a trading concern with no capital?—That is right. (Mr. *Brittain.*) No capital for these day to day expenses. Of course, the Board have power to borrow for improvements which are necessary to maintain the security, but, for the ordinary day to day trading operations, I quite agree there is no provision in the Act for them. (Mr. *Barnes.*) Not in the Agricultural Credits Act.

1104. When you say the Board has power to borrow for maintaining the property, are you referring to the borrowing by overdraft?—(Mr. *Brittain.*) In the Act. (Mr. *Barnes.*) It is provided for in the Public Works Loans Act, 1875, Section 21, sub-section (3). (Mr. *Brittain.*) That the Treasury may lend the Board money to be spent on maintaining the security of their property. (Mr. *Barnes.*) We never draw any money from the Treasury.

1105. I understood from Mr. Barnes the overdrafts he borrows are definitely part of the policy of maintaining the property?—Quite. (Mr. *Brittain.*) Not the day to day trading expenses. I think there is a distinction, is there not, between capital improvements and day to day financing of their trade. (Mr. *Barnes.*) In the case of capital improvements, the Board have power under Section 22, sub-section (4), of their Act to lend to themselves from the Local Loans Fund by drawing from the Local Loans Fund. That is only in the case of capital expenditure, but, in the case of expenditure which should in the ordinary course be met out of income, they have only their power of borrowing that was given them in the Act of 1875 by Section 21, sub-section (3).

1106. Of borrowing where?—By overdraft.

1107. They have got the definite power of borrowing?—They have got the power to borrow by overdraft under that Section.

Mr. *Pethick-Lawrence.*

1108. Do you mean they have that power specifically?—(Mr. *Brittain.*) No. (Mr. *Barnes.*) A specific power given to them. (Sir *Gilbert Upcott.*) I understand the Treasury's view to be that stated in my paragraph, that the statutes do not make explicit provision.

Mr. *Pethick-Lawrence.*

1109. The question is whether it is explicit or implicit. The witness thinks it is explicit.—(Mr. *Barnes.*) We are advised there is an explicit power.

Sir *Irving Albery.*

1110. If anybody takes over a property, which is mortgaged because it is in default, with a view to maintaining it, even leaving out improvement, with a view to a sale when occasion arises, that comes under the heading; but the incidental expenses are part of maintaining that property until you can sell it. You cannot keep a farm with nothing going on on it. You cannot put it into cold storage, I should have thought?—(Mr. *Brittain.*) There has been legal advice on that particular point, that that is not so. I think Mr. Barnes has had legal advice that that would be an improper use of the borrowing powers. (Mr. *Barnes.*) The borrowing powers under Section 22 (4) mean from the Local Loans Fund. That is creating a permanent loan. This day to day business we do under the other Section, allowing an overdraft.

1111. The other question I wanted to ask Mr. Barnes had relation to supplies: I understand Mr. Barnes to say that there is no particular advantage in paying before the bill comes in—say, six months before; but surely you can get a considerable discount if you pay cash?—I am not a trader myself.

1112. Who does it? As long as you have these funds, there must be trading going on?—Yes.

1113. I suppose some officer under you is responsible for trading?—It is done through our receivers.

1114. I take it he understands farming?—They are usually chosen for that particular purpose.

1115. I do not know; they do not seem to be large amounts. It does not seem to be very important, to that extent, but I should imagine you are probably paying 10 per cent. or perhaps more by not paying cash?—That, I am afraid, I cannot enlighten you on.

Mr. *Mabane.*

1116. Does your delay in paying extend to buying your livestock on hire purchase?—I should not allow them to do that.

1117. What is the difference: one is equally delayed payments with the

2 March, 1939].

Mr. H. G. H. BARNES.

[Continued.]

other?—If you go to market and buy on hire purchase, you are more or less under the thumb of the auctioneer you bought from.

1118. There are said to be delayed accounts. What establishes the fact that there is delay? I take it that there are trade terms, that, when you enter into your bargain, you undertake to pay in seven days at so much discount, or 30 days at so much discount? What are the trade terms?—I do not know.

1119. Are there any: you do not know whether there are any trade terms on which the contracts are made?—No; I am afraid I could not tell you.

1120. Might I ask the Comptroller and Auditor General: If there are no trade terms, how is the fact of delay established? If, as I gather, nobody minds when they are paid, how do we know there is delay?—(Sir Gilbert Upcott.) When I said "delay", I meant delay in paying bills which had been rendered.

1121. It may be a question of too much detail, but is it within your knowledge whether either on the bills or by any other indication there are customary trade terms?—No; I could not say that off-hand. What I mean, when I say "delayed payment", is delay in payment of bills which have been rendered; so far as I am concerned, as auditor of public funds, the principle which I have to see, or hope to see, is that bills are paid promptly.

1122. You are surely only out to see that bills are paid when they are due?—If I had evidence, of course, that there was a possibility of obtaining a discount by earlier payment, I should probably draw the attention of the Accounting Officer to it, but it is my duty, as auditor, to see that the bills are paid when they are due.

1123. That is what I mean: You do not want to see that they are paid before they are due?—If I had explicit evidence that it would be economical to pay them at an earlier date, and I thought that for some reason or other the Department was unaware of that fact, I should think it would be part of my functions to draw attention to it. That is what I call one of the rather extra-statutory duties which the Committee has encouraged me to perform, but it is not one of my statutory duties.

1124. If it were not economical, you would not want them to be paid before they were due?—No.

1125. As nobody has complained and as no one knows the trade terms, no one knows that these payments have been delayed?—The general principle which this Committee has supported is that it is uneconomical in the long run that bills should not be paid when they are rendered.

1126. The trade terms may be that they are not due until six months after they are rendered?—I mean rendered as due.

1127. I gather you do not know when they were due. If there was delay in the sense that bills were not paid when they were due, it seems there is something for us to concentrate our attention on; therefore, I want to establish that the bills were not paid when they were due, and it seems to me we have no evidence?—In this case the supplies have been supplied and the bills have been rendered.

1128. And no one has asked for the money?—The bills have been rendered.

Mr. Mabane.] But without any indication, apparently, as to when the bills should be paid and, so far as the evidence before us goes, the suppliers would be quite happy if they were paid this year, next year, some time, or, apparently, never?

Mr. Pethick-Lawrence.] I do not think that is what the witness said. He said there was a definite period, but he did not know what it was, and he could not give us the details. He said there was a definite period in the trade; that is what he said to me originally.

Mr. Mabane.

1129. I thought he said originally the bills are commonly paid after about six months?—(Mr. Barnes.) I think that is so.

Mr. Mabane.] But in reply to my question he said he did not know what the trade terms were or whether there were any trade terms.

Mr. Pethick-Lawrence.

1130. He said he did not know, and I was going to make a suggestion about that afterwards. Shall I make it now? Perhaps it will meet Mr. Mabane's point. You say you do not know precisely what these trade terms are in these cases, and we cannot expect you or the Department to know all the details, but what I am going to suggest

2 March, 1939].

Mr. H. G. H. BARNES.

[Continued.]

to you is that, as the matter has interested the Committee a good deal, perhaps you would get from some of your staff, who, of course, must know these details—?—The receivers would.

1131. The receivers or whoever it may be—a statement which you could put before this Committee as to what are the trade terms to which you yourself referred?—Yes.

Mr. *Pethick-Lawrence*.] And what is the delay and whether, if cash were offered, a discount would be available, and, if so, what it would be. I think if you would be kind enough to furnish us with that information in a statement, that would meet Mr. Mabane's point.*

Mr. *Mabane*.

1132. One thing more: If we may, could we have a statement showing in further detail what is the nature of the delay specifically?—I have never had any specific case where I have been told there is delay; it is a general statement.

Mr. *Mabane*.] The Comptroller and Auditor General could perhaps give us that?

Mr. *Pethick-Lawrence*.] I do not think that is for the witness.

Mr. *Mabane*.] I am asking for it from the Comptroller and Auditor General.

Mr. *Pethick-Lawrence*: Perhaps, if he does not satisfy you by his answer, he will get more detail upon it later, but perhaps you will put the question to the Comptroller and Auditor General.

Mr. *Mabane*.] It is very difficult to proceed until we know what the trade terms are.

Mr. *Pethick-Lawrence*.] That we cannot get until Mr. Barnes gets his receivers or subordinate officials to tell us what they are.

Mr. *Mabane*.

1133. And after that, we have to discover what bills have not been paid in accordance with the trade terms. It only answers half of the question to tell us what the trade terms are?—There are only two cases of any importance; one of £3,050—.

Mr. *Mabane*.] That is the overdraft; I am not asking about the overdraft; I am asking about the question of trade supplies.

Mr. *Pethick-Lawrence*.

1134. You might give us in the same statement information as to whether it is the practice of your receivers to pay

See Appendix No. 5.

on the date at which under the usual trade terms they are expected to pay?—Yes.

1135. If not, whether there have been cases of further delay than that. Perhaps you can furnish us with that information?—Yes.

Mr. *Mabane*.

1136. I want to ask questions about it because it is a practice, not a very honest practice, in trade to depress overdrafts by refraining from paying tradespeople, and that is why I wanted to have specific cases, if we can get them, because, if there are no cases, there is no delay?—(Sir *Gilbert Upcott*.) I have not the Commission's papers before me, but I can give you the cases which were the subject of the delay.†

Mr. *Mabane*.] That is what I want.

Mr. *Pethick-Lawrence*.] The Comptroller and Auditor General will supply you with the information, which is what you want, Mr. Mabane.

Mr. *Culverwell*.

1137. On the large overdraft, I think you said you were paying 3½ per cent.?—(Mr. *Barnes*.) Yes.

1138. On the smaller one, 4 per cent.?—Yes.

1139. Why is there that difference? What credit do you borrow on?—It is what you call personal credit.

Mr. *Pethick-Lawrence*.

1140. What do you mean by "personal credit"?—I might almost say "note of hand".

Mr. *Culverwell*.

1141. There is no Government backing?—No; there is no agreement entered into by the Board covering the overdraft.

1142. I wanted to know really why you did not lump the overdrafts together?—These two?

1143. Yes. I could not understand why you would want to pay 3½ per cent. because you borrowed £3,000, and 4 per cent. on the smaller sum?—It is what one banker will give you in one place and another banker will give you in another.

Mr. *Culverwell*.] I wanted to know why you had different banks, why you did not have one central bank?

Sir *Irving Albery*.] I think the real point is that, on an overdraft of £2,000,

See Appendix No. 6.

2 March, 1939].

Mr. H. G. H. BARNES.

[Continued.]

it is a question of paying the interest; on an overdraft of £20 it is a question of paying the book-keeping charges.

Mr. Culverwell.

1144. In one case there was an overdraft of £3,000, I understood. Perhaps you could give me the two large ones?—£3,050 is the larger one.

1145. And the smaller one?—£566.

1146. On the smaller one you were paying 4 per cent.?—Yes.

1147. And on the £3,000 you were paying 3½ per cent.?—Yes.

1148. Why could you not have lumped them together and made it £4,000?—There are two different accounts kept at two different places. Our receiver has the overdraft with the bank. It is really his overdraft guaranteed by us.

1149. I should have thought you could have got the overdrafts lumped together?—(Sir Gilbert Upcott.) It was in my mind in raising this question whether this is an economical method (although the amounts are not large) of conducting the operations, because, as the witness has just said, the rates of interest on the overdraft would be charged according to the personal credit of the agent, whereas in fact the borrower is the British Exchequer.

Mr. Culverwell.] That was my point; that is why I could not see the reason for the difference in the rates of interest. I should have thought that it would be much more economical for the Commission to borrow the total overdraft required.

Mr. Pethick-Lawrence.

1150. Perhaps the witness will tell us why it has been done in what seems to the Committee a rather peculiar method: Why, in the work of this very important Board acting on behalf of the Government of the country, these borrowings have been effected on what seems to be a personal basis?—(Mr. Barnes.) It is merely the receiver's account with the bank.

1151. But the receiver is only an agent of your Board, and the Board is only in a sense an agent of the whole Government of the country?—Yes.

Sir Isidore Salmon.

1152. Is not the receiver recognised by the bank as being the agent of the Commission?—Quite.

1153. Could you say the value of the 82 properties that came into your possession?—I could not give you the figure now.

Sir Isidore Salmon.] When you give your memorandum, would you kindly put in the value of the 82 properties?

Mr. Pethick-Lawrence.] Do you want it in the aggregate or separately?

Sir Isidore Salmon.

1154. The aggregate of the 82 properties. What I was trying to arrive at by that was how much income do you have for loans: in other words, is 82 properties a very small item compared with the whole of the transactions that you do? That is what I should like to find out. There is nothing here to show us that?—Under the Agricultural Credits Act we advanced £4,700,000.

1155. On how many properties?—On 1,214 loans.

Sir Isidore Salmon.] If you could, would you kindly tell us what the value of the 82 properties was?

Mr. Pethick-Lawrence.

1156. In the aggregate. We do not want each separate one of the 82?—Do you mean those 82 of which I am actually mortgagee in possession at the present moment?

Sir Isidore Salmon.

1157. Yes?—Do you want the values as well as the amounts we have advanced?

Sir Isidore Salmon.] Both, if you could give them.

Mr. Pethick-Lawrence.

1158. Have you anything to add, Sir Gilbert?—(Sir Gilbert Upcott.) I have only to say that, of course, I raised the question of financing by overdraft not because it is a question for me to decide, but because it was a question which I thought this Committee ought to have an opportunity of considering. On the other questions for which I am responsible, I hope that the arrangements will be satisfactory if the request made by the Treasury is carried out by the Commission. That is all I want to say.

Mr. Culverwell.] Further to the question I raised about the rate of interest, I want to ask the Treasury whether there is any objection to the Board borrowing the money?

Mr. Pethick-Lawrence.] Borrowing from a bank or from the Treasury?

2 March, 1939].

Mr. H. G. H. BARNES.

[Continued.]

Mr. Culverwell.

1159. The Board, rather than the agents, borrowing from a bank?—(Mr. Brittain.) I understand the Board have power to borrow under their general powers by mortgaging properties, and I suppose they could themselves borrow by overdraft. Whether a bank would lend direct to them without some security or not I am not in a position to say, and I should be glad if the Committee will allow the Treasury and the Commission to go a little further into this question, because I think it is a point on which the Committee might want rather more information in order to be better satisfied.

Mr. Pethick-Lawrence.

1160. I do not think we can pursue the matter further to-day. You will let us have those particulars, Mr. Barnes?—(Mr. Barnes.) Yes.

1161. Now we come to pages 33 and 34 of the Account. On what basis are the fees that appear in this Account under sub-head D fixed?—There is a scale of fees laid down by regulation, approved by the Treasury, and before the regulation comes into force it is laid on the Table in the House of Commons.

1162. And you adhere to that?—We adhere to that.

Sir Isidore Salmon.

1163. What is the total amount of your expenses that you spent in the year in the way of fees?—Our expenses, Appropriations in Aid, were £22,588 6s. 4d. in the year ended 31st March, 1938.

1164. I do not know if you quite follow my question?—I am sorry.

1165. How much money have you paid out in the way of fees to your agents?—I could not tell you the aggregate.

1166. Where would it show under this Account; under which heading would it come?—It would not show in that Account.

1167. It would not show here at all?—No.

1168. So your expenses are greater than are shown on the face of this Report?—The fees paid to agents, and auctioneers' fees, and that sort of fee, is a proper charge against the property when you sell, so that they would be paid out of the purchase money collected when the property is sold, and would not be anything to do with this.

Mr. Pethick-Lawrence.

1169. What I understand the position to be is that in this year under review the fees that you received exceeded the amount that you expended, but that, taking one year with another, sometimes it is in excess and sometimes there is a deficiency: is that the position?—The fees we take have been for many years in excess of the expenses of the Department. (Sir Gilbert Upcott.) Of course, the money borne on the Vote for the Public Works Loan Commission is not the full story of the expenses of administering the Local Loans Fund. There is also, of course, the expenditure borne on the National Debt Office Vote and allied services of all kinds. I should say that in round figures the cost of the Local Loans administration in the year under review was a little short of £40,000.

Sir Irving Albery.

1170. I just wanted to ask Mr. Barnes a question with reference to funds which come into his hands through default: Would you agree that a decision as to whether to sell a farm for what it will fetch and realise what you can against a default or to run it is of a very speculative nature?—(Mr. Barnes.) All lending on agricultural land is of a speculative nature.

1171. You would agree that the decision must be regarded as a speculative one?—A very difficult decision to make, yes.

1172. And a speculative decision?—Yes.

1173. It is very uncertain. You could not do it without advice?—Certainly not. It is a question of using judgment.

(The witnesses withdraw.)

(Adjourned till Tuesday next at 2.30 p.m.)

TUESDAY, 7TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Benson.
Sir Edmund Brocklebank.
Mr. Culverwell.
Major Sir George Davies.

Sir Haydn Jones.
Mr. Lathan.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT,
called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS V.

VOTE 1.

MINISTRY OF HEALTH.

Sir GEORGE CHRYSAL, K.C.B., and Mr. S. H. G. HUGHES, C.B.E., called in
and examined.

Mr. *Pethick-Lawrence*.

1174. Ministry of Health. Will you please turn to page 198 of the Civil Appropriation Accounts. Sir George, on page 198 there is an asterisk about three-quarters down the page on the right, and an explanation of that asterisk to the effect that "A sum of £470 which should have been appropriated in aid of the Vote was paid separately to the Exchequer". Perhaps you would be kind enough to explain how that arose and what that means?—(Sir *George Chrystal*.) That was a payment in connection with Section 25 of the Tithe Act, which provides for the issue to the Exchequer from the Redemption Annuities Account of an amount equal to the expenses from time to time incurred by the Tithe Redemption Commission. Under Treasury direction the repayment of the expenses of the Ministry of Health, together with those of the relative allied services, are credited to the appropriations in aid of the Health Vote, but it turned out on further investigation that for this particular purpose that procedure was not the prescribed one, and this sum of £470 was accordingly paid in the manner described here. It is a technical point.

1175. Is it not that the money was paid into the Exchequer when it should have been paid as an Appropriation in Aid? Is that not the position?—Yes, because it turned out that it was not regular or proper to pay it into Appropriations in Aid. We recovered it.

1176. It was not proper to pay it into Appropriations in Aid?—No, we had been advised that it was, but it turned out that in the case of this particular item that was not the correct procedure, and so it was paid direct to the Exchequer.

1177. Who gave you that advice? Do you say the Treasury gave you that advice?—(Mr. *Hughes*.) We had recovered £470 more than the cost of administration in the payment of the tithe grant and we had overlooked at the time that the amount we were allowed to appropriate in aid of the Vote was either the actual cost or the smaller amount recovered. We were following, in regard to this recovery, a procedure that we ordinarily follow in dealing with administration charges for the Pensions Account and the Health Insurance, and when this came to notice, that there was a special instruction in regard to this recovery of expenses for the administration of the tithe grant, we had already

7 March, 1939.]

Sir GEORGE CHRYS TAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

paid over to the Exchequer the full amount of the extra receipts and we had appropriated or were proposing to appropriate, the full amount estimated as Appropriations in Aid.

1178. I am not really very clear about it from your explanations. What I understand is that the money was paid to the Exchequer. Do I understand you to say that that was correct? As I read the note it seems to say the reverse. It seems to say it should have been treated as an Appropriation in Aid but that instead of that it was paid into the Exchequer. Which was really the correct procedure?—The part that was incorrect was our recovery from the Tithe Commission and appropriation of the estimated sum for administration which was £470 in excess of the actual cost as ascertained after the close of the year. As this came to notice when the Accounts were complete, and we had completed the payment of the extra receipts to the Exchequer, we adopted the only form of adjustment which was then open to us and reduced the amount appropriated in aid of the Vote by £470, as we had already paid over the full extra receipts to the Exchequer, and we kept that £470 in hand, in a suspense account until the following year, and recovered £470 less from the Tithe Redemption Commission. We had already, as this note says, paid separately to the Exchequer the full amount of the extra receipts which included £470 additional. (Sir Gilbert Upcott.) I think there is another way of putting it which will perhaps make clearer to the Committee the point about which possibly you are in some doubt. The Ministry of Health had to take £470 less from the Tithe Commission. To make that good they ought to have taken £470 more from their other receipts, but they could not make that adjustment because the whole of their excess receipts had already been surrendered to the Exchequer. So they could not make the adjustment. It comes to the same thing from the Exchequer's point of view in the long run.

1179. It is only a matter of book-keeping?—(Mr. Hughes.) Yes. (Sir Gilbert Upcott.) They could not make the correction because the other receipts from which the £470 should have been recovered had already been surrendered.

1180. Is there anything you would like to add to that, Mr. Brittain?—(Mr. Brittain.) No.

Mr. Pethick-Lawrence.] Are there any questions on pages 198 and 199.

Mr. Mabane.

1181. With regard to an item in sub-head F on page 198, the second item, "Housing Grants," £46,071 less than granted, I wanted to ask the nature of the losses sustained under guarantees to building and other societies. I did not understand how the Housing Act of 1936 applied and how the Exchequer could be involved in a loss of that character. The note on sub-head F is on page 200?—(Sir George Chrystal.) That was the Wallingford case. The Wallingford Rural District Council in 1934 gave a guarantee to the Halifax Building Society in respect of a loan made by the Society to the Workmen's Housing Association Limited in respect of 194 houses at Didcot. The loan was for 90 per cent. of value and amounted to £54,470. Normally, the Society only advance up to 70 per cent. of the value, so that the balance of 20 per cent., that is to say, £12,000 or so, represented the proportion of the loan to which the guarantee extended, and two-thirds of that represented the maximum liability of the Council under the guarantee. There were certain other guarantees. The Housing Association defaulted, and the Building Society took possession of the property which they subsequently sold. The loss incurred by the Society amounted to £5,705, of which £3,800—two-thirds—was claimed from the Council. A dispute arose between the Council and the Building Society over the amount which the Council were liable to pay under the guarantee. They actually got to court, but they settled it by agreement. The amounts paid by the Council to the Society totalled £3,722 18s. 8d., of which the department was requested to make good one-half, namely £1,861 9s. 4d. During 1937-8 the Department paid the sum of £1,386 9s. 4d., the balance of £475 being retained pending the result of an attempt to obtain from the personal guarantors a contribution towards the loss. I may add that guarantees have been given or promised under this Act, that is to say, the Housing Act, 1936, in respect of approximately 24,000 houses, and the case that we have mentioned is the only one so far where a claim has arisen in respect of a default.

1182. Where does the Housing (Financial Provisions) Act, 1933, come in?

7 March, 1939.]

Sir GEORGE CHRYSAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

That was the original Act, was it not?—(Mr. Hughes.) That was the original Act; this is the consolidating Act.

1183. It is the original proposal made by the Housing (Financial Provisions) Act, 1933?—Yes.

1184. How was it that the Halifax Society advanced the money at second hand in that way to another Society whose credit was apparently bad? It makes a long chain of events, does it not, before the Treasury can really know how safe its money is?—The arrangements are made locally between the local authority and the building society in consultation with the Housing Association proposing to build the houses. The Exchequer liability is one-third of the excess of 90 per cent. over 70 per cent. and we join with the local authority in guaranteeing the proportion.

1185. I think you see what I am after. Here the Treasury have a liability?—Yes.

1186. Did the Treasury authorise the loan to the Workmen's Housing Association? The Treasury have an ultimate liability?—Yes.

1187. Apparently the Halifax Society lent to the Housing Association and the local authority guaranteed the Halifax Society and the Treasury guaranteed the local authority?—Half their liability.

1188. What I am really getting at is this: Does the Ministry have anything to say in the matter of the credit of the ultimate borrower?—We are generally in touch with the arrangements the local authorities contemplate; we knew of the Workmen's Housing Association and we had at the time no reason to doubt their ability to carry out their contract and no reason to anticipate a default.

1189. May I put the question precisely? Before the local authority guaranteed the Halifax Society in this loan, had the Ministry of Health, with a full knowledge of the facts, approved a guarantee of this character being given to this Association?—Generally, but not particularly.

1190. In this case?—Probably not in this case. I am not able to say; but ordinarily the local authorities consult the Ministry on their general arrangements and where there is a large Housing Association, such as this one, building in several places we have ordinarily known of the circumstances and we have had an opportunity of objecting if we wished to, but it is the local authority

that enters into the arrangements, and we run the risk of the local authority acting improperly, although we have no reason on the general knowledge that we have of the transactions to anticipate that they are acting other than properly. In fact, in the other cases, so far there has been no default.

1191. May I ask the Treasury whether the Treasury is satisfied that it is a good thing that the department should undertake this liability without really having any control over the nature of the liability that is undertaken?—(Mr. Brittain.) The Treasury, of course, do not come into the individual cases. They are left to the Ministry of Health and I imagine it rests on the terms of the Act of Parliament? (Mr. Hughes.) Yes.

1192. Surely it does not? It is purely administrative, if I recollect rightly. The Act does not say the Ministry shall not satisfy itself?—No.

1193. It is purely administration?—It would be possible, but it would certainly add substantially to the work of the Ministry to attempt to do again the work that the local authority are doing and have done in these particular cases. There is general consultation, but not necessarily particular consultation. On this particular case, I know that we knew of this Housing Association and had discussions with the local authorities about the Association at the time it was being formed.

1194. There are many local authorities of relatively small size, comparable to others, that might involve the Department in very considerable liabilities?—I do not think that is likely, because of the general consultation, which is a feature of the whole of the housing administration.

1195. If there is consultation at all, I cannot see why the consultation should not be complete. If there is consultation, why cannot the Ministry say it approves this guarantee, or it does not approve it. It must say one or the other, either by implication or directly?—By implication, yes, but we leave the building society in the first instance to go into the circumstances and satisfy themselves that they are justified in advancing 70 per cent. Then comes the question of the extra 20 per cent. That is a matter, in the first place, for consultation between the local authority and the building society. We are not party to those local discussions. When

7 March, 1939.]

Sir GEORGE CHRYSAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

they have advanced matters to the stage of the local authority thinking it is a suitable case in which to make the advance, we should ordinarily be acquainted of the circumstances, and although we do not approve in each particular case, we are aware of the circumstances and if we dissented, the local authority would take up any further questions and clear them up to our satisfaction before joining in with the guarantor.

1196. I take it what you are saying is that you really do approve without saying so?—There is no specific approval.

1197. Either there is or there is not?—We should tell the local authority we did not wish them to give the guarantee. There is an implied approval.

Sir Isidore Salmon.

1198. Sir George, I notice that the cost of the administration of the Ministry of Health is steadily going up. From 1936 to 1937, in the Account that we are considering, your expenditure has increased to the extent of something like £70,000. Is that because of more work in the Department?—(Sir George Chrystal.) You mean the excess of £12,240 on sub-head A.1?

1199. Sub-heads A to E, "Administration"?—The whole of it, from sub-head A.1?

1200. Yes?—As regards the salaries, there are excesses which are set off by savings. There were revised salary scales which accounted for £8,300 of the excess on sub-head A.1. There were increases of expenditure necessitated by the Contributory Pensions Act of 1937. That meant overtime and additional appointments to the amount of £24,700. That made £33,000 excess, but against that there were delays in filling certain vacancies which amounted to £20,150. That leaves the excess on sub-head A.1. of £12,240. The increase in the numbers over 1936 may be interesting. It was as respects 1936 5,877 and in 1937 we had 6,006. That is the number of staff that were added in respect of the services which I have mentioned.

1201. As a whole?—That is the first sub-head.

1202. On that point, may I ask this simple question: Are the extra staff by which you found it necessary to increase your establishment of a permanent or a temporary character?—They would

be permanent. A certain amount of it was overtime work of the existing staff.

1203. That is the number of units by which you have increased, comparing one year with the other?—The number of persons, yes. That is 6,006 minus 5,877.

1204. Therefore they are the permanent increase?—Yes.

1205. Is that attributable to the extra work that has been thrown on to the department?—Yes, by the Contributory Pensions Act of 1937. We are speaking of two years ago. Do you want me to go through the other sub-heads?

Sir Isidore Salmon.] No, it is not necessary.

Mr. Lathan.

1206. On page 199, there is an item under sub-head E., "Telegrams and Telephones". Installation is given as the explanation. Do I understand that the increase was entirely due to increases in installation in the new offices?—The provision of telephones for new offices and the increased use of telephones, both at headquarters and by the outdoor staff of the Insurance Department. The use of the telephone is generally increasing and we find it not only a convenience but an economy and the policy of using them more and more will be carried on. We find it saves time.

1207. I wondered if it was due to an increase in the use of the telegram as a means of communication or advertisement, or anything of that sort?—No, I think not. (Mr. Hughes.) Telegrams accounted for £1.

Mr. Pethick-Lawrence.

1208. One of the points on page 200 has already been discussed. Another question I want to ask is with regard to sub-head F.3. I take it this is a new venture. Can you tell us a little about it, Sir George? What have you to say with regard to the Central Housing Association?—(Sir George Chrystal.) Section 96 of the Housing Act, 1936, which is taken over from the old Act of 1935, provides that if a central association or other body is established for the purpose of promoting the formation and extension—

1209. I am not asking for the explanation of how you can provide this money, but what you have to tell us about this particular organisation—whether you think it is a success?—I think so. It is

7 March, 1939.]

Sir GEORGE CHRYSAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

the National Federation of Housing Societies, and the Minister has satisfied himself that it complied with the Act, and he recognised it. We take account of the financial position of the body, which is in this case satisfactory. The income of this Federation, apart from what we give them, is mainly derived from annual subscriptions from constituent associations and that amounts to about £500 a year. They spend about £1,600 a year. We keep an eye on them and we review the grant.

1210. You think it is satisfactory?—
On the whole, yes.

Mr. Lathan.

1211. Can Sir George tell us what the Association does in respect of which £1,000 a year is granted?—It is a clearing house for information on particular aspects of housing affecting the work of housing associations, and it directs propaganda so as to encourage people to set up these associations, and assists them with advice in the conduct of the business.

1212. It is used by the Ministry for the purpose of gathering or disseminating information on this subject?—It is more between the Federation and the Associations than between the Federation and the Ministry. It is more outside the Ministry that the work is done.

1213. It is of no direct service to the Ministry? This grant is rather in the nature of a little encouragement to them?—It is of no direct service, but it is useful to the Ministry to have an organisation of that sort which promotes the interests of housing generally.

Sir Irving Albery.

1214. I should like to ask whether this Association performs any function which the Ministry could not perform themselves?—I think so. I think it is more appropriate to a body of this sort than to a bureaucratic organisation like the Ministry of Health.

1215. Does it not merely collect information?—It is one of these things that we have to encourage for voluntary work in various branches of the Ministry's operations.

1216. Are there no salaried officials?—I expect they have clerks. I do not know what their establishment is.

Mr. Mabane.

1217. Have they only clerks?—They have no paid officials to run the thing?—I suppose they have a secretary and clerks. I do not know exactly.

1218. But they only spend £1,600 a year?—They spend £1,600 a year.

1219. I was wondering what proportion of that £1,600 a year was the proportion attributable to the secretary and clerks?—I could not tell you that, at the moment.

Mr. Mabane.] Could we have the information?

Mr. Pethick-Lawrence.

1220. If you wish it?—Certainly.*

Sir Isidore Salmon.

1221. Could you give us any idea of the cost of the Ministry under the Midwives Act, under sub-head G?—Do you mean the serving midwife?

1222. Yes, are the expenses going up under this head? What do you think the ultimate cost is going to be under sub-head G.1 and sub-head G.2?—I do not know that I could give that offhand. The arrangement is that we pay our grant on the basis of a unit; each midwife is estimated to cost so much. The unit that we have at present agreed upon, subject to review, is £192. That is for the cost.

1223. That is the basic figure which you work upon?—That is the basic figure upon which the administration of the Midwives Act is based.

1224. It is up to each local authority presumably to make their claim for the number of midwives that they have?—Yes, on that basis.

1225. We now come to sub-head G.7, page 201, "Grants towards the expenses incurred by Local Authorities in providing or improving Rural Water Supplies." The explanation seems to me a little strange: "The difficulty of Local Authorities in obtaining adequate supplies of pipes, &c., led to delays in the carrying out and completion of approved schemes." Have any steps been taken since that by the Ministry to accelerate supplies?—We would very gladly see them accelerated, but the position has become progressively more difficult since that time, owing to the re-armament programme. It is very difficult to get supplies, particularly of pipes, I believe, because of the difficulties.

* See Appendix No. 7.

7 March, 1939.]

Sir GEORGE CHRYSAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

1226. What kind of pipes?—Water pipes.

1227. Are they iron pipes?—I am afraid I do not know what they are made of, but I understand there is a particular difficulty because one department of A.R.P. is particularly concerned with waterworks, and in some cases it is necessary for A.R.P. reasons to duplicate mains and that sort of thing, and that has produced a shortage of pipes. There are also other causes of delay, for instance the congestion in the offices of the rather limited number of engineers who are capable of doing these plans for the authorities. There are several things of that kind. As I have explained on previous occasions, there are about £7,000,000 worth of work on order, as it were, for this work, but the programme has been delayed for these and similar reasons.

1228. In the year of the Accounts under review, which would be really the Accounts of 1937, you had not such pressure of A.R.P. as there is to-day?—No.

1229. The point I am trying to make is that, whilst you may have a very good excuse for a delay to-day on account of the intensive armament programme, did that apply in the year of the Accounts under review?—It had begun to apply, and of course the excuse is not my excuse. I am making an excuse for other persons over whose affairs we have no direct control. It is the local authorities, of course. There was another and perhaps better excuse, which was that they wanted to get comprehensive plans for grouping together the smaller units of water supply, and that took time.

1230. Therefore the Ministry itself may be considered to be contributory in the long run to the delay, on account of the plans not being passed as quickly as they might have been?—No, I do not admit that at all. The difficulty was not in passing the plans, but in having the plans made. I understand that the number of engineers who are capable of doing work of this sort is very limited, and a very large strain has been put upon these people and the congestion is not in the Ministry but in the offices of the engineers.

Sir Haydn Jones.

1231. These grants are discontinued now, are they?—They are discontinued,

but they were not completely exhausted at the time of this Account. There was £1,000,000, I think, in the year 1934.

1232. Is there a balance still in the Account?—There was at the time of this Account two years ago. There is even still, I understand.

Mr. Pethick-Lawrence.] Are there any questions on pages 202 and 203?

Sir Isidore Salmon.

1233. There is one point I would like to ask you: I notice on page 203, under the Widows', Orphans' and Old Age Contributory Pensions Act the estimated figure was £564,000 and you realised £547,000. You say: "The deficiency is due to a reduction in the expenses of administration and to the adjustment of an over-recovery in respect of the previous year". If you have less expenses on administration, why should that affect the realisation of your estimate?—It is the Appropriation in Aid. We did not get so much money. We estimated for an Appropriation in Aid of £564,000 and as much as that was not spent in fact because the administration expenses were less.

Mr. Pethick-Lawrence.

1234. With regard to pages 204 and 205, I notice that on page 204 there is a claim abandoned. Can you tell us a little about that. What were the conditions? Why was it abandoned?—I have a note on that. That was a litigation. Under the Housing Act of 1923, Section 1, the Minister undertook to make certain annual contributions towards the expenses of the Stafford Corporation in promoting the building of 257 houses. These houses were sold by the owners and the Council investigated the matter six years later and found that in at least 61 of the cases the builders had not complied with the maximum selling price condition. There was a condition that houses should not be sold for more than a certain sum. The Council were at first disposed to proceed against the builder for recovery of the grants, but having taken legal advice they were told such an action was unlikely to succeed, as the builders would probably be able to plead that the conveyance was statute-barred. The Council therefore decided to abandon the attempt to recover the advance and not to investigate further cases, and after fully

7 March, 1939.]

Sir GEORGE CHRYS TAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

exploring the matter, the Minister acquiesced. That is the outline of the matter.

1235. Does that mean that these conditions were unsatisfactory, because if a sufficient time elapsed they could not be enforced? Has that been borne in mind for any future plans of that sort?—It is rather difficult. The conditions were all right, but the Minister came to the conclusion that, although local authorities are under some difficulty in securing that the conditions are observed, some responsibility for failing to recover the advances in due time rested on the Corporation. We thought they should have been more careful to secure that the conditions were complied with in the cases of houses sold after 1st January, 1927, in which cases the local authorities were definitely warned by the Ministry that compliance with the conditions would be regarded as a condition of payment of Government contributions.

1236. I understand you to say that certain conditions were made at the time and that owing to the lapse of time these conditions were in fact unenforceable. The question I am putting to you is: Are you taking care in future cases to see that a similar difficulty will not arise?—It will not arise, because we do not make these lump sum grants now. The conditions were difficult to control—that was our experience—and we are not making them now.

Mr. Pethick-Lawrence.] Are there any more questions on pages 204 and 205?

Mr. Benson.

1237. On page 205, "From Sierra Leone, Tanganyika, Nigeria, and Gold Coast Funds, an unestablished bacteriologist received £635 as Pension." Does that mean he was a pensioner from these colonies prior to his having been employed by the Ministry of Health?—Yes.

Sir Irving Albery.

1238. "From the Commonwealth of Australia, an Assistant Secretary received an allowance of £262." Was that for services rendered whilst still employed in this country or did he have to go to Australia?—He had to go to Australia. One of our Assistant Secretaries was loaned to the Commonwealth Government to help in putting into operation their new Insurance Act.

1239. What sort of period?—Nine months.

1240. They seem to have paid a very inadequate share of his salary. That was apparently extra. Did they make any contributions towards his ordinary salary, because they had him most of the year?—I am afraid I shall have to look that point up; I do not know. I have not got a note of it.

Sir Irving Albery.] Might we have that, Mr. Chairman?

Mr. Pethick-Lawrence.] Yes.

Sir Isidore Salmon.

1241. On page 204, under the loans outstanding, I notice there is a very small sum of £16,700, London County Council. How does that figure repeat itself again this year. There was the same capital last year. Is there any reason why that should remain static?—It is an annuity. It is an annual sum paid.

Mr. Mabane.

1242. It is an instalment?—It is an annual instalment.

Mr. Lathan.

1243. Sir Irving asked the point I was directing attention to, but there was another point which arose in my mind. The amounts paid as extra remuneration seem peculiar: £262 18s. 4d., and below it £73 7s. 5d. I could understand if it were so many pounds or guineas, that were given to a man, but it is extraordinary. I was curious as to the basis of the calculation that brings so strange a result?—(Mr. Hughes.) These allowances would be at annual rates payable between certain dates.

Mr. Pethick-Lawrence.

1244. As there seems some doubt about that, perhaps you will put in a little note on the whole question of this extra remuneration: How it arises; what is precisely the meaning of it; and how the amount is arrived at. Perhaps you will give us some short note to satisfy the Members of the Committee, Sir George?—(Sir George Chrystal.) I will do that.

Mr. Pethick-Lawrence.] Are the Accounts approved up to page 205?—(Agreed.)

7 March, 1939.]

Sir GEORGE CHRYSTAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

VOTE IA.

GRANTS TO PUBLIC ASSISTANCE AUTHORITIES (ENGLAND AND WALES).

CLASS IX.

VOTE I.

EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, ENGLAND AND WALES.

(On these Accounts no questions were asked.)

NATIONAL HEALTH INSURANCE FUNDS ACCOUNTS, 1937.

Mr. Pethick-Lawrence.] We now come to the White Paper: "National Health Fund Accounts". Turn, please, to page 30. Nothing arises on the Comptroller and Auditor General's Report. We come now to the pages of the account in the White Paper. I am going to put pages 6 to 13 in the first place. Are there any questions?

Sir Isidore Salmon.

1245. On the National Health Insurance Funds Account, last year, Sir George, I think you gave us the percentage of the cost of administration. Has it increased or decreased?—(Sir George Chrystal.) I think it has slightly decreased.

Mr. Pethick-Lawrence.

1246. Can you furnish us with the exact figures now?—I think we can. There was an increase in the expenses of the funds issued to societies for administration. You want the percentage?

Sir Isidore Salmon.

1247. Yes, last year you said it was 14.8?—The approximate figure for administration is 13.6.

1248. Against 14.7?—Yes.

Sir Assheton Pownall.

1249. A decrease of just over 1 per cent. on the year?—Yes.

Sir Isidore Salmon.

1250. The only other general question is that when you speak of the Navy, Army and Air Force Insurance Fund, I was a little confused when I turn to page 9. You see on page 9 that the Exchequer Grants in respect of benefits and administration were £32,280. That is on the income side. On the expenditure side, the first item is "Benefits and Expenses of administration,

£89,000". Does that mean that towards the £89,000 the Exchequer has made a special grant for this Navy, Army and Air Force Insurance Fund of £32,000?—(Mr. Hughes.) The grants item of £32,280 includes, in accordance with Section 131 of the Act, the State grant which would be payable if contribution for a serving soldier were 9d. instead of 3d. There is one-seventh of a penny included for the 6d. making six-sevenths of a penny on every contribution paid for a serving soldier. That swells the State grant here. Further, included in the balance of the item is the ordinary State grant on the benefits paid to discharged soldiers remaining members of the fund.

Mr. Lathan.

1251. On page 7, there is a note which says: "Includes £939 os. 10d. from the Northern Ireland Exchequer" in respect of Navy, Army and Air Force Insurance Fund. Could we have a little explanation of the circumstances in which Northern Ireland participates?—This Fund is a common Fund for England, Wales, Scotland and Northern Ireland, and this is the Northern Ireland Exchequer proportion of the Exchequer grants.

1252. Do they bear responsibility in respect of this insurance for the Navy, Army and Air Force?—Yes, all serving soldiers and discharged members of the Fund are deemed for this purpose to be resident in England and are members of the Fund if they are not members of approved societies.

1253. These are serving soldiers living in Northern Ireland?—(Sir Gilbert Upcott.) Discharged soldiers. (Mr. Hughes.) They are serving soldiers. This Fund covers the serving soldier who is not a member of an approved society, and includes any discharged soldiers who remain members of the Fund, whichever country they may reside in.

7 March, 1939.]

Sir GEORGE CHRYS TAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

Mr. Benson.

1254. What is the basis of the allocation of Northern Ireland liability?—Of contributions?

1255. They seem to have contributed something less than 3 per cent.?—It relates to the number of contributions paid by the soldiers in Northern Ireland.

1256. Are those soldiers who live in Northern Ireland or who were born in Northern Ireland or stationed there?—After discharge they are the Northern Ireland men living in Northern Ireland.

Mr. Lathan.

1257. I take it that the basis of the liability that these soldiers or ex-soldiers are natives of Northern Ireland? Is that so?—An English soldier who went to live in Northern Ireland and was employed in Northern Ireland and remained a member of the Fund would be paid for by the Irish Exchequer?—(Sir Gilbert Upcott.) Residents of Northern Ireland.

Mr. Pethick-Lawrence.

1258. Domiciled there?—Yes.

Sir Edmund Brocklebank.

1259. With regard to the Investment Account on page 12, who actually arranges the investments—the National Debt Commissioners?—Half the money available for investment is paid over to the National Debt Commissioners and by them invested.

1260. You keep a running balance and they keep the other half?—The other half of the balance which each approved society has is invested by the approved society at their discretion.

Mr. Pethick-Lawrence.] May I take it that the Account up to page 13 is approved?—(Agreed.) Are there any questions on pages 14 to 19? May I take it that the Accounts are approved?—(Agreed.) Pages 26 and 27: there are two Accounts here. May I take it the Accounts are approved? (Agreed.) Pages 28 and 29: Are there any questions? May I take it the Account is approved? (Agreed.)

(NATIONAL HEALTH INSURANCE FUNDS: SUMMARY OF RECEIPTS AND PAYMENTS.)

(NATIONAL DEBT OFFICE ACCOUNTS, 1937.)

(On these Accounts no questions were asked.)

(19TH ANNUAL REPORT OF THE MINISTRY OF HEALTH.)

Sir Isidore Salmon.

1261. I should like to ask, Sir George, with regard to the Ministry of Health Report, how much money has been spent on the National Health Campaign?—(Sir George Chrystal.) It does not arise, I think, on this Account, does it?

Sir Isidore Salmon.] I thought it dealt with the question of the National Health Campaign? I thought it came under the Ministry of Health did it not, during the year 1937-8?

Mr. Mabane.

1262. It is education, is it not?—I think it is education.

WIDOWS', ORPHANS', AND OLD AGE CONTRIBUTORY PENSIONS ACT, 1936, ACCOUNTS, 1937.

Mr. Pethick-Lawrence.

1263. We come now to the Widows', Orphans' and Old Age Contributory Pensions. That is the White Paper. On page 9 we have the Report of the Comptroller and Auditor General. What are the numbers of pensioners in receipt of payment at the present time?—(Sir George Chrystal.) 2,800,000. I think that is about right.

Mr. Pethick-Lawrence.] Are there any more questions? We now turn to the

pages of the Account. First of all, we have page 2. Are there any questions? May I take it the Account is approved? (Agreed.) Are there any questions on page 3?

Mr. Lathan.

1264. The Account, I take it, deals with the Contributory Act Fund prior to its extension under the Act of 1937?—Yes.

7 March, 1939.]

Sir GEORGE CHRYSAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

1265. There is no indication of the effect that the extension of the arrangements to those who were previously not contributors has had upon the Fund. It is too early yet to say?—Not in this Account.

Sir *Isidore Salmon*.

1266. May I ask a general question? In dealing with the general cost of administration of the Widows', Orphans' and Old Age Contributory Pensions Act, is there any charge debited by the Post Office for the work that they have done, in arriving at the total figure for administration?—Yes, it is paid to the Votes of the Ministry of Health, Post Office and Stationery Office as Appropriations in Aid.

1267. That is included in the figure of £1,400,000 to which the Comptroller and Auditor General refers?—Yes.

Mr. *Pethick-Lawrence*.

1268. Page 4 we postponed. Now we will take pages 5, 6 and 7, down to the middle of the page, which is the England and Wales Account. On page 6 I would like an explanation of that note, beginning "Under the provisions". I should like to have an explanation about the extra-statutory provision that is there referred to at the bottom of page 6 and the top of page 7?—These were the women who had married between 3rd January, 1938 and 4th July, 1938, the date on which the separation of Health Insurance and Pensions took place. Treasury authority was obtained for the continuance, extra-statutorily in voluntary insurance for pensions purposes of these women if they so desired. This authority was later extended to cover two further classes of women. It was a gap in the Act. We do not expect there will be very many of them. Up to the present about 50 women in the first group have benefited. The numbers in the other groups will be quite negligible.

1269. Will the Treasury give an explanation of that? Do I understand the position to be that the Act was intended or supposed to do certain things, and when it was examined it was found that in some respects there was a gap that it had failed to meet and the obvious intention of Parliament was put into effect rather than the precise wording of the Act. Is that the position?—That is the position. (Sir

Gilbert Upcott.) It was not intended to cut them out. It was an unexpected effect of the Act. (Sir *George Chrystal*.) The Ministry wrote to the Treasury on the 22nd January, 1938, "It appears to the Minister that this anomalous position as regards women voluntary contributors who marry during the half-year ending 4th July which was unintentional and unforeseen cannot be maintained and he therefore proposes, if their Lordships agree, to allow a woman who marries during the half-year commencing on the 3rd January, if a voluntary contributor at that date, to continue voluntary insurance for pension if she so desires," and we had a letter from the Treasury acquiescing in that view.

1270. Do we have to get statutory approval of this ultimately, or is it carried in an estimate or are we really here deciding on the correctness of that procedure?—(Sir *Gilbert Upcott*.) These minor anomalies are very frequently dealt with for some considerable time by extra-statutory methods subject to a note being inserted in the Appropriation Account for the information of this Committee.

1271. So we are really being asked here to give approval of what is undoubtedly a question of an oversight in the Statute and to allow this extra-statutory payment to be made. Is that so?—Yes, if the Committee sees fit to pass the expense. It has been considered proper to take an early opportunity to put the matter right, if it was a continuing matter?—(Mr. *Brittain*.) You have the same position on the Old Age Pensions Accounts, for instance. Each year you have a number of cases where the Statute has been broken technically but for good cause being shown.

1272. What I was anxious to acquaint the Committee with was that we here are really being asked to approve an extra-statutory grant on the grounds which have been given to us by the Comptroller and Auditor General today. That is really the position?—Perhaps we might say, not to take exception to it.

Sir *Assheton Pownall*.

1273. How are the women themselves who are the people mainly concerned notified that they have this extra-statutory power. They might think

7 March, 1939.]

Sir GEORGE CHRYS TAL, K.C.B., and
Mr. S. H. G. HUGHES, C.B.E.

[Continued.]

their rights have lapsed?—(Sir George Chrystal.) I think we would await applications. We should not notify each one.

Sir Assheton Pownall.] It may be rather hard. They might never find it out.

Sir George Davies.

1274. Was this the only anomaly that needed adjustment?—So far as I know.

(Sir George Chrystal and Mr. Hughes withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS V.

VOTE 13.

DEPARTMENT OF HEALTH FOR SCOTLAND.

Mr. W. R. FRASER, C.B., called in and examined.

Mr. Pethick-Lawrence.

1276. Will you turn, please, to the Civil Appropriation Accounts, page 234, "Department of Health for Scotland." I have a question on page 235, with regard to the note on sub-head F.1. There are three grounds on which this expenditure falls short of what was estimated. The first ground is on the renewal of loans. The second ground refers to a settlement of claim for payment of interest on money borrowed for capital expenditure which was not approved by the Department. I should like you to give us a little more explanation on that point, if you will kindly do so?—(Mr. Fraser.) That was a saving as a result of a settlement of a claim which the Department had against the City of Glasgow for the repayment of interest on disallowed capital expenditure. It was a claim that was under investigation for a good many years, and it was settled finally by agreement. It was a question of capital expenditure incurred under the 1919 Act, which was found to be not properly chargeable to that Act. It was the interest on the capital that affects the annual Vote.

Mr. Pethick-Lawrence.] Are there any other questions on pages 234 and 235?

Mr. Mabane.

1277. You have not approved the Central Housing Association, unless you have now spent the £500 you were granted?—We have now.

1278. But you had not in the year of account?—No, we had not in the year of account.

1275. The correction of it did not bring in its train anomalies in other directions?—I do not think so. It is a small transitory matter. It applies only to women married within the course of a few months and then it comes to an end. There is no continuing effect.

Mr. Pethick-Lawrence.] Are there any further questions? May I take it the Account is approved? (Agreed)

1279. Did the same Central Housing Association to which the English Department paid money ask for approval by you?—They have been approved by us, but it does not come into this Account. Up to the date of this Account we had not approved any Central Association.

1280. During the period of the Account they had applied for approval?—That I could not say. I know they have been approved recently.

1281. In addition to the £1,000 they get from England they are getting £500 from you?—No, they are not getting £500 from us. They are only getting £100.

1282. Why did they only deserve one-fifth of your grant?—The £500 was put in as a purely token sum, but we could not put down only £100 as a token sum, because it is a Grant in Aid, and if we had found in fact that we wanted to give them more than £100 we should not have been able to do it because you cannot increase a Grant in Aid from savings on other sub-heads.

1283. You had £500 to come?—Yes.

1284. What I wondered is why you only gave them £100? I can see a reason. We are told their expenditure is £1,600. Their subscriptions are £500. Their subvention from the English Department is £1,000, thus leaving £100 from you?—Yes.

1285. Are you in fact making up their deficit, and if their deficit had been £200 would you have given them £200?—I am afraid I am not ready to answer that, because it does not arise on the

7 March, 1939.]

Mr. W. R. FRASER, C.B.

[Continued.]

year of the Account. Perhaps I may send in a note about that.

Mr. Pethick-Lawrence.

1286. Perhaps you will kindly do that?—Yes.

Sir Isidore Salmon.

1287. Is there any special reason, Mr. Fraser, why salaries have gone up £16,000?—Are you speaking of the year of account?

1288. Yes?—The general work of the Department has increased very greatly in the last two or three years. The total number of staff in fact has increased by 150 in the last two years. That is partly owing to the increases in the general work of the Department; housing and health matters, and also in the particular year of account there was an increase owing to the Contributory Pensions Act, which extended contributory pensions to the black-coats. That involved a considerable increase of staff in that year.

1289. Will it mean that now you have got a large portion of your offices in Scotland the expenses are going to be greater than they were when they were concentrated to a larger extent in England?—I am sorry I do not quite see that. The work of the Department of Health has been carried out in Scotland for a good many years.

1290. There has been no extra work thrown on the Scottish Health Department?—Yes, but not as a result of recent re-organisation except that under the Bill now before the House we shall take over certain functions, but then we shall take over the staff with them. I think we take over the Registrar General and the Board of Control if the Bill goes through.

1291. Has the new work that is developing in Scotland been of such a character as to justify this increased staff or was it because they had not been

going quite as fast as they might have done in the past?—I think the whole of the work has possibly been gingered up of recent years—a more efficient administration. Of course, I cannot speak for myself because I was not there.

Mr. Pethick-Lawrence.] Let us proceed with the following pages—235 and 236.

Mr. Benson.

1292. On page 235, I notice, under sub-head G.3: "Grants to Voluntary Hospitals in respect of Duty on Spirits", that is nearly 5 times as much, in proportion to population, as in England. Have you any explanation?—That is based on the requirements of many years ago, since which it has been stabilised. I am afraid it would mean delving back into the past to find out exactly why for once we scored off the English, but it has happened on other occasions.

Mr. Pethick-Lawrence.

1293. Page 237: there are two footnotes under sub-head F.1. on page 237. On the second note, I should like to know precisely what is meant by the failure of the local authorities to produce a certificate?—That is a similar case to that which appeared in previous Accounts. It was the duty of the local authorities to furnish certificates that the houses in respect of which grants were made were let to the kind of person whom the Act contemplated and at the rents contemplated by the Act, and they had not in fact carried that out. They have now agreed to make the periodical inspections.

1294. They have now agreed that in all cases?—Yes; they have now agreed that in all cases.

Mr. Pethick-Lawrence.] Are there any questions on page 238? May I take it that this Account is approved? (Agreed.)

NATIONAL HEALTH INSURANCE FUND ACCOUNTS, 1937.

Scottish National Health Insurance Fund.

WIDOWS', ORPHANS' AND OLD AGE CONTRIBUTORY PENSIONS ACT, 1936: ACCOUNTS, 1937.

Pensions (Scotland) Account.

(On these Accounts no questions were asked.)

(Mr. Fraser withdrew.)

7 March 1939.]

Mr. C. L. Stocks, C.B., and
Mr. T. R. Oswin.

[Continued.]

TREASURY MINUTE ON PARAGRAPH 14 OF THE SECOND REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 7.

OFFICE OF COMMISSIONERS OF CROWN LANDS.

CROWN LANDS ABSTRACT ACCOUNTS, 1937.

Mr. C. L. Stocks, C.B., and Mr. T. R. Oswin were called in and examined:

Mr. *Pethick-Lawrence*.

1295. I propose to take the White Paper on Crown Lands Abstract Accounts together with the Treasury Minute on paragraph 14, page 12. It deals with the arrears of rents, mostly in Regent Street. We will take that together with page 8, the Comptroller and Auditor General's Report, paragraphs 2 and 3. I should like to ask Mr. Stocks generally how the matter stands with regard to these arrears, and if he can give us any information about the £66,000 case that was mentioned last year. First of all, would you deal with the general question of arrears?—(Mr. Stocks.) Regent Street especially, I suppose?

1296. Yes?—I am glad to say that, thanks to the hard work of our staff and also the very obliging nature of most of our tenants (they really have helped us as much as they could) the position is very much healthier. I can bring the position up to to-day.

Sir *Irving Albery*.

1297. Might we have the figures first and then the position to-day?—I was just going to give the figures.

Sir *Irving Albery*.] The witness said he would bring it up to date.

Mr. *Pethick-Lawrence*.

1298. He will give the figures and bring them up to date.—At the 31st March last the arrears in Regent Street were £176,000.

1299. That is the end of the period under review?—That is right.

1300. How much did you say?—£176,000. To-day, they are £137,000, and £4,000 of that is accounted for by remissions which the Treasury have sanctioned, so that the actual cash reduction is not so very large, although

it is appreciable. The actual cash reduction is about £35,000. But, over and above that (that brings us to a total to-day of £137,000) a further sum of £86,000 off that has practically been settled, because we made arrangements with the tenants that each quarter they shall pay the quarter's rent plus an instalment off the arrears, with the result that within a few years all those arrears will have been knocked off.

1301. Or you hope they will?—Yes. That reduces us to a net total of £50,000 not yet dealt with. Of that £50,000, £12,000 is not really arrears in the full sense, because it consists of sums due on the 5th January last, and a full quarter has not yet gone; so that that is not really a very important arrear; it is only about two months in arrear.

1302. Comparing the position now with what it was when the Committee met last year, as I understand it here, in the period under review such reduction in the arrears as there was, was mainly due to remissions?—Yes; that is so.

1303. But what you are saying now is that since the period under review came to an end there have been real reductions of arrears due only in very small part to remissions?—Yes; that is so.

1304. But in main part to actual payments or arrangements for payment which are likely to materialise in the early future; that is the position as you see it?—Yes; that is so.

1305. Before I ask the Committee to ask questions about that, perhaps you would say a word about the mines which are referred to in paragraph 2 of the Comptroller and Auditor General's Report?—There is an increase of £9,000 in mines arrears, but that is nominal. We have a new Receiver General. When he arrived on the scene he found that his predecessor had made an arrangement which was not strictly correct and that there were rents due in February

7 March 1939.]

Mr. C. L. STOCKS, C.B., and
Mr. T. R. OSWIN.

[Continued.]

which in practice were never paid until April, so he did not include them in arrears, but put them in the rents of next year. His successor coming along thought that was irregular, so he has put them in arrears.

1306. So it was really a nominal and not an actual increase?—That is so.

Sir *Haydn Jones*.

1307. I should like to know this: How do the arrears arise at all?—The arrears arose in circumstances we explained last year, and the year before, that we had many controversial discussions with the tenants of Regent Street and with an informal Committee of Members of Parliament, and, while those discussions were going on, we did not like to take a strict line with the tenants who owed us money, because we thought it would create bad blood by putting them in the Courts, so we were rather lenient; but now we are able to do what the ordinary landlord would do, namely, say that the rent must be paid.

Mr. *Lathan*.

1308. You say there have been discussions with the tenants and an informal Committee of Members of Parliament?—Yes.

1309. You will be aware, of course, that there has been some circulation of comments by an organisation representing the tenants, in the course of the examination of the Accounts by this Committee?—Yes; I am aware of that.

1310. The point I wanted to put was whether the matters that were referred to in the circulated document formed the subject of discussion between you and the tenants and/or the unofficial Committee, and whether there has been a solution arrived at of some of the subjects of complaint to which reference was made?—We think we have gone as far towards a solution as we can legitimately. The tenants naturally think we have not gone far enough. I think that is the shortest possible statement of the case: but we have taken very great pains to consider the matter, and we have had long talks with the Treasury; we have got this solution, and the Chairman of the informal Parliamentary Committee wrote to us that he thought the solution was about right, so that they appealed to Caesar, and that was the answer they got.

15417

1311. Caesar being whom?—The informal Parliamentary Committee.

1312. I scarcely recognised him in that capacity; but the tenants do admit that there has been some adjustment?—We have been very generous to a few old trading tenants, and that is as far as we think we can go in safety.

1313. Could you go so far as to say that you believe the settlement which has been made will contribute to a reduction now in the arrears?—I think it has done.

1314. It has already done so and will do more?—Yes.

1315. And lead to a stabilisation of the position on a more satisfactory basis?—I think so.

1316. Was there an examination of the situation viewed from the point of view of the Crown as well as from the point of view of the tenants?—Yes. We considered what would be good for the future revenue from the street, certainly.

Mr. *Benson*.

1317. You referred to a sum of £85,000. I did not quite understand how you arrived at it. Is that £85,000 of arrears relating to which you have entered into an agreement for periodical repayment?—That is it. There are eight cases, totalling in all £86,000, and arrangements have been made and absolutely settled in six of the eight cases; in the two remaining cases, they have practically been settled, so I put them together as eight.

1318. Does "settled" mean that payment has been made?—A payment is made each quarter. The tenant pays a proportion of the arrears and the current rent.

1319. It is not cash in hand?—It means that in a period varying from two to four years all the arrears will be got in if all the arrangements stand.

1320. If the tenants can afford to do that, is one right in drawing the deduction that the present arrears are rather in the nature of a rent strike than in the nature of difficulties?—The Tenants' Association dispute that. They say they organised no strike and there was no strike, and I think we must accept their word for it. That is what they say.

1321. How is it that over a fairly good period of trade they have not been able to maintain their rent, and now in the future when things are distinctly

G

7 March 1939.]

Mr. C. L. STOCKS, C.B., and
Mr. T. R. OSWIN.

[Continued.]

worse they are paying their rent, plus a proportion of arrears, each quarter?—I think probably it is the fact that though they do not like the words "rent strike" yet, while that informal Committee was sitting, certain payments were held up; that is my impression.

1322. It was a rent strike in all but name?—Well, a very natural holding back for possible concessions.

1323. What is the position with regard to one tenant who was mentioned last year who owed a very large sum—£66,000, I think it was?—That is one of the cases in which we have arranged for this quarterly payment to cover part of the arrears each quarter.

1324. Part of the arrears only?—Yes; because we are only going to get in the arrears over the next period of two to four years in different cases. Each quarter we are going to get the current rent plus a sum off the arrears.

1325. Which will wipe out the £66,000 entirely?—Yes, which will wipe it out in the course of the next few years.

Sir Irving Albery.

1326. I wanted to ask you a question regarding the remission. I see, by the Comptroller and Auditor General's Report, nearly the whole amount of the remission was on account of Regent Street?—Yes; that was the year before; the year of this Account.

1327. The figures under review?—Yes. There is £34,000 of remission there in the year of the Account we are now dealing with. Very nearly £30,000 of that is in Regent Street, where the Treasury agreed to generous remissions.

Mr. Culverwell.

1329. Has this inability to pay rent occurred on other London estates, or is it that you assessed your rents too high originally?—In the largest case we are advised that the rent is not too high; it is simply trading difficulties of the particular trader.

1330. Has it occurred elsewhere?—In general I think it is quite certain that it has; I am sure other landed proprietors had the same experience, because there has been such a change in values in the course of the last ten years. They must have had a similar experience.

Mr. Pethick-Lawrence.] Turn to page 273 of the Civil Appropriation Accounts.

We will come back to the other items of the Comptroller and Auditor General's Report afterwards. Are there any questions on page 273? May I take it that the Account is approved? (Agreed.)

Mr. Pethick-Lawrence.

1331. Now we return to the White Paper. On paragraph 1, I do not think there are any questions. On paragraph 4, I should like to ask how this fund arises and the nature of the somewhat speculative character of these items? It is page 8 of the White Paper?—I am not quite sure that I understand what you mean by "speculative nature."

1332. I see that you bought a property of a very extensive character running into the amount of £525,000?—Yes.

1333. I wanted to know this: I suppose this is let out in various pieces for different purposes, and I imagine that some of them, and perhaps a considerable part, are salmon fishing rights that are let out. I call that somewhat speculative in its probable yield in years to come?—Yes.

1334. And it is quite a large amount of money to sink in something of that kind, which is rather what was asked in the last question about how far people who have money to spend on luxuries will be prepared to spend it in years to come. I wondered if you thought it wise to spend so large a sum as £500,000 on a property of that kind whose receipts would be due to the continuance of certain rich people being prepared to spend money on things of that kind?—That is a thing we always bear in mind. First of all, about salmon: over £10,000 a year of the income comes, not from the sort of speculative salmon lettings, that is to say, fishing let to rich people who come to fish, but fishing run by ourselves in the River Spey with our own fishermen net-fishing at the mouth of the river. That is not speculative; that is an ordinary trade. As regards the other fishings and sporting generally, we did what I think is usual. We never buy on the basis of the full value. We always assume that there is a risk, and I think all people do when they buy that sort of property. The usual thing is to give only ten years' purchase for that sort of thing, so that discounts it a good deal. As regards the transaction in general, leaving out those particular

7 March 1939.]

Mr. C. L. STOCKS, C.B., and
Mr. T. R. OSWIN.

[Continued.]

things, it is a perfectly ordinary transaction. We have over £3,000,000 in stocks and shares. We are told by our Acts that we ought to hold our money in land; therefore, if ever we get a suitable landed estate offered to us which will give us a considerably larger immediate net return than we get in stocks and shares, we transfer into land, so this was just an ordinary case like that.

Sir Haydn Jones.

1335. What is the income from this speculation?—The first year's Accounts have not been made up. I cannot tell you what the result in the year is. Naturally it is only over a long period of years that you know what you have in fact netted, but we anticipate we shall get considerably more income than we did from the stocks and shares we held before. That is what we go for: but also for the long-range value. Land tends to go up and the immediate return is more. (Sir Gilbert Upcott.) The purchase was not completed until the following year. It will come up in the Accounts again.

Mr. Lathan.

1336. The Commissioners, I take it, are the persons who determine whether the purchases shall be made or not?—(Mr. Stocks.) Yes; and we were advised by the late President of the Scottish Factors' Society, who knows as much about land as most people in Scotland.

1337. He acted as your adviser?—He acted as our adviser and advised us on price; he did the whole thing for us.

1338. He was a valuer?—He was late President of the Scottish Factors' Society, which is the valuers' society.

1339. Did he act as valuer in the case of the acquisition of this property?—Yes.

1340. The property was in fact valued and it was not merely on his opinion in a general way that the purchase was made?—No; he said: "I recommend this as the price".

1341. Has the stable income of the estate been taken into consideration in determining whether or not the purchase price was right?—Yes; we took all that into account.

1342. You could not give us any estimate of what you anticipate by way of

percentage on the expenditure?—I do not think, Mr. Chairman, it is in the public interest for us to say what yield there will be, because, you see, it rather makes landed transactions difficult if we publish the sort of yield we expect on a particular estate.

Mr. Pethick-Lawrence.] Are you satisfied: do you want to press it in view of that?

Mr. Lathan: I will leave it there if you think we can accept the general statement as satisfactory.

Mr. Pethick-Lawrence: I think perhaps it is just as well.

Mr. Lathan.

1343. The assumption is, of course, based on the evidence of the witness, that the amount derived from the estate would be higher than the average earnings invested in gilt-edged stocks?—I could help the Honourable Member by explaining that the Treasury sanction the purchase always in each case. We always have to prove to them that it is better than stocks and shares in prospect, and, as regards the results afterwards, after a few years we let them have a statement which does show them what the actual yield is on all our estates, secretly; so I think that meets your point.

Mr. Lathan.] Yes; I think that meets it.

Mr. Benson.

1344. This large holding of fluid cash that you have—securities—is derived primarily from the sale of land, I take it?—Yes; that must have been so derived; that could only be capital sources; that would be sales. (Sir Gilbert Upcott.) Partly from mining royalties carried to capital account. (Mr. Stocks.) Partly from mining royalties carried to capital account, £50,000 a year.

1345. That is 60 years?—A good deal does come from sales of land each year. We sell land to local authorities to oblige them.

1346. You are really carrying on a quiet, speculative business in land?—I do not think I mind your putting it in that way. It is slightly speculative; it must be; but we are told by Act of Parliament to do it. That is partly why we do it.

15417

G 2

7 March 1939.]

Mr. C. L. STOCKS, C.B., and
Mr. T. R. OSWIN.

[Continued.]

Sir Irving Albery.

1347. I understood Mr. Stocks to say that they invested in land when the revenue they could obtain was larger than the revenue which they obtained from stocks and shares?—Yes.

1348. Afterwards, I rather understood Mr. Stocks to qualify that by adding the word “prospects”?—Because all we can go on is that our adviser goes through the estate and says: “You will get X pounds per annum from this.” He says: “These are the existing net rents; these are the existing charges; this is the existing net income”; then he usually says: “I think *those* rents are too high; *those*, on the other hand, are too low and the income I prophesy you will get is slightly different.”

1349. If that is so, that clears the point up. Now I understand that you do act on advice, which shows you that you will from completing the transaction in all probability get an income which is greater than you get on the stocks and shares?—Yes, that is it.

1350. You only used the word “prospect” as meaning an estimate?—Yes.

1351. Might I ask how large this estate is—how many acres there are to it?—There are 90,000 acres. It is the biggest landed transaction we have had for a number of years.

Sir Isidore Salmon.

1352. Of that 90,000 acres which you have bought, how much would be in property that is sub-let? I do not mean in the sense of not getting sufficient rents, but how much do you get as rents for property as separate from fishing?—I am afraid I shall have to look into that. I do not carry the figures exactly in my mind. But this is special; naturally, being a Scottish estate, a tremendous lot of that 90,000 acres is impressive in acreage, but is not so impressive when you look at the details, because a lot of it does consist—I should think roughly two-thirds of it consists—of moors let as shooting and sheep grazings.

1353. What are the real hard gold assets so far as properties are concerned that have a market value, an every-day value?—Farm rents; there are some very good farms down in the lower land;

there is salmon net-fishing at the mouth of the Spey—that is a stable revenue; there are sheep grazings, that is to say, farms of huge acreage with very very low rents; and then there are shooting lettings and fishing lettings.

1354. There is no property around there that is let as houses?—A certain amount on the coast at Spey Bay and Garmouth and places like that. There are a certain number of houses, but most of them will be farms, net-fishings, sporting fishings, and sporting shootings.

1355. I understand the valuer who advised you on this property dealt, first of all, with the amount of money you will receive at the present moment?—Yes.

1356. And what he thought ultimately, when the existing leases ran out, your potential income might be?—Yes.

1357. Is that the position?—Yes; that is right.

1358. I notice it says here: “Refer to page 3”?—That is at the foot of page 3; you will see “securities earmarked for transfer to the Duke of Richmond and Gordon”.

1359. Where does it show the income derived from the investment?—On page 4 you will see that Crown rents and royalties have gone up by £64,000. A certain amount of that is the Richmond and Gordon estate. (Sir Gilbert Upcott.) I am not sure that Mr. Stocks has got his year right. (Mr. Stocks.) The rents have been paid to us from November, 1937. The interest on the securities was not paid over to the Duke; it was put into a suspense account and kept for him, but the rents have been paid to us. I am sorry; I was wrong there. (Sir Gilbert Upcott.) I am sorry to interrupt, but I do not think there are any receipts or expenditure in the Accounts at all. (Mr. Stocks.) I am sorry. Neither the interest from the securities nor the rents appear in this Account. It has been put into a suspense account.

1360. Is there anything in these papers to show that there is a suspense account? Surely you bring it in somewhere in your books of Accounts?—(Mr. Brittain.) We do not normally present particulars of suspense accounts to the Public Accounts Committee.

1361. Therefore, the Account that you see in this White Paper that has been presented to us is not a true

7 March 1939.]

Mr. C. L. Stocks, C.B., and
Mr. T. R. OSWIN.

[Continued.]

account of the Crown Lands?—(Sir Gilbert Upcott.) This purchase and sale was not completed during the year. If there were any moneys relating to these estates, they would be in the cash balances of the Commissioners, but there are none.

1362. They would be in the cash balances?—They would be in the cash balances.

1363. Therefore, when you talk of a suspense account, it is a misnomer, is it not?—(Mr. Stocks.) I was wrong; I am sorry. I had not been told the facts clearly. There was not a suspense account as regards the rents. The sale is back-dated to 11th November, 1937. The rents due between that date and the end of this year of account, that is to say, the next four months, were paid in to the Duke, because he continued to run the property until the sale was actually through. Therefore, he got those rents.

1364. You have not any actual income until the next year's Accounts?—That is so.

Sir Irving Albery.

1365. Does that mean that the Duke got his rents for the remaining nine or ten months, and also gets the interest on the securities as well?—No. (Mr. Oswin.) I think I can help the Committee there. What actually happened was that, pending the actual completion of the sale, the vendors financed the Estate. The receipts were paid into the bank and the outgoings were paid for the period from 11th November, 1937, to 31st March, 1938. During that period the expenditure was greater than the receipts, and we had to reimburse the Duke the excess expenditure from the 11th November, 1937, to the 31st March, 1938, so actually we shall bring into account in our next year the total receipts and the total outgoings in respect of the period from the 11th November to the 31st March, 1939. (Mr. Stocks.) But the Duke will not get both the rents and the interest from the securities? (Mr. Oswin.) No.

1366. I understood the witness to say just now the outgoings were more than the receipts?—They were for that particular period. (Mr. Stocks.) For a limited date, because that was a poor period of the year when a lot of the rents do not come in. That is all—just for that period.

15417

Sir Isidore Salmon.

1367. It is fair to say that some of the property is let for the season and, therefore, the rents are not due at that particular time of the year?—Yes; the valuable shootings and fishings are in the summer months, which is outside this period.

Mr. Pethick-Lawrence.

1368. I should like to ask you, Sir Gilbert, about this transfer of securities: Is there any special point you would like to make with regard to that?—(Sir Gilbert Upcott.) As I said just now, this transaction was not completed until the year following the year of Account, and, as the Committee will have gathered, there were some rather special arrangements surrounding the completion of the transaction as regards both receipts and payments. These will come under my examination in the year following the present year under review, and the matter will come before the Committee no doubt next year.

1369. Turn to pages 2-7 of the Accounts. On page 2, the note relates to the Cumberland Market rehousing scheme. I should like to ask Mr. Stocks how this scheme is getting on; I think it was held up for a time?—(Mr. Stocks.) Yes.

1370. How is it getting on; when do you expect it will be complete?—We postponed it because the Ministry of Health thought we ought to do so. They have now advised us we had better get on with it, so we are going to get on with it now, as soon as we possibly can.

1371. Was it financial reasons which made you postpone it?—You remember there was a lot of talk about the desirability of the Government postponing capital expenditure when the slump came and retarded building. It was postponed partly because of that and partly because building costs went up a lot.

1372. You have not actually started operations, but you are hoping to do so soon?—Yes. We are now getting under way. We are hoping to do so soon.

Sir Isidore Salmon.

1373. Are the plans all finished?—For two large blocks the plans are actually finished and for one or two other large blocks they are nearly finished.

G 3

7 March 1939.]

Mr. C. L. STOCKS, C.B., and
Mr. T. R. OSWIN.

[Continued.]

1374. Had you in the meantime stopped the plans going on?—No; the plans have been going ahead. We have had only a year's pause, and part of the scheme is more than half ready and the rest actually ready. (Sir *Gilbert Upcott*.) I think seven out of the ten blocks are ready. (Mr. *Stocks*.) No, there are not as many actually built. The total estimated expenditure was three-quarters of a million pounds. We have spend so far £265,000 to last March, and, therefore, there is about another half a million pounds to come.

1375. Have all the quantities been made out ready to send out for tender?—I am not absolutely certain about that.

1376. On page 2, may I ask what is the "Extinguishment of Manorial Incidents," £5,626?—By Act of Parliament, all manorial rents, that is to say, rents you get as Lord of the Manor, have to be extinguished by a certain date, so we are going on with the process.

Mr. *Pethick-Lawrence*.

1377. On page 4 I notice you have "Farms, etc., in hand," and that you provide money for the maintenance of these farms, which, of course, are your property. From what exactly do you draw the funds to provide the maintenance of the farms in such cases?—It would come out of income.

1378. In the Statutes under which you work, you are quite entitled to take that course, I suppose?—Yes, that is the ordinary course prescribed by either Statute or the Treasury or both. On page 4 there are receipts from farms in hand and on page 5 there is the expenditure.

Mr. *Pethick-Lawrence*.] I asked the question because in another connection there was some question arising with regard to it. That is why I asked you. Are there any further questions on the whole of the Accounts on pages 2 to 7?

Mr. *Benson*.

1379. On page 5 near the bottom "Farms, etc., in hand." That shows a payment of £80,000. How does that come about?—We have to pay bailiffs and labourers to work these farms.

1380. That is your gross costs on these farms?—Yes, that is the gross costs.

Sir *Irving Albery*.

1381. Under "General Maintenance" there is £40,000 on Windsor Parks and Woods. Is that the only item? Apparently it is the only item of general maintenance, but it seems curious that, under a heading of General Maintenance, there should be only one item?—I think that is because in the first column, "land revenues," as regards our farms the general maintenance is there. You see "Farms, etc., in hand" down below, and any improvements to buildings are up above: "Repairs and Improvements: New buildings and Permanent Improvements, Repairs." They are all in those. For Windsor apparently, they simply put in this "General Maintenance," because that is really what it is. Windsor staff deal with 13,000 acres altogether, 5,000 in the Great Park and 8,000 outside. They employ about 300 men who have to keep the ditches over 120 miles and roads and rides and so on in order, so it is very much general maintenance.

1382. Does that generally mean that these headings have no other meaning than that given to them in the Accounts from which they are taken? They cannot be correlated one to the other? I rather understood from your explanation of "General Maintenance" that presumably it is an extract from the Windsor Accounts where it is there put in as "General Maintenance"?—That is so.

1383. In other words, these headings have not much relationship to one another? They are simply taken out of the different Accounts and put in this. If in one Account, they call it "General Maintenance" and in the other Accounts they call it "Improvements," that is how it is put in here?—That is what it is. (Sir *Gilbert Upcott*.) There is no corresponding item in the other Accounts, because only Windsor is direct management.

Sir *Isidore Salmon*.

1384. When you say "Repairs and Improvements, New Buildings and Permanent Improvements, £26,000" that means, presumably, the maintenance of all your properties?—(Mr. *Stocks*.) Yes, that is so.

Mr. *Pethick-Lawrence*.

1385. On page 5, I see there is an abandoned claim of £295 17s. 8d.; can

7 March 1939.]

Mr. C. L. Stocks, C.B., and
Mr. T. R. OSWIN.

[Continued.]

you explain that a little bit?—There was a tenant who went bankrupt. We put the matter into the hands of our solicitor and he said “ You will not get a penny, and you had better not take the case into Court ” so we wrote off the claim with Treasury consent.

Sir Haydn Jones.

1386. I note you get an income of £82,000 from farms and there is an expenditure of £80,606. Do I understand that you made a profit of about £2,000?—I am afraid it is not profit and loss. It is just receipts and payments which happened to be of those amounts in the particular year, but it would be quite wrong to conclude that on any of these Accounts that means profit and loss. Profit and loss is dealt with by a separate series of Accounts which are given separately to the Treasury each year showing the results on our farms in hand. (Sir Gilbert Upcott.) These farms in hand are unlet farms. (Mr. Stocks.) Farms we could not let.

1387. You manage them yourselves?—Yes. There are always a certain number of farms. There used to be as many as 30 and at the present moment it has fallen to about 16, which we try to let, and if we cannot, we have to run them ourselves.

1388. May I ask what “ Fixed charges, stipends, etc.” means on page 5?—That is mainly tithe and stipends to clergy. There is an interesting item there, the salary of the Master of the Temple, to which we contribute £26 a year. There are other clergy who get small sums, and there is a sum for tithe.

1389. “ Land tax allowed and donations in lieu of rates and tithes ” appears higher up, does it not?—“ And donations in lieu of tithe ” but “ fixed charges ” are also tithe.

Sir Isidore Salmon.

1390. May I ask Mr. Brittain when was the last time the Treasury went into the question of the presentation of these receipts and payments and income Accounts? Do they think that this is the best way of presenting the Accounts having regard to present day circumstances?—(Mr. Brittain.) I am afraid I cannot say off-hand when we looked at that last. Is there any particular respect in which you think they might be improved?

1391. What strikes me, is that these Accounts are presented so differently in the way of dealing with income and expenditure and capital expenditure from those of any other Department. It occurred to me it might be a good thing, if the Crown Lands Department and the Treasury were to consider it, to see if they could suggest any different method of presentation?—In some similar cases you have, of course, proper trading accounts, but this is not intended to be a trading account and I do not think it can be, under the terms of the Act.

1392. That is the whole point?—Subject to what Mr. Stocks says, I think this is the statutory form.

1393. One would like to know whether Mr. Stocks is in a position to say—I do not think it is fair to throw it at him at the moment and ask him to answer now—whether it has been considered in recent years?—(Sir Gilbert Upcott.) I believe it was considered in 1932.

1394. By the Treasury: and the Crown Lands Department?—Yes, and I understand by this Committee.

Sir Isidore Salmon.] I must look up the Minutes. I will not press it any more to-day.

Mr. Pethick-Lawrence.] May I take it that this Account is approved? (Agreed.)

(The witnesses withdrew.)

(Adjourned till Thursday at 2.30 p.m.)

THURSDAY, 9TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.

Mr. Benson.

Sir Edmund Brocklebank.

Major Sir George Davies.

Mr. Lathan.

Mr. Lewis.

Mr. Mabane.

Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 6 AND 7 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir ERNEST FASS, K.C.M.G., C.B., O.B.E., called in and examined.

Mr. *Pethick-Lawrence*.

1395. I will ask you to turn to the Treasury Minute on paragraph 6 of the Report of the Committee of Public Accounts, with regard to the "Disposal of surplus monies in the hands of the Public Trustee". I think Members of the Committee will have noticed that there is a Bill before the House already that deals with this question. May I take it, Sir Ernest, that that fully meets the matter which is dealt with in this Minute?—(Sir *Ernest Fass*.) Yes, Sir.

1396. Are there any other questions about the Treasury Minute on paragraph 6 of our Report? With regard to paragraph 7, I would like to ask what action you are arranging to take with respect to the future?—I circulated amongst the Trust Officers in my De-

partment the Reports of the Proceedings, and I followed it up by a Departmental Note to all Trust Officers. I have a copy of it here, if I might read it: "In connection with the undertaking required from the Public Trustee by the Public Accounts Committee in the Ferrington case, Trust Officers are reminded that, as soon as practicable after the Public Trustee's appointment (or in 'deceased' cases after the death)"—that is, in all cases—"arrangements should be made for all title deeds charged by way of equitable mortgage to a trust to be deposited either in the Public Trustee's strong room or (where the co-trustee prefers it) at the Trust Bank, pending payment off or conversion into a legal mortgage". That, I think, carries out the wishes of the Committee.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE 9.

PUBLIC TRUSTEE.

(30TH GENERAL REPORT OF THE PUBLIC TRUSTEE.)

Mr. *Pethick-Lawrence*.] Turn, please, to the Civil Appropriation Accounts, page xv, paragraph 26 of the Comptroller and Auditor General's Report. I think that is a purely formal statement. We come to pages 129 and 130 of the Accounts. I have no questions on those.

Sir *Isidore Salmon*.

1397. I should like to ask this: I notice that there has been a £2,000 increase under the heading of "Salaries": presumably they are the annual increases?—(Sir *Ernest Fass*.) Yes; all

9 March, 1939.]

Sir ERNEST FASS, K.C.M.G., C.B., O.B.E.

[Continued.]

but a very small amount. There were two additions to the staff last year, but they were both junior staff. The annual increments amount to something between £2,500 and £3,000 a year, but against that I can set off the savings that I make by the retirements of members of the staff, and there are usually a certain number retiring on a marriage gratuity, which is not borne on my Vote but on the Superannuation Vote, so that the £2,000 really represents the increments less such savings plus the new staff that I have. There were two extra staff that I had last year.

1398. The whole of the Vote is up £2,000, not presumably entirely due to staff. If you compare the cost in 1936 with that in 1937, I think you will see that the Department's total Vote is up £2,000. I did not know if there was any special reason other than what you have said. You had £250,000 expenditure in the year 1936; for 1937 it is £252,000?—(Sir Gilbert Upcott.) I am afraid I charged a little more.

1399. Your increase is about £475 more?—Yes.

1400. What is the cause of that?—More trusts to audit.

Mr. Pethick-Lawrence.] We will take the 30th General Report of the Public Trustee in conjunction with this Account.

Sir Isidore Salmon.

1401. If you take the number of trusts, I think you said you had a few less?—(Sir Ernest Fass.) On balance there are more; the new cases are rather less in the year under review than in the year before. There were 911 new cases in the year; the increase in the current cases is about 160, or something of that sort. The current cases in 1938 were more by about 160 or 170 than the current cases in 1937.

Mr. Pethick-Lawrence.

1402. In paragraph 7 of the Report, you say, "an increase of 153 over last year." Is that the right figure?—Yes. (Sir Gilbert Upcott.) It was a rather less rapid increase than usual.

Sir Isidore Salmon.

1403. Could Sir Gilbert tell us on what basis he has increased his charges by £400?—It is all calculated by examination time. The audit is made under

regulations approved by the Treasury, and the charge is calculated upon examination time.

1404. Therefore, you have given more time in the year under review than you gave previously?—Slightly more.

1405. And you charged accordingly?—Yes.

1406. Next year, if you give less examination, the figure goes down automatically; is that it?—The charge is considered annually. (Sir Ernest Fass.) That is amongst the allied services. On your point of the estimates, on my estimate in sub-head A, the figure was £221,879 as compared with £220,000, which is the best part of the £2,000 to which you are referring.

1407. If you look on page 5 of your Report—?—I beg your pardon. I did not know you were referring to the Report.

1408. In 1936-37 the audit by the Exchequer and Audit Department was £4,012, and in 1937-38 it is £4,457?—Yes; they raised it on me.

1409. That is the point to which I was really addressing myself?—It is between three and four shillings a trust.

1410. I have not observed, on looking through these figures, Mr. Comptroller and Auditor General, that you have ever reduced the charge for audit over a period of years. Since 1932 it has been a progressively increasing figure?—(Sir Gilbert Upcott.) No; it goes up and down. (Sir Ernest Fass.) In 1931-32 it was a little less than before.

Sir Isidore Salmon.] I said so.

Sir Edmund Brocklebank.

1411. In 1936-37 it was reduced?—(Sir Gilbert Upcott.) There was an appreciable reduction in that year.

Mr. Pethick-Lawrence.] 1936-37 is less than 1935-36.

Sir Irving Albery.

1412. Your estimate of fees at £318,000—I am sure nobody is complaining of this—is remarkably accurate; there is only £108 difference: is there any special reason for that?—(Sir Ernest Fass.) No. That is a good guess on the part of Mr. Firth, which I accepted. I am afraid this year's estimate is not nearly as accurate for the current year. I am going to be about £10,000 short. It is a very chancy estimate. You cannot tell how many estates are coming in in the year. We

9 March, 1939.] Sir ERNEST FASS, K.C.M.G., C.B., O.B.E. [Continued.]

had reason to know that there would be the Indian Pensions Fund, which would bring in a good many fees on investments in that year.

1413. Under "Receipts: Fees, etc.", I take it that includes the fees charged to the various trust funds. Does that also include the return of commission on brokerage?—Yes; that is in the investment fees. If you look at page 6, you will see: "Investment Fees: £77,969."

1414. That is the meaning, is it, of "Investment Fees"?—There is an asterisk to that, and it says: "Includes £31,123 Refunded Commission"; so that rather less than half the Investment Fees is refunded commission which is not paid by the trust but by the stockbroker.

Sir Edmund Brocklebank.

1415. On page 2, paragraph 5 says: "The average value of trusteeship has decreased"; does that decrease mean there is a decrease of the trusteeships received during the year or the whole number of your trusteeships?—Those received during the year; it is not the average.

1416. Not over the whole period?—No. I ought to have made that plain.

Sir Isidore Salmon.

1417. May I ask a question on page 8: I notice at the bottom of page 8: "There is also Cash at Banks amounting approximately to £2,500,000". Is not that a large sum of money?—(Sir

Ernest Fass.) Yes; but it is distributed over 20,000 trusts. There are very nearly 20,000 trusts in my charge now.

1418. It is the balances you have in hand?—Yes. Some of them might be large at any moment. It all depends how quickly we can get the money out or the money invested.

1419. What sort of system have you for reinvesting the money? When it gets to a certain level, do you invest the money at once: what happens?—No. We invest it all unless it is money which has to be distributed to a beneficiary upon becoming 21 years of age, or under a will. If it is income, it goes to the beneficiaries. If it is capital, it has to be invested unless there is some reason for not investing it, either because it has to be distributed or because it is waiting for a mortgage, or something of that sort.

1420. Anyone reading this would think you had in hand for some time £2,500,000 of money?—Under the Bill now before Parliament, there is the £500,000 on deposit at the Post Office Savings Bank for the account of the trust which is included here.

1421. And on which you are receiving interest?—On which I am receiving interest.

1422. But there is nothing here to show it, is there?—No, it is only cash at banks. I do get interest also from the joint stock banks when money is on deposit there. Of course, I do not get anything if it is on current account.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (*Agreed.*)

(*Sir Ernest Fass withdrew.*)

TREASURY MINUTE ON PARAGRAPH 5 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C., called in and examined.

Mr. Pethick-Lawrence.

1423. Supreme Court of Judicature: I will ask the Committee to turn to the Committee's Report and the Treasury Minute on paragraph No. 5. I should like to ask Sir Claud if he has anything to say on the question involved in that paragraph 5?—(*Sir Claud Schuster.*) I am afraid I have nothing to add at the present.

1424. Is any legislation contemplated?—Not at this moment of time.

1425. Has the Treasury anything to say about it?—(*Mr. Brittain.*) No, Sir. I do not think there is any need to add to what we put in the Minute.

Sir Irving Albery.

1426. It says in the Minute that "this view is shared by the Lord Chancellor". When Sir Claud says nothing is contemplated at the moment, can he say whether legislation is likely to be put in hand in the near future?—(*Sir Claud Schuster.*) I am afraid I cannot make any statement of that kind at the moment.

1427. Can Sir Claud say whether any decision has been taken to introduce legislation at some convenient moment?—I would not even like to put it as high as that. There have been very peculiar

9 March, 1939.] Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C. [Continued.]

difficulties in the way of considering matters of this sort during the last year.

1428. It seems to me that if this Committee arrived at a certain conclusion and the Lord Chancellor concurred in it, that should be enough?—Yes, I agree, but if I may say so, if anything were done about this, we should be effecting the tenure of a great many people. What we have done has been to take care that no appointments are made, except on terms that if anything is done there will be no rights to security of tenure or to compensation for loss of office. As each vacancy falls similar measures will be taken. I do not think the thing can become effective until we have got a good deal of the staff on those terms, because to sweep away the people who are now on the ground and pay them something substantial would probably defeat the object we have in view; not wholly, because we should get better business done, but it would to some extent defeat the object we have in view; so we have not (I suppose I ought to say it in a white sheet) applied ourselves with very great assiduity to sweeping the ground clear.

Mr. *Pethick-Lawrence*.

1429. You are preventing the situation getting worse and improving it for the future? You are clearing up the existing difficulty?—Yes, we are also being a little tender to the people who are there already, so that we may not be forced to make appointments before the thing crystallises.

Mr. *Lathan*.

1430. I gather from what Sir Claud says that the problem is being tackled at the source, rather than at the end to which we addressed ourselves on the last occasion?—Yes. There are almost bound to be two methods of approach to a thing of this kind. I realise that we have not done perhaps all we might and ought to have done, but it is a very difficult subject.

1431. Action along those lines is almost bound, if I may say so, to render necessary some more definite action at a later stage?—Yes, undoubtedly, at a later stage.

1432. And that, no doubt, is contemplated?—That is contemplated, but these things do involve so many issues and so many people, and it may be that there are other things to do about Assizes, which are very closely connected with this. We have recommendations which we have been trying to do something about for a very long time now, for dealing with some Assize arrangements with which it has not been possible to make progress, and it does not seem worth while doing the one without the other, really, except to keep the thing fluid and make it easier when the times comes.

Sir *Edmund Brocklebank*.

1433. You said this would involve so many people. Can you indicate at all what number of people would be involved?—Not a great number, as people count in other Government offices. Thirty people, actually.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE 6.

SUPREME COURT OF JUDICATURE, ETC.

Mr. *Pethick-Lawrence*.

1434. Will you turn, please, to the Civil Appropriation Accounts, page xiv, paragraph 25. Can you tell us how the plan referred to here has worked?—(Sir *Claud Schuster*.) As far as we know, it is working perfectly smoothly. We have not had any complaint of anything with regard to it at all (I mean of the working of it or of any difficulties as regards suitors) and it looks as if it

is going to be rather less expensive than we thought it was going to be.

1435. Is the Treasury satisfied? Have they got satisfactory control of the rates of remuneration?—(Mr. *Blunt*.) Yes, the rates have been fixed. I think they were fixed in negotiation with the Association.

1436. You say rates have been fixed in negotiation?—Yes, the rates have been fixed.

9 March, 1939.] Sir CLAUD SCHÜSTER, G.C.B., C.V.O., K.C. [Continued.]

1437. And you are satisfied with the arrangement?—Yes.

Sir *Isidore Salmon*.

1438. Is the total figure likely to increase?—(Sir *Claud Schuster*.) I do not see any reason why it should increase. It is less than we estimated for, as far as we can see. We are just coming to the end of the first complete year of working, and that is short by a few pounds. What I am anticipating is that we shall fall short of the estimate by a little over £100 on the 31st March. We shall have spent about £100 less than our estimate.

1439. In other words, it is very good estimating?—Yes; I do not know why it was so good, because it was a complete shot in the dark.

Mr. *Benson*.

1440. Have you any idea roughly what these shorthand writers earn as a result of your arrangements?—Do you mean the people who are employed actually to take the notes?

1441. Yes?—No. What we think is this, and it seems to be borne out by what has happened, that the thing really is almost exactly as it was before; that is to say, the some sort of amount of people seem to have been employed, and we gather that they are making just about what they were making before. It seems to have made extraordinarily little disturbance.

1442. But the machinery is more satisfactory?—They say themselves: “The total turnover for the year”—that is the Association’s turnover—“amounted to £22,034, which is some £413 less than the average over three years attributed to the businesses taken over”. So that it is almost as if nothing had happened at all. I understand that their arrangements with the people who are taking the notes are just the same as they were before this new arrangement was made. I do not know, but I believe so. They issued some time in the autumn their first Annual Report, running up to 31st July of last year. They received about £22,000, and they paid out about

£20,000 to members and lithographers and other charges—of course we do not know the details of that—and the rest in miscellaneous items. That accounts for their turnover of £22,000. We have not any reason to think that anybody is in a very greatly different position from the position in which they were before the thing happened, but of course, I have not gone behind the account as it is shown to me. I do not profess to have analysed it.

Mr. *Pethick-Lawrence*.] Will you turn to the Appropriation Accounts, pages 122 to 124? I have no questions to ask.

Sir *Isidore Salmon*.

1443. On the question of your estimated figure of receipts against your realised figure, it is quite substantially more than you anticipated. Is there any special reason for that? Does it mean to say that there were more cases where they paid fee stamps which was responsible for the whole of this increase?—The real increase is in the last two items, the “Fees received by District Probate Registrars” and the “Judicature Fee Stamps”, the first showing £24,000 and the second £23,000 more than we had estimated. Those are both things over which we have no control at all. I suppose that you may say that as wealth gets more and more distributed, people more and more take the trouble to prove their wills. I suppose there are a great many more small wills proved than there used to be. There must be a great many more, I suppose, and that goes on continually increasing the District Probate Registry Fees. As to Judicature Fee Stamps, that is completely mysterious, because everybody goes about saying that litigation is falling off and decaying. It does not make the smallest difference, rather the contrary, to the eagerness with which people pay fees in order to be allowed to litigate.

1444. Have you put the fees up at all?—No, we have not touched the fees for years.

Mr. *Pethick-Lawrence*.] I will put pages 122 to 124. May I take it the Account is approved? (*Agreed*.)

SUPREME COURT OF JUDICATURE ACCOUNT, 1937.
(ACCOUNT OF RECEIPTS AND EXPENDITURE OF THE HIGH
COURT AND COURT OF APPEAL.)

Mr. *Pethick-Lawrence*.

1445. We turn now to the White Paper, “Supreme Court of Judicature”,

and we take with it a small White Paper which is called “Account of Receipts and Expenditure of the High

9 March, 1939.] Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C. [Continued.]

Court and Court of Appeal". On page 10 of the Report of the Comptroller and Auditor General there is an item which says there was "an increase of £79 13s. 9d. over the corresponding liability on 28th February, 1937, this amount being required to make good the loss to a suitor's account". Perhaps Sir Claud will explain that point?—(Sir *Claud Schuster*.) This was a mistake made in the office. The Master made an order that certain shares should be sold, naming a price as the limit at which they should be sold. That is a somewhat unusual order. The ordinary order is to sell. Still, that does not excuse whoever was responsible and there was some five or six days delay in passing the order to the broker, and in that time there had been a fall, and the amount of money realised was substantially less than would have been realised if the sale had been made on the proper date. We adjusted the thing by meeting the loss and reinvesting as on that day in the other stock which we were directed to buy, and this represents the difference. There is no doubt that it was a mistake. I mean that we were guilty and there was no answer to the claim.

1446. Are there any other questions on page 10. Turn now to the actual account in the White Paper. I am putting pages 4 to 7 first. On page 7 I am going to ask, with regard to the footnote (2), how these figures compare with those of last year?—(Sir *Gilbert Upcott*.) I should say the value of the securities was up about £100,000. (Sir *Claud Schuster*.) That is what it comes to.

1447. It was up in the year under review compared with the previous year?—(Sir *Gilbert Upcott*.) Up about £100,000. (Sir *Claud Schuster*.) Yes. (Sir *Gilbert Upcott*.) The effective liability was £220,000 last year. It is now reduced to £130,800. It is very near the £100,000.

Sir *Isidore Salmon*.

1448. Perhaps you could inform us about the note at the bottom of page 4, "Brokerage upon investments and sales not effected by exchange", what do you mean by "brokerage upon investments and sales"?—(Sir *Claud Schuster*.) I think it has been explained to the Committee before that, when we are selling and buying and not really effecting any true transaction—when we are merely passing the stock from one

client to another—we none the less make a charge. This is brokerage in the truest sense of the word upon such securities as those which were concerned in the case of which we were talking a little time ago, which were in fact bleachers' shares, that is to say, shares dealt with by buying and selling in the market and a true brokerage taken.

1449. You do not actually go to a broker, but you do it departmentally and make a charge?—We do it if it is something we can exchange, but if it is some security which we do not hold—if it is an isolated transaction, as in this particular case—we hold the shares of a particular company and we have not got any more of them. We must either sell them or buy them, as the case may be, on the Stock Exchange. This is the brokerage on that. (Sir *Gilbert Upcott*.) The broker is paid a salary and surrenders his brokerage. (Sir *Claud Schuster*.) Yes. (Sir *Gilbert Upcott*.) In the case of exchange transactions there is a commission charged and that is the third item.

Mr. *Benson*.

1450. On page 7, Note (1): "Losses due to default, fraud or other irregularities." Default and fraud of whom? Is that officers of the Courts?—(Sir *Claud Schuster*.) Yes, those are our mistakes. (Sir *Gilbert Upcott*.) That is the case which you have already explained. (Sir *Claud Schuster*.) £79 13s. 9d.

1451. £9,000 due to default, fraud and other irregularities?—Yes, but that is not in this year. That is the accumulation since the beginning. The amount that is attributable to this year is this sum of £79 13s. 9d., the loss of which I have been explaining. We should feel rather badly if the £9,000 related to this year only. (Sir *Gilbert Upcott*.) It has accumulated since the 'seventies. (Sir *Claud Schuster*.) Yes. I do not know why it is carried forward like that.

Mr. *Lathan*.

1452. On page 4, there is a reference to Securities in Foreign Currencies. Is that a deliberate investment in foreign currencies?—No, these are things which have been brought into court in that form.

1453. And you consider the desirability of realising them at a suitable time?—They are not ours. We hold

9 March, 1939.] Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C. [Continued.]

them for other people. Except in very odd circumstances we have no dominion over them except to keep them.

Sir *Irving Albery*.

1454. On page 7 at the bottom, I cannot understand the note in which it says: "The market value of the securities held by the National Debt Commissioners exceeded the amount of their liability to the Accountant-General by £1,501,384 17s. 5d." Then it says: "The effective liability of the Consolidated Fund at that date is, therefore, reduced to £130,829 11s. 10d." I have probably missed some set of figures that explains it. It says that the securities are £1,500,000 above their liability?—(Mr. *Brittain*.) It is related to the figure in the account above, Sir Irving, where you will find at the bottom: "Liability of the Consolidated Fund," which is made up of two amounts, first £1,623,109 and the other £9,105, making £1,632,214, in the figures above. That is the gross liability of the Consolidated Fund, but against that we have this surplus amounting to £1,501,385 in the hands of the National Debt Commissioners, and the difference is £130,829.

Sir *Irving Albery*.] I follow it now.

Mr. *Pethick-Lawrence*.

1455. May I take it the Accounts up to page 7 are approved? (*Agreed*.) Now turn to pages 8 and 9, please. The last figure on page 9 is £65,890, "Surplus on Income Account." I understand that at intervals, according to the Finance Act of 1936, which is referred to in paragraph 4 of the foreword to this Paper, the balance is handed over to the Exchequer. Can you tell us on precisely what lines and under what circumstances it is decided to pay over any, and if so, what amount to the Exchequer?—Nothing has been, in fact, taken over yet. We have only had these powers for two years, and whilst we have looked at it from time to time our feeling has generally been that we ought to wait for a little more experience of the ups and

downs of these accounts before we finally decide to make any transfer; so the surplus is left there for the moment.

1456. You are contemplating transferring some, but you want to have a little more knowledge before you take any definite action?—I imagine we should like to exercise the power of taking this money at some time, but I cannot say when that will happen. (Sir *Gilbert Upcott*.) It is only to be transferred so far as it is not required to meet depreciation of the securities as you will appreciate.

Mr. *Pethick-Lawrence*.] Yes.

Sir *Irving Albery*.

1457. Do I understand there has been a surplus only for two or three years?—(Mr. *Brittain*.) We have only had the power for two or three years; it was in the Finance Act, 1936.

1458. Has there usually been a surplus?—For the last seven years there have been surpluses. (Sir *Claud Schuster*.) There is always a surplus. (Mr. *Brittain*.) In fact, it is essential that there should be a surplus, in order that we should not be paying out more interest than is earned on the investments. We always must have a margin.

1459. What is the largest surplus you have ever had in those seven years?—£73,000 in 1936-7.

1460. You consider that is only a safe margin? It is not taken as a revenue-producing service?—No.

1461. If you had a large surplus or more than a safe margin, I take it the costs to the beneficiaries would be reduced?—I think we try and take as long a view as possible in the rate of interest we allow.

Sir *Isidore Salmon*.

1462. What has become of the past surpluses?—They are included in the total of the securities which the National Debt Commissioners hold at present and contribute towards the surplus of £1,500,000.

Mr. *Pethick-Lawrence*.] May I take it the Account is approved? (*Agreed*.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE 7.

COUNTY COURTS.

Mr. *Pethick-Lawrence*.

1463. Now we come to the County Courts, pages 125 and 126. With regard

to page 125, at the foot of the page, the last item is a note in regard to sub-heads J and K. It says at the bottom

9 March, 1939.] Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C. [Continued.]

in the last sentence: "Actually only 4,085 appeals have been lodged to date", as against a great many more that were anticipated. What did you mean by the words "to date", and can you tell us what the situation is to-day?—(Sir *Claud Schuster*.) I do not think it materially differs. The date after which you cannot file an appeal, I think, is the 31st March, so that really this is to all intents and purposes a statement of the situation as it will be when this Commission has completed its labours, that is to say, has received all the appeals that are going to be made, though it may not have given judgment on all of them. In other words, out of 70,000 cases only 4,000 have taken this form.

1464. It is very much fewer than you anticipated?—Very very much fewer. It is a great nuisance to the County Courts because all these 70,000 cases are cases in which judgments have been recovered in the County Courts, and, as only 4,000 of them are wiped out by the effect of the Arrears Investigation Committee, 66,000 are left in the County Courts unexecuted. It is not our business to execute them—they are just there. What is going to become of them I do not know. It is not our responsibility, but we should like to get rid of them.

1465. Have you anything to say about that, Mr. Comptroller and Auditor General?—(Sir *Gilbert Upcott*.) I should say it is the responsibility of the Tithe Commission. (Sir *Claud Schuster*.) Yes; it is not for us. (Sir *Gilbert Upcott*.) Subject to confirmation from the Treasury, I should say it was the responsibility of the Tithe Commission.

1466. Does the Treasury agree with that?—(Mr. *Brittain*.) This is a rather complicated matter. I would rather be excused from venturing an opinion at the moment. I think it is likely.

1467. Do you agree, Sir Claud?—(Sir *Claud Schuster*.) Yes, broadly speaking. It is passed to the Tithe Commission to deal with these things, and I am sure I do not know what they are going to do with them. I do not know whether they have thought of it at all. We should very much like to get rid of the thing.

Sir *Isidore Salmon*.

1468. How are you getting on with the new grouping of County Courts? How is it getting on?—It goes on steadily; of course, less fast than it did

before, because we are gradually reaching the saturation point, I suppose. We have got now 58 whole-time Registrars in 148 established Courts, as against 54 whole-timers in the preceding year—I am a year out, but that is the comparison.

1469. Have you found that the grouping of these Courts has proved to be an economical and satisfactory proposition from the litigants' point of view?—I cannot call to mind any case where we have had any serious complaint after the grouping has been carried out. We always have a great deal of complaint before the grouping is carried out, but, when once it has been done, I think everybody begins to realise that they are getting a better service and that the inconveniences that they anticipated do not in fact occur, and they become reconciled, and something more, to it, so that the plaintiffs, particularly in the grouped places, tend to increase in number rather than to decrease. I had not a complaint exactly, but an observation made about a particular series of groups the other day, and I went into the figures just for the sake of seeing how it was, and it is curious to note that the case where the particular complainant was the most vocal was a place that showed a greater increase of plaintiffs than almost any place of its type in England. We could always carry it to an extent at which it would be very inconvenient.

1470. You can overdo it?—We have to be very careful.

1471. What are the duties of the Arrears Investigation Committee?—That is the Tithe Commission. Their duty is to deal with the case in which judgment has been recovered by the tithe owner against the tithe payer; it has not been satisfied, and it is to give an opportunity to the tithe payer to come along and say why he should not pay the arrears for which judgment has been given against him. As I say, in only 4,000 cases has he done so.

Sir *Irving Albery*.

1472. With regard to the Arrears Investigation Committee's salaries, are those salaries paid to officials in addition to their salaries for their present work for doing this extra work?—No; nobody is being paid twice over.

1473. I did not mean twice over, but it is rather difficult to understand. If

9 March, 1939.] Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C. [Continued.]

you set up a committee to do a certain job of work, you would have to pay them their salaries?—The chairman of the committee is Judge Austin Jones; he is being paid his salary as a County Court Judge, and, during his absence from the County Court Bench, another Judge has been put in his place and paid. All the clerical people there, I think (but I am not quite sure) have been borrowed from our staff and are being paid these wages here shown, and, of course, not paid on our Vote, except here.

1474. What I found it rather difficult to understand was the grant of £8,000, of which only £2,900 was spent. If you set up a committee with all its machinery, you have got to pay the committee, and its machinery their salaries, even if a lot of applicants do not come and make appeals. (Sir Gilbert Upcott.) The members of the committee, other than the chairman, are paid daily fees.

1475. Then they have got other work and they are paid this additionally for additional services?—(Sir Claud Schuster.) Not our people. As to our people, we have made a saving on them, because we estimated for dealing with 70,000 cases, and we have only dealt with 4,000 cases.

1476. I want to know if I have understood this rightly about the 70,000 cases. Does it mean that the Tithe Commission have not pressed for payment, and on that account the tithe-payers have not made an appeal?—No. They could not press for payment until the tithe-payer had been given an opportunity of going to this committee about it.

1477. But they have all had an opportunity, have not they?—They have now, yes, but we are just getting to the end of the year, and, as I say, on the last day of this month nobody can appeal any more. If the Tithe Commission come to the conclusion that it is worth their while, they can now proceed to take whatever measures they may be advised to take against these tithe-payers who have now for ever lost their opportunity of appealing. Why they have not appealed and why, on the other hand, nobody has done anything about it I do not know. It is altogether outside our field of administration.

1478. Can you say, in a general way: in the case of those who have appealed, have a large proportion of them obtained some remission?—I do not know, of my

own knowledge, but I believe that they have obtained very very little.

Mr. Lewis.

1479. Is it quite certain that in all these cases the right to these arrears accrues to the Tithe Commission? Would not some of them be cases where the right would still rest with the former owner of the tithe?—I am not an expert on this. I thought all these rights passed to the Tithe Commission.

1480. All arrears?—I thought so, but please do not take me as saying that it is so; I was under that impression. I thought they all passed over to the Tithe Commission in order to interpose somebody between the owner and the payer.

Mr. Lathan.

1481. Under sub-head B of the Account on page 125, there is an amount of £16,571 less expended than had been estimated, and it is explained by a footnote saying: "Mainly due to delay in filling vacancies"?—Yes.

1482. That does not mean, I suppose, that that delay meant delay in handling the cases?—I hope it did not. What happened was that we in the previous year observed a decline, and, therefore, we were rather careful about increasing staff. The decline did not come, as we had every reason to anticipate it would, and we found great difficulty, when we wanted the staff, in getting them, and they are very difficult to get. We go to the Civil Service Commission and ask for staff of a particular kind, and they can only supply them if they have got them, and there is always a lag; in this case it was no doubt partly due to our own miscalculation. We anticipated a fall and we got a rise.

1483. It was due to circumstances that you were unable to control rather than to deliberate delay?—Failing to possess the gift of prophecy, we were unable to control them, and, even if we had, I do not think we could have got the staff. There was considerably delay about that time in getting anybody.

1484. There have been suggestions (whether they are justified or not I cannot pretend to say) about the delay in handling cases in the County Court— I should very much like any specific case to come to our knowledge, because from this point of view we are just like any other business, and, if we get

9 March, 1939.] Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C. [Continued.]

delays, we shall get into trouble. We shall lose business and our revenue will decline, so we do not want delays.

1485. One cannot very well go elsewhere, can one?—If we got evidence of that, we should take steps to stop it.

1486. I wondered if there was any connection between suggestions of that character and these savings?—It may be that in certain places the Registrar has gone on asking for an additional clerk, and we have not been able to supply him, for the reasons I have given. It is very regrettable.

1487. Under sub-head E: "Postage for the Courts", the expenditure was £3,131 more than estimated. Am I to understand that these "Official paid" envelopes are paid for?—Yes.

1488. They are debited to the Department?—Yes.

1489. Just like a franked envelope?—Yes.

Sir Edmund Brocklebank.

1490. To go back to the question of the arrears of tithe, I suppose some of them, if not a large proportion of them, would be for very minute amounts?—I should have doubted it. I should have doubted whether it would be worth anybody's while to take proceedings for a very small amount.

1491. Is not that why they have not taken proceedings?—These are all cases where proceedings have been taken before the Tithe Act and this device of the Arrears Investigation Committee was to get rid of this great mass of unsatisfied judgments. Nobody knew what to do with them. You could not levy execution, because somebody took the cows away or something of that kind. There was some trouble and disturbance. This was an attempt at appeasement and it was hoped that the Arrears Committee would be able to adjust the payments to the circumstances.

COUNTY COURTS ACCOUNT, 1937.

(ACCOUNTS OF RECEIPTS AND EXPENDITURE OF COUNTY COURTS.)

Mr. Pethick-Lawrence.

1498. The White Paper, "County Courts", page 8, the Comptroller and Auditor General's Report. Paragraph 1 is formal. On paragraph 2, you will see, if you subtract the figure of £4,936,000, which is the last figure given, from the figure of £5,276,000, which occurs in the

Mr. Benson.

1492. Would these 70,000 cases be tithes that had been sub-divided and sub-divided and were by law capable of being capitalised and bought out?—All of it would have been capable of being freed, I suppose, before the passing of the Act.

Mr. Pethick-Lawrence.

1493. I do not think you must press this witness on the details of tithe, because after all he is only concerned with the Court of Judicature. It only comes incidentally in his province?—(Sir Gilbert Upcott.) The note says that they are the number of cases in which arrears existed, not the number of cases in which proceedings had been taken. (Sir Claud Schuster.) Yes,; I know, but the only cases that they are concerned with are these judgments cases. Nobody could possibly know in how many cases there were arrears.

Sir George Davies.

1494. An unexpectedly large number who had a right of appeal have not exercised that right and the time limit is just about to expire?—Yes.

1495. The matter will then be thrown back upon the Arrears Investigation Committee?—Not upon the Arrears Investigation Committee (they are merely a tribunal and have no powers at all) but on the Tithe Commission.

1496. Who will presumably have to take action?—I do not know that. I am not in their confidence or in any privity with them at all.

1497. Will that mean that there will be a recurrence of the trouble that we had before?—As a citizen, I hope not, but as an official I know nothing about it.

Sir George Davies.] It does not look very promising.

paragraph above, it would appear that there is now a deficit of £340,000 or thereabouts?—(Sir Claud Schuster.) That is so.

1499. Can you tell us how that compares with the deficit at the similar time in the previous year?—£80,000 last year.

1500. So that there has been an increase in this deficit of £260,000?—Yes.

9 March, 1939.] Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C. [Continued.]

1501. I suppose that is due to the fall in the value of securities?—Entirely.

1502. I should like to ask the Treasury: I have looked at this table of securities that are held—page 7 of the Report—and what occurs to me is this, that you are faced with a liability which may not be immediate but which at any rate is likely to accrue against you in a fairly short time; but when I look at this list of securities I find that the bulk of them are held in either non-redeemable stocks or stocks of which the date of redemption is a very considerable distance in advance. I should like to ask why it is that in view of the fact that you are taking charge of a certain amount of money which you may have to find within the early years, you adopted that policy instead of adopting the policy of investing the bulk of your money in stocks of an early date of redemption in which you can count upon the capital remaining intact?—(Mr. *Brittain*.) I was not concerned personally in any discussions about how these funds should be invested in the early stages, but I imagine they had regard to the fact that whilst it is true that there are large payments to be made out of court each year (probably between £1,000,000 and £2,000,000, each year) by the Registrars, at the same time, in the last two or three years, there has been an equivalent amount coming in from cash and that the net amount which you have to draw on this fund for is probably small: in other words, there is a pretty good hard core of investments which you can keep in long-dated or even undated stocks, because there is little likelihood that it will be called on. At the same time you do get a certain benefit of interest to cover the interest you have to pay on the funds in court. That is subsidiary, I agree.

1503. Your answer would really amount to this, that it may be that there has been an increase of the deficit by as much as £260,000 last year, but taking one year with another, it is likely to work itself out. Is that the effect of your reply?—(Mr. *Brittain*.) I think that is a separate question, is it not? Depreciation in the actual securities is rather a different point from the amount of liquidity in the securities you actually hold, in view of the possible charges on it.

1504. The point I was addressing myself to was this: you are taking charge

of a certain amount of money and I should have thought offhand that you would have put that into securities which you could rely upon not to fluctuate too much in the course of a few years, whereas by putting them into these securities which have no date of redemption you are running the risk of very considerable fluctuation. I should have thought the two points were rather taken together in that form?—I quite agree, Sir, that there is that risk. On the other hand, there is the experience, I think, of the County Courts that the money is not actually wanted. The securities are not needed to be realised and you are enjoying the income on those, even though the securities themselves have depreciated?—(Sir *Claud Schuster*.) If I may intervene, if you look at page 6, you will see in the year under notice that we did not sell any at all, and that is what will probably always happen, so we are not very much concerned as to the short-dated and long-dated terms. I am not in any way evading the point of your criticism but that is what is actually the situation.

1505. But your position, at any rate, on paper, is getting steadily worse?—Certainly. That has got to be faced.

1506. And that is arising because you have invested in these very long-dated securities. The day may come when your situation will be getting steadily better?—I fully realise that. I agree.

1507. Being a body which has got to find certain money from day to day, I should have thought a private individual, faced with the position, would be careful to invest his clients' money in stocks which were not liable to a great deal of fluctuation, because you have got to find from time to time fixed sums of money. It is not a question of finding stocks which yield a fixed rate of interest, but of finding a sum of capital money. A private individual would take that into account in deciding the character of the investment?—I entirely accept that. In actual point of fact, we do not have to find the cash out of the sales.

[Mr. *Pethick-Lawrence*.] No.

Sir *Isidore Salmon*.

1508. Have you any idea from experience—and you can only have it by experience and taking the law of average—of how this money becomes due per annum? What is the possible liability? Following on Mr. *Brittain*'s point, as I understand it, that they take the long-

9 March, 1939.] Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C. [Continued.]

dated securities because the money required per annum is very small, could you give any idea roughly of what the annual sum is?—If you look at the top of page 4, you will see “Payments”, “Withdrawals by Registrars in respect of payments out of Court, £1,371,042”. You may take it that that does not vary materially fluctuate.

1509. There is some coming in every year?—Yes, on the other side “Funds transmitted by Registrars, £1,798,121.”

1510. So therefore there is no reason why you should not have long-dated securities, in so far as you are taking in sufficient money regularly to meet what is required?—Yes. That is the idea. I am not questioning the wisdom of what has been said to me by the Committee in any way, but that is the fact. (Mr. *Brittain*.) The actual figures are that in 1935 we took in £1.9 millions and paid out £1.4 millions. In 1936 we took in £1.6 millions and paid about the same amount out. In 1937 we took in £1.8 millions and paid out £1.4 millions. (Sir *Gilbert Upcott*.) There is a Consolidated Fund guarantee. You referred a moment ago to the fact that it is the suitors' money. If there is a loss it will fall on the Exchequer and not on the persons concerned. (Mr. *Brittain*.) I should be concerned in avoiding a loss to the Exchequer. (Sir *Gilbert Upcott*.) It is not a risk to the individual suitors, but it is a risk to the Exchequer.

Mr. *Pethick-Lawrence*.

1511. We should have to make it good?—Yes.

Sir *Irving Albery*.

1512. On the point you raised, Mr. Chairman, it seems to me it is really a question whether they attach more importance to the income or to the actual capital sum. They would get a larger income by investing in long-dated securities. On the other hand, at any given time, there may be depreciation of capital. I was going to suggest (I do not know whether the Treasury agree) that it mainly depends on whether they regard the main object of this fund as being to provide as much income as possible or whether its main object is to

keep the capital intact?—(Mr. *Brittain*.) I think the answer, subject to what Sir Claud would say, is between the two. (Sir *Claud Schuster*.) Our primary duty is to have the money that has been paid in to us in a fluid state to be paid out at the proper time and to avoid any loss to the Treasury in doing so, and if we can do that, we do not much mind about anything else.

Mr. *Benson*.

1513. Mr. *Brittain* said that in this £5,000,000 there was a hard core of money that would remain. Was he referring to certain specific sums held for creditors of the Court or was he referring to the fact that you only pay out roughly one-third or one-quarter of the actual total sums?—(Mr. *Brittain*.) The second. There is always a very large bulk which you do not need to turn over in a year.

1514. Does that mean you hold money in Court for roughly three years on an average? You are paying out one-third or one-quarter of the total sum involved, which look as if you hold three years' sums in hand permanently?—The fund of the particular suitor may be held for that period, but the securities held against the balance which will always be there can remain the same.

1515. I am thinking rather in terms of the actual sums held for the suitors. In total you hold three or four times as much as you pay out or receive annually, which suggests that you tend to hold the sums for three or four years?—(Sir *Claud Schuster*.) In point of fact, a great deal of this is Workmen's Compensation money, and the average period for a Workmen's Compensation Fund to remain in Court is seven years.

1516. I think that answers my point?—Of course, that is very much to be weighted. You may have it in for twenty-one years.

Mr. *Benson*.] That answers my point.

Mr. *Pethick-Lawrence*.] Are there any further questions on the Report of the Comptroller and Auditor General and the two Accounts, pages 4 to 5 and 6 to 7? May I take it the Accounts are approved? (*Agreed*.)

(The witnesses withdrew.)

(The Committee deliberated in private.)

9 March, 1939.]

[Continued.]

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT again called in and examined.

TREASURY MINUTE ON PARAGRAPH 3 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

POST OFFICE COMMERCIAL ACCOUNTS, 1937.

Sir RAYMOND BIRCHALL, K.B.E., C.B., and Mr. G. ISMAY, called in and examined.

Mr. *Pethick-Lawrence*.

1517. The Committee have taken a preliminary consideration of the points that were raised last time, and I should just like to put this question to Mr. Brittain on behalf of the Treasury. Do you, after consideration, take the position you took up last time you were before us, or have you had any occasion to modify the opinions you expressed then?—(Mr. *Brittain*.) I think in summary, if I were to make any remarks to-day on what the Comptroller and Auditor General said last time, I should say that it does not modify our point of view in the least.

1518. Very good. Of course, I may take it, I am sure, that if the Committee take the other view, then in future years you will be quite ready to fall in with any views the Committee express?—On this particular point?

1519. On this particular point?—Of course, you will understand that I do not know what considerations the Committee might put in their Report as leading them to that view or whether they would express views on wider questions that have been raised in our discussions. On that kind of consideration I think the Treasury would naturally have to reserve the right to express its own opinions; but on this very limited question—.

1520. This very limited technical question?—On the interest on depreciation point, I think I can say the Treasury would, if necessary, defer to the views of the Committee.

1521. I think, Mr. Brittain, you had not quite completed your observations. Do you wish to add to what you said just now or to what you said on the last occasion when this matter was before the Committee?—I rather summarised it by saying that it did not change our view. The view more particularly we would like to represent to the Committee is that to a great extent the criticisms and suggestions which the Comptroller and Auditor General made at the last meeting dealt with the form and manner in which these transfers of line plant between the Telegraph Account

and the Telephone Account should take place. Our feeling, quite definitely, is that that is not relevant to the question which was immediately before the Committee and which was dealt with in the Treasury Minute. However those transfers took place, whether they were on a gross or net basis, and however the depreciation charges which are raised against the Telegraph Account are based, whether they are based on the prime cost at one rate or on the depreciated value at another rate, those depreciation elements are in fact at present paid out of or with the help of the Exchequer subsidy and earn interest in the Telephone Account. Similarly, the Telegraph Account is charged with depreciation in the accommodation charge which again earns interest in the Accommodation Account, though that is paid by the Telegraph Account with the help of the subsidy. In the third case, the pension liability is charged in this account on a basis which assumes that that annual charge for pension liability accumulates as though it were cash at interest. Those are all cases which are paid with the help of the Exchequer subsidy and earn interest in the Account to which they are paid, and it is only in this fourth case, the rump of depreciation which has been left in the Telegraph Account, that the Comptroller and Auditor General has raised any question of the correctness of the Account. In our view, in the face of all the facts and the situation in other directions, we regard the decision which we came to as a matter of policy within our discretion and not as a matter of correctness. It seems to us quite definitely it is just as much a matter of policy and no more a matter of correctness than was the much more important fact that, although the Exchequer continues to pay a subsidy to the Telegraph Account year after year, it never charges one penny of interest on that subsidy. That was a decision of policy, and I am bound to submit, on behalf of the Treasury, that the decision we took in the present case is just as much, on a very much smaller scale, policy too, and not a matter of correctness.

9 March, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B., and
Mr. G. ISMAY.

[Continued.]

1522. Would the Post Office like to say anything?—(Sir *Raymond Birchall*.) I should like to make this comment. I noticed in reading through again the evidence on this that Sir Gilbert Upcott last year referred to Sir Henry Bunbury's opinion and quoted evidence which he gave to the Committee ten years ago on the subject. Of course, I am not objecting to Sir Henry Bunbury as an expert at all; he probably is the biggest living expert on this particular question. He has lived with it all his life, first as Treasury Officer of Accounts, and then with the Post Office, and I think I ought to tell the Committee that this change of practice was in fact proposed by Sir Henry Bunbury before he left the Post Office. It so happened that before it became effective, Mr. Ismay had come to the Post Office, and I would like to make it clear that it is not one of Mr. Ismay's innovations. He did not fall from grace in any way when he joined the Post Office. In the ten years since Sir Henry Bunbury gave evidence perhaps he may have reached different conclusions on the subject, but he certainly made this proposal himself to the Post Office Board. I think Mr. Ismay might like to comment on the technical side of the question. (Mr. *Ismay*.) I am rather in the hands of the Committee. I do not want to prolong this debate unduly. I wonder whether the Committee would like me to make some remarks, which, I am afraid, would take a little time, or whether they would prefer that we should endeavour to summarise the Post Office feelings on this matter, after reading the evidence, in a memorandum which we might send in? There is nothing controversial in what we want to say. We merely wish to re-state our position. It might meet the convenience of the Committee if we were to submit a memorandum so that they might have it before them when they are considering their Report, but, if the Committee would prefer it, I will make a statement now.

1523. I think if you will submit a memorandum, that is a better plan, because it is very difficult to follow these arguments and figures at the time, and it is easier for us to follow them in a document. I take it the Committee agrees it would be better if you would put it in the form of a memorandum.* (Agreed.). Do you wish to say anything

* See Appendix No. 8.

further in addition to that?—No. The only thing that we wish to state in the form of a memorandum is that we are, of course, entirely in the hands of the Committee as regards the ultimate decision on this question whether interest shall be allowed on that portion of the Depreciation Fund which remains in the Telegraph Account, but we do wish to re-state our position on certain of the attendant questions which have been raised in that connection. We should not like the Committee to come to their conclusions and possibly introduce matter on the form of the Accounts, and so on, without a further opportunity merely of re-stating our view.

1524. Certainly. Sir Gilbert, do you wish to add anything at this stage?—(Sir *Gilbert Upcott*.) I do not wish to argue the points again because both the points Mr. Ismay made have been mentioned before, and I have given my view upon them. I should like to put this on record that the points Mr. Brittain made amount to saying that the Accounts have been wrong from the beginning. (Mr. *Brittain*.) I meant to convey to the Committee that in three cases possibly the Comptroller and Auditor General has passed them as correct hitherto, and in the fourth case he has raised the question of correctness. (Sir *Gilbert Upcott*.) I beg your pardon. The Accounts which I say should be maintained are the Accounts as they have been maintained since 1912 upon the advice of the distinguished authorities who considered and advised upon them in that year and subsequent years. The reasons which Mr. Brittain has just advanced for the change indicate that in his opinion the Accounts have been wrong from the beginning. (Mr. *Brittain*.) No. I was referring to the basis on which charges had been raised for depreciation and accommodation and pension liability hitherto. (Sir *Gilbert Upcott*.) But those were settled in 1912. (Mr. *Brittain*.) But they are exactly the same now in these Accounts as they were before, and the Comptroller and Auditor General has accepted them; my contention is that the position we had taken in regard to the Telegraph Account was in line with what had been done in those accounts.

Sir *Isidore Salmon*.

1525. In those years prior to that, you have allowed it to go on without suggesting it should follow the system adopted

9 March, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B., and
Mr. G. ISMAY.

[Continued.]

in charging accommodation?—In previous years the proportions were so completely different. It is the transfer of the line plant to the Telephone Account which has made this so much a smaller question than it was before. (Sir *Gilbert Upcott*.) It is a small question; therefore, it was all the more important in previous years.

Mr. *Pethick-Lawrence*.

1526. Are there any further questions on this point? If not, we will take the ordinary Accounts. That concludes that particular point. Now I come to the remainder of the Comptroller and Auditor General's Report. It is on page 41 of the Post Office Commercial Accounts. Paragraph 3 is the one that we have been dealing with at some length. Now we come to paragraph 2. There is an item here "surpluses of £11,537,463 and £429,460 on postal and telephone business respectively"; I notice that the surplus on the Telephone Account has been going down of recent years. Are you satisfied that it will continue on the right side at any rate in years to come, or is there ground for thinking that it might actually work out at a loss?—(Sir *Raymond Birchall*.) It is very difficult to forecast. We have had rather a shock with the trade depression this year, the extent of it. It was unforeseen and, of course, we have got very heavy additions on the wages side, so that the immediate prospects of the telephone service are not too bright. One of the reasons is that we are having to strengthen the plant position very considerably, and very heavy expenditure on plant, although it comes into the expenditure side of the Accounts in the form of interest and depreciation at once, does not produce revenue for some considerable period to come. You may like to know that as regards the spare plant in the telephone service in 1933, just before we started tariff reductions, on the internal side we had 28 per cent. of plant spare. In 1938 that figure had dropped to 9 per cent. It has started turning up now. We have been spending very heavy sums in the last two or three years on improving the plant position, and we have taken the turn. I think the expenditure is likely to be less in future years, although again the defence problem and A.R.P. expenditure generally is proving quite a serious burden on the telephone service. We

shall avoid in the near future further reductions, at least as at present advised, from a tariff point of view. In this particular year of the Account the tariff reductions we had made we reckoned cost us £1,236,000. The surplus on the Telephone Account this year, with the increased wage award we have to face, has fallen very low, and I think it is quite possible that for the next year or two, until the expenditure becomes revenue-earning, we may be showing a deficit on the telephone service.

Mr. *Pethick-Lawrence*.] I will put this paragraph 2 of the Comptroller and Auditor General's Report.

Sir *Isidore Salmon*.

1527. I should like to ask a question in connection with the telephone service. I understand you to say that you did have an internal reserve of plant of 28 per cent.?—Yes.

1528. You have used them all up now but 9 per cent.?—Yes.

1529. Does that mean that you are going for the future to run on a 9 per cent. or a 10 per cent. margin?—No. That definitely is too low. We should not have let the figure drop to 9 per cent. if our plans had matured, as we expected, but we ran up against various contract difficulties, with armament expenditure coming along, and at least I think the figure one wants to work on on internal plant is more like 15 per cent.

Sir *Isidore Salmon*.] When you say you will have a loss on the telephones—

Mr. *Pethick-Lawrence*.

1530. I do not think the witness said that. Did you say that, Sir Raymond?—I quite contemplate that we may have a loss on the telephones in the next year or two. We have not reached that position yet.

Sir *Isidore Salmon*.

1531. What is your margin at the present moment?—In the current year it is going to be down to round about £100,000; in the year of this Account it is down to £429,000; that is after charging interest, of course.

1532. I suppose it would be fair to say that the benefits derived from the reduction of prices have not come fully into operation at the present moment?—Yes; I think it is fair to say that.

Mr. *Mabane*.] Benefit to whom?

9 March, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B., and
Mr. G. ISMAY.

[Continued.]

Sir *Isidore Salmon*.

1533. To the public?—You have not had the full effect yet.

1534. That is to say, by having reduced your prices, you are more likely to get increased trade rather than less trade?—Yes. We have in this past year had to close down quite a lot of canvassing, and so on. We have not been able to go into the field and collect the revenue we should want to, because of plant difficulties. We have not been able to get the plant ready.

1535. Therefore, there is a potential number of customers yet to be obtained for the telephone when you have the necessary plant?—There is an enormous field left, yes.

1536. So one can only say it is a matter of postponing the upward curve until you have had the opportunity of getting the plant in working order so as to get new customers?—I think that is so.

1537. There is one other point. Are you now taking steps very rigorously to see that you do not put on too many staff in anticipation of increased business until you have got the business?—Yes. Are you talking of the telephone side now, or of the postal side?

1538. I am still on telephones?—Yes; except that you have to put on staff in advance because untrained staff are no use to you. On the engineering side you have to train the workman to be a skilled mechanic, and even on the operating side you have to train the operator for some time in advance.

1539. Do you find that the staff you are putting on and training in advance in anticipation of increased business are on the permanent or the temporary staff to start with?—It varies. On the engineering side they go through a five-years' probation period as unestablished staff before they come on to the establishment. On the telephone operating side one has to go into questions of the future of the exchange: will it be automatic or manual working? You have to look very carefully after redundancy there, taking on very often temporary staff instead of established, because you can see the exchange being converted to automatics, when you will not require the telephonists.

Mr. *Benson*.

1540. You referred to the increase of reserve plant. If you spend more on that, will it appear in the Account under "Materials"?—It appears under "Interest and Depreciation." It is capital expenditure. In the Commercial Accounts you get the interest and depreciation charges.

Mr. *Lathan*.

1541. You refer to increased expenditure arising, as I understood it, from the rearmament programme: does that mean that supplies are costing more now than they did previously, because you are in competition with those who desire rearmament equipment?—No; I do not think it has affected us very seriously on the cost side, because most of our agreements are on a long-term—five-years agreements, and that sort of thing—and we are actually getting most of our exchange equipment cheaper now, for instance, than we were two or three years ago, in spite of the increase generally in the cost of materials; but we have had to spend quite a lot of money in making preparations for maintaining communication in case of war, duplicating exchanges, and so on, which is not really revenue-earning. It is increasing the standard of security; and in the same way there is the strengthening of buildings, refuge rooms, and that kind of thing.

1542. A.R.P.?—Yes; A.R.P. work generally is quite a serious expense.

1543. Would it be possible to have information at some later date showing the extent to which the Department has been burdened with that expenditure?—Yes. (Mr. *Ismay*.) We are endeavouring to keep a rough record of what it means to us. We cannot keep a meticulous one.

1544. In fairness to the Department, as a business proposition, it would be desirable to have that information?—(Sir *Raymond Birchall*.) We are trying to get that information for ourselves.

1545. It will not be a normal expense?—It affects businesses generally.

1546. Business will take that into account in the declaration of its results?—It may.

1547. You said you are still having contracts, as I understood, discharged or carried out on the basis of contracts

9 March, 1939.] Sir RAYMOND BIRCHALL, K.B.E., C.B., and [Continued.
Mr. G. ISMAY.

made some years ago, but I imagine you are finding some reluctance on the part of the contractors to meet your requirements, because of their preoccupation with more profitable contracts?—Yes; that is a difficulty you run up against occasionally, and there are quite definite cases where firms have been unable to get steel, and things like that. Then we have had to make arrangements with the steel trade to supply raw materials.

1548. That would be under conditions which at the moment are a little disadvantageous to you?—Where there is serious expenditure we have not run up against that. Those were more a few individual contracts on outdoor work—reinforcement of trenches, and so on

Mr. *Pethick-Lawrence*.] Are there any questions on the other parts of the Accounts?

Mr. *Mabane*.

1549. On page 40: How is it that you are selling less Entertainment Duty stamps now than in 1922?—I have not the slightest idea, I am afraid. It is purely an agency business and we sell them for somebody else.

1550. You are not interested in the least?—No.

1551. You get a payment on the sale, do you not?—We get our costs. (Mr. *Ismay*.) Our actual costs are repaid.

Mr. *Benson*.] The rates have been reduced since 1923, have they not?

Mr. *Mabane*.] I was asking Sir Raymond.

Mr. *Pethick-Lawrence*.] I will put the Accounts, subject to anything the Committee may say in their Report. May I take it the Accounts are approved? (Agreed.)

(The witnesses withdrew.)

(Adjourned till Tuesday next at 2.30 p.m.)

TUESDAY, 14TH MARCH, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Benson.
Mr. Culverwell.
Major Sir George Davies.
Sir Haydn Jones.

Mr. Lathan.
Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.

Sir FRANCIS DIXON, C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE I.

HOME OFFICE.

Sir ALEXANDER MAXWELL, K.C.B., K.B.E., and Mr. C. B. HAINS, M.B.E., called in and examined.

Mr. *Pethick-Lawrence*.

1552. Will you take the Appropriation Accounts and turn to paragraph 22, page xii. Paragraph 22 itself is, I think, merely formal. Has anyone anything to say on that? You will get the details when you come to the Accounts. Paragraph 23, page xiii, "Purchase of Sandbags". I should like to ask Sir

Alexander Maxwell what was the ground for taking the rather unusual course of coming into contact with the industry as a whole?—(Sir *Alexander Maxwell*.) The view taken by the Government at that time was that, owing to the state of unemployment in the trade, it was desirable as a matter of policy to place this order with the Scottish jute industry.

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. C. B. HAINS, M.B.E.

[Continued.]

The order which the Government were proposing to place with them was about 15 per cent. of the productive capacity of the trade. The view was taken that if that order were put out to competitive tender in the usual way there would be considerable danger of some dislocation of the trade, especially because some firms would be perhaps tempted to concentrate on the Government order and neglect their export business, with the danger that it might be difficult to re-establish it afterwards. Consequently after reviewing all the circumstances connected both with the Government demands and the state of the trade, it was decided to invite the industry to nominate a panel of experts to consult with the Government experts on the arrangements to be made. An arrangement was made that the order should be placed with the trade as a whole and that the trade representatives should advise as regards the quantities to be ordered from the firms included in their organisation. Then special arrangements were made, by investigations by a committee of Government experts containing representatives of the Board of Trade and the War Office Contracting Department, and so on, to fix a price which was calculated to yield very little profit, if any; but the order would at any rate have the advantage of keeping the mills going and using machinery and workpeople who otherwise would be idle. At a later date, a test costing inquiry was held and it was found that the price fixed had produced very little profit and in some cases was producing a loss. Indeed, ultimately, owing to the rise in the price of jute, it was necessary, I understand, to re-adjust the price, but that was later than the year we have under review.

1553. I understand that now a considerable order has been placed in India. I think Sir John Anderson announced that in the House, did he not?—Yes.

1554. You are satisfied that the safeguards as to price are working satisfactorily?—Yes.

Mr. Lathan.

1555. The statement in the Report is that the price to be paid should be of general application. Does that mean that the price was fixed that was to be paid to all the contractors?—Yes.

1556. Or is there any other interpretation?—There was a flat price.

1557. You had no difficulty in securing acceptance of that price?—As I say, the price was fixed after negotiations. Naturally, the representatives of the trade asked for a little more than the representatives of the Government finally agreed to give.

1558. There was some authority that spoke for the trade and agreed to the figure?—Yes.

1559. You say it was after costing arrangements?—No. At the time when that price was fixed, there was no costing examination, because it was entirely a new arrangement with a very large order, but at a later date there was a costing inquiry.

1560. The costing inquiry revealed that the price which had been paid was satisfactory from the point of view of the purchaser?—Yes.

1561. Is that the price that is now being paid elsewhere?—Subsequently, as I say, the price to the jute trade in Scotland had to be increased owing to the rise in the price of jute.

Sir Irving Albery.

1562. I take it when the price for the sandbags was agreed no arrangements had been made at all with reference to the raw material, the jute? It was the price for manufactured sandbags, irrespective of what the price of jute might be?—It was fixed with a knowledge of what the price of jute was at the time.

1563. Are you of the opinion that this order was responsible for the increase in the price of jute?—No. I understand the price of jute went up much later, after the order had been placed in India.

1564. Did you contemplate making any arrangement which would have provided for the purchase of a quantity of jute to complete these orders? You did this to try to get a reasonable price from the manufacturers for making the sandbags, but it seems to me that if you wanted to make that at all watertight, you would have to make an arrangement about the raw material at the same time?—But it was part of the arrangement that account should be taken of the price of jute. You mean we ought to have tried to control the price of jute as well?

1565. No, not to control it, but you say the price of jute went up and the price of sandbags had to be altered.

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. C. B. HAINS, M.B.E.

[Continued.]

What occurred to me was that, when you made that contract, if at the same time (as was the case with some other commodities I understand) the Government had arranged for a supply of jute at a reasonable price, you would have been protected against the subsequent rise in the price of the material?—The rise of price did not affect the order we are talking about now. It was at a later date than the order I am talking about that the price went up.

Sir *Isidore Salmon*.

1566. You first of all gave an order that affected the trade to the extent of 15 per cent. of its output?—Yes.

1567. In the note of the Comptroller and Auditor General it says: "approval was subsequently given for further substantial purchases." When you made those further substantial purchases did you pay a lesser price, because they were substantial increases over what you originally purchased, or was the figure the same?—Mr. Hains was in the middle of these negotiations. He can tell you the details, more clearly than I can. (Mr. *Hains*.) No, Sir. We first of all placed an order for 42 million at an agreed price of 19s. 6d., but that price was subject to the price of raw jute and statutory changes in wages. Consequently, the future orders that we placed were governed by the rise or fall in the price of jute and instead of being 19s. 6d., later on and up to 1st March it came down to 18s. 10d.

1568. So you worked on the basic price of jute and the cost of making was the same in any case?—That is right.

1569. And the variations took place as regards the basic price, and if the labour for the manufacturing went up or down, you paid accordingly?—Yes.

Sir *George Davies*.

1570. Was this initial order for 42 million sandbags and the subsequent one, for sandbags of a standardised type all through?—Yes.

1571. One has heard of variations of size and type of material, but these were all of a standard type of requirement, size and mesh and everything else?—Yes.

Mr. *Pethick-Lawrence*.

1572. Will you turn to pages 98 to 101 of the Accounts? With regard to page

100, I would like to ask on letter O, whether you have anything to add to the note of explanation as to why the very large underspending took place with regard to the Fire Brigade Services?—(Sir *Alexander Maxwell*.) Yes. At the time when this estimate was prepared the Department was entering on a new field. It was very difficult to estimate with any certainty what the plans for supplementing the ordinary peace-time requirements of the Fire Brigades would be. It was known that a very large expansion was necessary. The estimate, as I say, was prepared with very little material in front of us on which to base a figure. When the Department got to work on schemes for the production of large numbers of supplementary fire equipment, it was clear that merely to multiply the types of engines and equipment that were in use beforehand in peace time would be a most unprofitable method. It became necessary to make various investigations as to what type of engine would be most suitable for manufacture in large quantities and for use in time of emergency. The big engine which was used by the Fire Brigades was a very expensive and elaborate machine and no doubt very suitable for cases in which the fire authority only contemplate that there will be one or at the most two big fires at a time, but when you are contemplating equipment for dealing with large numbers of fires simultaneously, it was necessary to investigate the whole question of the type of machine that would be most suitable. It took a long time to conduct investigations in consultation with the trade as to the kind of engines that would be most suitable. We did not go into mass-production or large scale production until very much later than we had anticipated, but the results are very satisfactory. As a result of the delay—there was a long delay—it has been possible to devise a kind of light trailer machine which can be produced comparatively quickly and cheaply and in large quantities and which all the experts agree is a very valuable weapon for the kind of emergency which we are contemplating. I can only say that at the time when we framed this estimate we did not realise what the difficulties would be, and how long it would take to devise a new type of equipment and go into new types of production.

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. C. B. HAINS, M.B.E.

[Continued.]

Mr. Culverwell.

1573. On page 100, sub-head N.6, "Respirator Factories," £61,000, what does that mean?—(Mr. Hains.) That is the Blackburn Government Respirator Factory. That factory is responsible for assembling the filters for the civilian respirator and the civilian duty respirator.

1574. What is the £61,000? Is that the purchase of the factory? It is purchased?—Yes, it belongs to the Government. The expenses are for management and control, labour charges, materials, plant and equipment and transport charges.

1575. Plant and equipment. So that will be a smaller amount in the following year?—Yes.

1576. What is the sale of service respirators? Who buys them?—We buy service respirators from the War Department, but there has been a sale by us to the Spanish Government as a matter of fact. We sold them 5,000.

Mr. Pethick-Lawrence.

1577. When you say the Spanish Government, do you mean to say the late Spanish Government or the present Spanish Government?—The late Spanish Government.

Sir George Davies.

1578. Does every respirator pass through the Government factory?—Every filter.

1579. And the factory is located where?—In Blackburn.

Mr. Lathan.

1580. With regard to subhead N.4, on page 99, there is an underspending of a very substantial sum, £234,753. Is it possible to indicate more clearly than is shown here why it was not possible to put during the year into operation the anticipated programme? Something exceptional appears to have occurred?—(Sir Alexander Maxwell.) The greater part of that sum (about £200,000) was a sum we had taken in the estimate with the view of providing for special expenditure on hospitals, special equipment for hospitals for meeting an emergency. After the date at which this estimate was prepared, the whole question of the arrangements for dealing with hospitals had to be reconsidered, partly because it was impossible to settle what the Government contribution towards the hospital service should be

until the dispute with the local authorities as to the allocation of the general expenditure on A.R.P. had been settled, and ultimately it was decided that the whole of the responsibility in connection with the equipment of hospitals should be transferred to the Ministry of Health. The result was that a service which we had anticipated carrying out in that year was not carried out at all, to the extent of £200,000.

1581. The responsibility for it has been transferred elsewhere, I gather?—It was ultimately transferred elsewhere, yes.

1582. Is there a similar explanation for sub-head N.5, where there is nearly £1,000,000 underspent, or a difference of nearly £1,000,000 between what you estimated and what you actually expended?—No, the explanation there is different. We had in that sub-head N.5 anticipated that we would spend about £2½ millions on civilian respirators, that is, the ordinary respirators that are supplied to the civilian population. As a matter of fact, we spent nearly that amount; we spent £2,415,000. We had also estimated at the time this estimate was prepared that we should spend £930,000—nearly £1,000,000—on the special types of respirator known as the service respirator and the civilian duty respirator. At that time when the estimate was prepared, the intention was that the War Office should be responsible for the production of these special respirators, service and civilian duty respirators, and that we should just buy the respirators from the War Office for the use of the police and the fire brigade men and so on. After the estimate had been settled, there were two new factors came into play. First of all, the War Office found it necessary to increase very largely the supply of service respirators to the Forces. In particular, they decided to supply the service respirator to all the Territorial Army. The consequence was that the demand on the productive capacity of those who were responsible for the manufacture of these special respirators was very largely increased. From April it was decided that as regards the civilian duty respirator, instead of purchasing that from the War Office, the Home Office should become responsible for production. We placed the contracts through the War Office Contract Department for the components but we found in order to obtain them we had to employ a larger number of firms for their

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. C. B. HAINS, M.B.E.

[Continued.]

production. We also had to arrange with others for their assembly.

Mr. *Mabane*.

1583. Which April: 1936 or 1937?—1937. The productive capacity of the various firms which were capable of producing the component parts was less than had been anticipated. It was necessary to search out new methods for stimulating production, but despite all that could be done, the number of these special respirators, service and civilian duty respirators, that could be produced in the year under consideration, was far below what we had hoped to produce at the time when the estimate was prepared.

Mr. *Lathan*.

1584. I gather from what you say that this contemplated expenditure of nearly £4,000,000 was mainly upon respirators?—That accounts for a very large proportion. There was one other thing. There was the babies' device on which we estimated we should spend about £100,000, but as a matter of fact we did not spend anything at all, because the scientists did not succeed in the course of that year in developing that device.

1585. They appear from this morning's paper to have succeeded at last?—Yes.

1586. It says "Failure to secure the expected deliveries." Had there been any failure on the part of those to whom contracts had been given to carry out their obligations or promises in the matter of delivery?—(Mr. *Hains*.) Yes, in respect of the civilian duty respirators, the eye-piece manufacturer defaulted and we had to purchase in his default, which meant delay, of course. Until we got the eye-pieces we could not assemble the respirators. That was one of the factors.

1587. That was a very serious position. Was there any penalty clause in the contract?—Yes.

Mr. *Lathan*.] The lives of citizens might have been endangered.

Mr. *Lewis*.

1588. I have two questions I should like to ask on Fire Brigade Services. The

first is this: Could Sir Alexander tell us what the experience of his Department is in the matter of the purchase of fire hose. Does he find there is effective competition in the supply of fire hose?—(Sir *Alexander Maxwell*.) I am afraid I cannot readily answer that satisfactorily. Might I supply you with a note on that later?

Mr. *Lewis*.] I should like to know whether there is effective competition or, if there is not effective competition, whether any objection has been raised by the makers to the ascertainment of their costings? It is rather an important question, Mr. Chairman.

Mr. *Pethick-Lawrence*.

1589. If Sir Alexander cannot answer that now, perhaps he will put in a memorandum with regard to that?—Yes.* As a matter of fact the officer who is the expert on that is engaged this afternoon, and I could not arrange for him to attend.

Mr. *Pethick-Lawrence*.] Will that meet your wishes?

Mr. *Oswald Lewis*.] Yes. Sir Alexander was explaining the delay in the choosing of the types of fire engines required and explained that that largely accounted for an underspending on the Fire Brigade Services. I should like to ask him further as to this: Would it be true to say also that you are in this difficulty at the moment, that you have no idea even approximately as to what quantity of fire engines will be required?

Mr. *Pethick-Lawrence*.] When you say "at the moment," do you mean at the moment or do you mean in the year under review?

Mr. *Lewis*.

1590. Yes?—That is true, but of course we knew that we should require at least as many fire engines as are represented by that amount of money and we might require more.

Mr. *Mabane*.

1591. In the Appropriation Accounts before these sub-head N.4 was "General expenses." Do I understand that that is, with your developing experience, split up into what is now N.4, N.5, N.6,

* *Note by Witness*:—The present demand for fire hose for the Home Office Emergency Fire Brigade Organisation is so great as to make it imperative to obtain the maximum production possible from the whole industry. In these circumstances competitive tendering is not practicable and orders have been placed in negotiation with the Canvas Fire Hose Manufacturers Association on the basis of the ascertained cost of production for each firm with the addition of a fixed rate of profit.

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. C. B. HAINS, M.B.E.

[Continued.]

N.7, and N.8; that what you called previously "General expenses" has now been split up into these other sub-heads?—N.4 is "Special Services."

1592. In the Appropriation Accounts before these it was "General expenses"?—I beg your pardon.

1593. You are now splitting it up?—Yes.

1594. In the year previous to this you anticipated making 9,000,000 respirators and you made 5,000,000. Could you tell us how many you anticipated making in the year under review and how many you did make?—We anticipated making 25,000,000 and we succeeded in making 25,000,000.

1595. The protective clothing: What was your estimate there of the amount of protective clothing you intended to make and what did you succeed in making?—There again we failed to get what we had hoped for. We anticipated that we should spend nearly £400,000 on protective clothing.

1596. How many suits does that represent?—Three hundred thousand suits. But as a matter of fact, we only spent about £30,000.

1597. That is to say, you anticipated making 300,000 and you made somewhere about 24,000?—Something like that.

1598. So there were none issued?—Comparatively few were issued.

1599. Did you make any more badges and brooches during this period?—I remember last year you told us you had made, I think, $\frac{1}{4}$ million badges?—(Mr. Hains.) Yes, we did. As a matter of fact, we have made up to date 957,000.

1600. Do you mean up to this moment?—Yes.

1601. Are you continuing to make them still?—Yes, we anticipate that the total number of volunteers is likely to be $1\frac{1}{2}$ million.

1602. Are you still making them of the same size?—Yes.

1603. The Mint are making them?—Yes.

1604. How much did you pay for them? They are of solid silver, are they not?—Yes, I think 10 $\frac{1}{2}$ d. is the price.

1605. That is cheaper than they could be made by any commercial firm?—Yes; I think they have to go for hall-marking after that.

1606. The respirators you made were all sent out in this period to the regional stores?—Yes.

1607. I remember last year you told us that none of the local authorities or virtually none of the local authorities had regional stores?—Local stores.

1608. Their own stores?—Yes.

1609. Were you able in this period under review to distribute many of these (it would be now I think 34,000,000 gas masks) to the stores of the local authorities?—Yes, but not long before the crisis in September.

1610. I am really confining myself to the period under review?—No, not at that time.

1611. Up to 31st March, 1938—No, not at all.

1612. Virtually none had got to the local authorities at all?—That is right, Sir.

1613. Last year you told us you had had a difficulty with the factory making the respirators. Was that all cleared up in the year under review?—That was cleared up.

1614. I wonder if you could explain a little more what is intended by N.7? How it came to be that you expended £19,000 more than you anticipated?—As Sir Alexander Maxwell has told you, we undertook to manufacture the civilian duty respirator. Previously we had bought and at the time we made out our estimate we anticipated we should get them from the War Department. We had to provide for inspection of the components of that respirator and for inspection at the assembly. We also found that, in order to get the very large production of civilian face-pieces, we had to employ a larger range of contractors and that increased our inspection staff because our inspection staff is stationed at the contractors' works. In addition to that, we had found on examining the respirators when they were deposited in our regional stores that there was some little trouble about the adhesion of the stockinette to the rubber, and we felt that we were under a serious obligation to see that that was right and consequently we went through the whole of our respirators to ensure that they were in perfect condition. That increased our expenditure on labour, which was unforeseen when the estimate was framed.

1615. So it was costing really very much more than you had anticipated, although you had far less to inspect, because a little earlier you said you did

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. C. B. HAINS, M.B.E.

[Continued.]

not make as many civilian respirators as you anticipated but the inspection cost you a great deal more?—No, the inspection of the civilian duty respirators was not included in the £15,900 so you would have to add the inspection of civilian duty respirators and the other expenditure was for the additional inspection work on the civilian respirator, in respect of which type we had obtained our quantities.

1616. I think you were going to say what N.5. represented: "Equipment and Materials." What is really covered by that estimate of £3,996,000?—(Sir Alexander Maxwell.) That sum includes £3,530,000 for "respirators and similar devices" and £466,000 for "other equipment" which was practically all protective clothing. There were a few odd items in addition, but the bulk of it was protective clothing.

1617. The whole of the £4,000,000?—£399,800 was protective clothing.

1618. That is only one tenth. N.5 is £3,996,000?—N.5 included the ordinary respirators of which I have told you, 25 million of them.

1619. That represents how much money?—The 25,000,000 civilian respirators was £2½ millions.

1620. That is for 25 millions?—Yes.

1621. What about the other £1½ millions?—In the estimate there were £530,000 for the service respirators.

1622. Civilian duty?—No. Then £400,000 for civilian duty respirators; then £100,000 for the babies' device. I think you will find that adds up to £3,530,000.

1623. Then there is protective clothing?—Then there is protective clothing, which is another £399,000, and various odd items, bringing us up to this total of £3,996,000.

1624. That is virtually all the equipment you are providing? The respirators and the protective clothing?—Yes.

1625. Are you not providing all the other equipment of the warden services, or is that a very small amount?—Which equipment are you thinking of?

1626. The necessary equipment of a warden's post as set out in your memorandum?—Do you mean the buildings?

1627. No, the equipment?—(Mr. Hains.) It is on a grant-aided basis and we pay a grant.

1628. You provide the protective clothing for the wardens?—Yes.

1629. It was the equipment for the

wardens' post as set out in your memorandum I was thinking of?—Bells, whistles and torches are on a grant aided basis.

1630. The local authority buy them, you do not?—We do not.

1631. Would it not be more economical if they were all bought centrally?—That is what we have done. We arranged contracts and the local authorities have bought off that contract.

1632. You are getting the advantage of both a standard pattern and a centralised purchase?—Yes.

1633. So it is true, in fact, to say that the whole of the wardens' post equipment is standardised?—The arrangement for the purchase is standardised.

Sir Irving Albery.

1634. No. 9, "Fees under the Anthrax Prevention Act, 1919": The amount realised is always less than the amount estimated, although the amount estimated does not differ very much. Is there any reason for that?—(Sir Alexander Maxwell.) Yes, I think we discussed this last time. There are two items: first the expenditure and then the fees. If you look at sub-heads H1, 2, and 3, there is the expenditure. Those two items roughly balance. We base an estimate on what would be the maximum demands which the station could meet if the maximum demands are made upon us. I think I explained last time that we have no control at the station over the amount of work we shall have to do. That depends on the people who bring in the wool. We have to be ready to deal with the maximum amount. Consequently, we take a maximum amount for our expenditure and a maximum amount for our fees, and the two things balance out.

1635. I take it that when you put down an estimate of what you are likely to receive, it is not an estimate based on what you think you reasonably can expect to receive during that year at all?—It is not in the ordinary sense an estimate of what we expect to receive, which would be a guess.

1636. It is fairly constant?—But it is an outside estimate, so as to enable us to meet the demands if they should be made on us. It makes no difference to the total of the vote, as you see.

Sir Isidore Salmon.

1637. In effect you do not put on your

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. C. B. HAINS, M.B.E.

[Continued.]

third shift unless the work necessitates it. Is that the position?—That is it, Sir.

1638. Sir Alexander, I think I am correct in saying that the sub-head " Air Raid Precautionary Services and Air Raid Precautions Department ", will be a vote by itself next year?—Yes.

1639. Therefore we shall be able to have here with you the officer who is responsible for dealing with all the details?—Yes.

1640. There is only one other point I should like to ask you about: You have down here on page 101 a sale of service respirators estimated at £5,000 and you realised £1,900. Is it because you could not get them to redistribute that you did not realise as much as you anticipated?—(Mr. Hains.) That estimate of sale of £5,000 worth of respirators was based in anticipation of certain supplies being made to other Governments like Egypt. The only supply that we made in this year I think was one to the Spanish Government.

1641. Does that apply also to No. 19, " Sale of materials from respirator factories and storage depots "?—No, " Sale of materials from respirator factories and storage depots " is paper and things like that. We estimated we should get £200 and as a matter of fact we realised £4,000. The contractors send in quite a lot of paper and wrappings and we introduced a little pressing machine and we found that we were able to realise pretty nearly £4,000.

1642. That is quite a good draw-back?—A very good draw-back.

Sir Assheton Pownall.

1643. You mentioned a penalty clause with regard to respirators as being operative. Was it in fact enforced?—It was enforced but subsequently the matter was explained to the Treasury, and I think the penalty was waived.

1644. Can you say at all under what circumstances?—Yes, I think it was because the firm suffered hardship from the fact that when they bought their material from the steel-makers they had no guarantee that when it was fabricated it would stand up to certain pressures, and as a matter of fact the steel split under those conditions and the contractor was not reimbursed by the contractor who supplied him with the steel.

1645. He could not get it back from

the steel merchant?—No, he could not get it back from the steel merchant.

Mr. Culverwell.

1646. On page 101, item 15, " Fines, England and Wales, imposed under the Factory and Workshop Act ", I asked you last year, Sir Alexander, a question on that, and I pointed out that the fines seemed to be increasing every year. This year I point out they have gone up. In 1935 it was £2,750, and in 1936 it was £3,000, and to-day it is estimated to be £4,000 and it is £6,500. You said then you did not think it was due to an increase in the number of prosecutions but probably to heavier penalties being imposed, but you were not sure and you would look into it. Now it has gone up again.—(Sir Alexander Maxwell.) I have still been unable to get any very satisfactory explanation. There has been a certain increase in the number of prosecutions, partly because, as factories are constantly increasing in number, the requirements of the Factory Act are increased. New statutory rules come into force, and there are a certain number of additional prosecutions. To measure whether there has been any increase in the general standard of fines I find quite impracticable, because it is so impossible to compare one case with another, but it may be that the Courts are taking a more serious view of some of these offences and are imposing heavier fines than they did.

1647. It has more than doubled in the last three years.—It is certainly a remarkable increase.

Sir George Davies.

1648. The note to sub-head N.3 on page 99: " Civilian Anti-Gas Schools ", says: " It was not possible to open the second school as early as was anticipated." How long was that delayed, and has the second school been running in full blast for some time?—Yes, the second school has been going for some time now. I could give you a note on the delay, if I might. I know it was very much later than we had looked to open it.

1649. What was the fundamental reason for the delay?—I think it was largely a difficulty in acquiring suitable premises.

Sir Haydn Jones.

1650. On item 17, page 101, what are those fees and why were they so much less than the estimate?—(Mr. Hains.)

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. C. B. HAINS, M.B.E.

[Continued.]

Those fees are in respect of licences which are granted by the Home Secretary for the manufacture of respirators under a certification mark scheme. There had been certain contractors who had obtained a licence but had not got into manufacture. The succeeding year will show very large fees under that head. We anticipated that they would be selling to the public these respirators manufactured under the certification mark scheme, but in reality there was not a sale for them, or only a very small sale.

Mr. Mabane.

1651. In the year under review, was it brought to your notice that the badges were too large?—I had heard that.

1652. Was any step taken to produce badges of a smaller size, because that would clearly be at a much smaller cost, as they are solid silver?—I am not dealing with that side of it, but I think there was a difference of opinion as to whether it was right to have them large or small. It is a matter of fancy waist-coats, really. Some people like small ones; some people like large ones.

1653. Was the deficiency in protective suits made up very rapidly—the 24,000 as against the 300,000 you wanted to make?—No, it has taken a considerable time to get over this difficulty. The principal manufacturers of protective clothing were the Oilskin Manufacturers of Great

Britain. They comprised about eight firms, and we knew that their capacity was insufficient to produce the quantities that were required. We were endeavouring by making arrangements with them to provide for the expansion of their own premises, but the sums involved were very large, and we had to turn to other products that would pass the Chemical Defence Research Department. A considerable time was spent in experimenting, and two very reputable firms put up garments with different treatments, one with vigorised oil and one with synthetic gums. Unfortunately, neither gave the required results and we had to go back to the old treatment with linseed oil. But the Admiralty Contract Department, which was responsible for making these contracts, pushed on with the matter and were able to find capacity with the linoleum firms, so you will find most of the fabric, or a large proportion of the fabric for light clothing, is proofed by people like Sir Michael Nairn, and then it is sent out to makers-up of garments; our deliveries at the present time are increasing, and we are getting towards a stage when we might regard them as satisfactory.

1654. You have not got up to your 300,000 this year yet?—Yes. I have got very good deliveries now.

1655. But you have not got sufficient to provide one for everybody who needs one?—No.

(Mr. Hains withdrew.)

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

HOME OFFICE.

Mr. Pethick-Lawrence.

1656. We will turn now to the Trading Accounts, pages 84 to 87. The only question I want to ask is: How fully are you now employed? How fully is this job keeping the staff of the disinfecting station employed?—(Sir Alexander Maxwell.) The last two or three years it has been working fairly fully, not in the sense that Sir Isidore says, that we have to put on three shifts all the year round, but in the ordinary way it is working an ordinary day's work.

1657. This Department was at one time working at a loss. Are you now managing to hold things pretty even?—Yes. We just made a profit last year.

Mr. Benson.

1658. On the question of plant and machinery, you are depreciating at 5 per

cent. It seems rather a small depreciation figure for machinery?—I am afraid I cannot say why we have fixed it at 5 per cent., but I will make enquiries and let the Committee have a note on that.

1659. Do you disinfect anything but wool?—Hair and wool.

1660. Horse-hair?—Yes.

Sir Isidore Salmon.

1661. On page 87, I notice your stock in hand is rather more than it was last year: is there any special reason for that?—I should have to look into that and let you have a note.

Sir Isidore Salmon.] I do not want to press it.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (Agreed.)

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE 3.

POLICE, ENGLAND AND WALES.

Mr. Pethick-Lawrence.

1662. Turn, please, to the Civil Appropriation Accounts, Class III, Vote 3, page xiv, paragraph 24 of the Comptroller and Auditor General's Report. This refers to what are popularly known as the "courtesy cops," does not it?—(Sir Alexander Maxwell.) Yes.

1663. Have you anything to add to the Comptroller and Auditor General's Report on the matter?—No. The experimental year will not come to an end until the end of this month, and then it will be necessary to make a very careful review of the results, and I think it would be premature that I should make any statement upon it at this stage.

Sir Isidore Salmon.

1664. In the third paragraph down, the Comptroller and Auditor General calls attention to the method of examination of the Accounts by the Home Office. I think that is important: "They appear to bear no evidence of verification of the correctness of the sums allocated to this scheme out of the total police expenditure of the authorities, the balance of which earns only the usual 50 per cent. grant from Subhead F of the Vote." Could Sir Alexander tell us any reason why this was not more closely looked into at the time you agreed to the grant?—The arrangement is that the grant is a provisional grant which is subject to adjustment, if, when the District Auditors audit the Police Accounts, it is discovered that any charges are made which ought not to be made at all to the Police Account.

1665. Is it fair to say that your Department pass it automatically and you depend upon the Auditors of the Ministry of Health to say if you have overpaid?—No, not quite that, because we do examine the Accounts very carefully to see that the Police Authorities do not charge to this 100 per cent. Account what should be charged to the 50 per cent. Accounts, the ordinary Police Accounts, but the question, I understand, here is whether, if certain charges were made against this Account which ought not to be there at all, we could discover that. We could not except through the ordinary audit of the Police Accounts by the District Auditors.

15417

1666. My point rather is this: Have you a better means of ascertaining if they have charged too much under this Account than the District Auditor: have you not all the details in the office?—Supposing, for example, they charge so much petrol against this Account, we should not see the vouchers for petrol. That would be for the District Auditor.

1667. So you must depend upon the District Auditor for verification of a lot of the information?—Yes.

Mr. Pethick-Lawrence.

1668. Turning to the Account, pages 104-105, I should like to ask this, with regard to sub-head F. We made, I think, a recommendation in 1936, or we raised a point with regard to the specific statutory authority. I should be glad if you could tell us, Sir Alexander, if any progress has been made since then either up to the year of account or afterwards in clearing up the point?—The Home Secretary has always recognised that at a suitable opportunity provision ought to be included in any legislation. Opportunity for legislation has not arisen since, but he has had very much in mind that an opportunity should be found whenever possible.

Mr. Pethick-Lawrence.] Are there any questions on pages 104-105?

Sir Isidore Salmon.

1669. The grants in respect of the Police expenditure have gone up considerably, against last year. Yet you spent less than the proposed grant that you asked for in your estimate. Is there any special reason under sub-head F why that has gone up: is it because there are more men or is it higher pay?—The pay of the Police has been fixed for many years. More men and special schemes of various sorts are the reason.

1670. Does that account for it?—Yes.

1671. Would you mind explaining the footnote to sub-head I: "In the Metropolitan Police it was not possible to employ the full complement of men on which the estimate was framed"?—We had hoped that there would be a very much larger number of these special

H

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.

[Continued.]

patrols on the road, but the Commissioner was unable to spare them, because his force is below strength at the moment.

Mr. Culverwell.

1672. What progress has been made in standardising the Police uniforms?—I am afraid I cannot say as to that. I do remember that question coming up, but I will find it out for you and let you have a note on that.

1673. You were trying to bring pressure to bear on local authorities to go

in for a central purchasing scheme or standardise their uniforms?—I think there were difficulties owing to local fancies.

1674. I did not know whether they had been overcome or whether you were exercising increased pressure with a view to economy?—I have not asked about that recently, but I will.

Mr. Pethick-Lawrence.] May I take it that the Account on pages 104-105 is approved? (*Agreed.*)

METROPOLITAN POLICE FUND ACCOUNT.

Sir JOHN MOYLAN, C.B., C.B.E., called in and examined.

Mr. Pethick-Lawrence.] We have the presence of Sir John Moylan on this Account, pages 106-113. I have no questions.

Mr. Latham.

1675. There is no information showing whether the expenditure from this Fund during the year under review exceeded that of the previous year. No comparative figures are given, Sir John, although I believe the Committee did devote some considerable attention to the Fund when last they had it under consideration?—(*Sir John Moylan.*) As to that particular point, I do not remember that it had been raised before this Committee. The expenditure of this year certainly exceeds the expenditure of the previous year. It may be said that the expenditure of each year exceeds the expenditure of the previous year, because, for one thing, our charge for pensions goes up every year. It has been going up by about £80,000 a year.

1676. I believe it was in connection with pensions that the question arose previously?—Yes. There is a regular annual increase in respect of pensions which will go on for a considerable number of years, but there is going to be a temporary cessation of this increase beginning in two years' time, owing to the fact that during the War there was no recruiting, and, therefore, there will be no, or practically no, retirements for a period of four years. After that, there is the effect of the Police Pensions Act of 1921 which extended the period for maximum pensions from 26 years to 30 years. Nobody can say whether that will have the effect of making men serve longer or not, but, if it does, it will mean that the growth in pensions will be further retarded for another four years or so.

1677. Did not some question arise—I appreciate that I ought to have made myself acquainted with the details, perhaps—in regard to the actuarial position of the Funds, so far as pensions are concerned, and some statement was made that steps would be taken to put it in a more satisfactory position than was the case when we were considering it before?—I do not recollect that point being raised with regard to Police pensions.

1678. Perhaps I am under a misapprehension?—The Police Pension Scheme has no actuarial basis at all. (*Sir Francis Dixon.*) I think Mr. Latham has in mind the Provident Association. (*Sir John Moylan.*) I was going to suggest that perhaps you are thinking of the Provident Association which was put on a sound basis with the aid of public monies.

1679. The Provident Association is not before us?—No, except that there is an annual grant in aid of the Provident Association as a result of the arrangement made which, I think, was dealt with two years ago.

1680. The position was certainly one that caused us a little apprehension?—Yes; that was two years ago.

1681. I gather what you are now saying is in the nature of an assurance that steps have now been taken to put it on a satisfactory basis?—It is a satisfactory basis from the point of view of the Police. I do not know whether it can be said to be a satisfactory basis from the point of view of the public who are finding the money. The Provident Fund was put on a sound basis by means of this large grant from the Police Fund.

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Sir JOHN MOYLAN, C.B., C.B.E.

[Continued.]

Sir *Isidore Salmon*.

1682. Under sub-head F: "Licensing of Public Carriages," do the fees which you receive pay the whole of the expenses? In other words, is it self-supporting?—No, not altogether. That question is a little complicated.

1683. It is a little complicated to try to make a balance of it. Is it the intention of the Department to try to make it self-supporting?—It is not entirely in our hands. Some of this money is a grant which we receive. Take, for example, the last item (iii). That does not cover the expenses which we incur in the licensing of drivers and conductors. It only represents what it would cost the Traffic Commissioner to do it, if he did the work, but he does not do the same kind of work as the Police do. His work in licensing drivers and conductors is rather of a formal character, whereas, in the case of the Metropolitan Police, enquiries are made into the character and respectability of the applicant, which the Traffic Commissioner does not do. After considerable discussion, it was decided that a grant could be made to us only on the basis of what it would cost the Traffic Commissioner to do the work if he did it in London.

1684. Is it necessary to have policemen or civilians for the office work?—Policemen have been largely replaced by civilians on this work. This public carriage work used to be carried out entirely by policemen.

1685. I know?—And police have been substituted by civilians.

1686. Wholly or partly?—Not entirely. There are still some policemen. The purely clerical work is not done by police.

1687. Is it the policy that, when the existing men peter out, you will replace them by civilians?—That has been done already. It is only senior posts which are occupied by policemen.

(Sir John Moylan withdrew.)

VOTE 5.

APPROVED SCHOOLS, ETC., ENGLAND AND WALES.

Mr. *Pethick-Lawrence*.] Turn now to pages 120 and 121, Vote 5: "Approved Schools, etc., England and Wales." I have no questions.

Mr. *Benson*.

1695. With regard to the Approved Schools, are you approving many schools

1688. In connection with sub-head D, I notice that the purchase of sites and the erection of buildings are a lesser figure than that for last year; yet the fees under item 24 seem to be higher: there may be a reason for it?—Yes; those two items have not necessarily much relation to each other. Item D.23 represents the sum allocated out of income that year to the purchase of sites and the erection of buildings. There was also an expenditure on loan account for the same purpose.

1689. So under item 24 you may have had much more work to do than you see under item 23?—Yes, we may. The two things may not relate necessarily to work carried out in the same year.

1690. In connection with sub-head E, page 109: "Fuel, Light, Cleaning and Miscellaneous Expenses," particularly item 35: "Light," when you talk of "light," do you use any of the electric light or gas for cooking purposes or merely for illumination purposes?—We only use it for illumination purposes. Men pay for gas.

1691. For the barracks?—Yes.

Mr. *Mabane*.

1692. How is it that the cost of light has gone up so much? It was £30,000 the year before, and £38,000 this year, I notice?—I think that is probably due to the extended use of electric light in police buildings and also, to a certain extent, to new buildings.

1693. Is the increase in the cost of the pay and clothing of women police due to a proportionate increase in the establishment?—Yes; it was due to a proportionate increase in the strength.

1694. Do you not now cater for the junior station inspectors, or do not you make a loss on it?—No; we do not cater for them. They find their own quarters.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed*.)

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.

[Continued.]

1697. Is there any tendency, apart from the growth of the local authority schools, for the voluntary schools to increase or the proportion to increase?—I do not know whether the proportion has been altering of recent years. In some cases some of the new schools have been started by the local authorities, and some have been run by voluntary bodies.

1698. New schools have actually been started by voluntary bodies?—Yes.

Sir Isidore Salmon.

1699. Is it correct to say that the increased expenditure means that you have given a contribution for the purpose of opening more approved schools up and down the country?—In this sense, that the overhead charges on a new school are much greater than those on the old school, which has generally paid off its original debt.

Mr. Pethick-Lawrence.] May I take it that the Account is approved? (Agreed.)

VOTE 18.

NORTHERN IRELAND SERVICES.

(On this Account no questions were asked.)

CLASS VI.

VOTE 19.

STATE MANAGEMENT DISTRICTS.

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

STATE MANAGEMENT DISTRICTS.

Mr. H. H. C. PRESTIGE, called in and examined.

Mr. Pethick-Lawrence.] We come now to the Carlisle Scheme, page xxxiv, paragraph 59 of the Comptroller and Auditor General's Report. We will take pages 323 and 324, together with pages 96 and 97 of the Trading Accounts and the confidential Accounts at the same time. Are there any questions?

Mr. Benson.

1700. I should like to ask why these Accounts are confidential. Is there anything particularly secret in them: what harm would be done if they were published?—(Sir Alexander Maxwell.) The general principle is that this is a trading concern and that, although it is managed by the Government, it should be conducted on the same principles as an ordinary trading concern, and that it should not publish more details about its business than would be published by its competitors.

1701. Has it not a monopoly in the districts where it operates?—It has almost a monopoly in a large part of the district where it operates.

1702. Is there any real reason: what actual harm would be done if it were published?—The business people who advise us on the State Advisory Council would strongly press that we should apply ordinary business principles to this concern.

Mr. Mabane.

1703. What are the percentages of the food and liquor receipts on this scheme?—9.38 per cent. food, against 80.13 per cent. liquor were the last figures.

1704. An increase in the percentage of food on last year?—The percentage for the previous year was 9.45.

1705. What proportion of British barley are you using in the brewing?—About 65 per cent.

1706. It has gone up again, from 60 per cent. to 65 per cent.?—Yes; we are still pushing it up.

Sir Isidore Salmon.

1707. I notice that the Trading Account on page 97 shows a figure of £92,032 for the previous year, and yet on the typewritten figures that we have before us marked "confidential," it shows a figure of £91,757. Is there any special reason for the discrepancy?—Yes; there was a sum of £275, which was a payment that was the last settlement of a disputed compensation claim dating from the War. We had not put that expenditure into our Trading Accounts at the time when that typewritten copy was prepared, but we were subsequently advised that that sum had better go in there.

14 March, 1939.] Sir ALEXANDER MAXWELL, K.C.B., K.B.E.,
and Mr. H. H. C. PRESTIGE.

[Continued.]

Sir *Isidore Salmon*.] There are two points I want to raise with you: Your surplus turnover this year is £24,900, and, of that surplus turnover, 75·9 per cent. is taken in liquor and 7·9 per cent. in food.

Mr. *Lathan*.] Where are those figures?

Sir *Isidore Salmon*.

1708. I worked those figures out, but the figure of the surplus is shown in the confidential Report before you. The point I would like to make is that, when you take the food over all the districts this year as against last year, you find the food this year is 9·4 and last year it was 9·5: the liquor was 80·1, and last year it was 80·3. It is surprising, is it not, that, of the £24,900 surplus takings this year, the amount of food that you have sold under those surplus takings only amounts to 7·9 per cent. The point I should like to stress, as I often do stress on these Accounts, is this: Are sufficient steps being taken to push the non-alcoholic and the food sales, or is it treated on the ground that there is a risk of not making the same gross profit in case you do not sell it, and, therefore, you do not have the food available?—Certainly that is not our policy. We should very much like to see the receipts for food going up. It is our policy to urge on all our employees that the sale of food should be pushed as far as possible. The circumstances of the districts in which we operate are such that it seems to me very difficult to sell in our houses substantial quantities of food. The customers at most of our houses are not the sort of people who come into those houses to eat.

Mr. *Mabane*.

1709. Are your figures correct or are those figures given by Sir *Isidore Salmon* correct? The figures which you gave last year show that this year there has been an increase in the percentage of food. Last year I asked at Question 2474: "You have improved the sale of food relative to the sale of liquor as compared with last year?" and you said "Yes"?—Yes.

1710. The figures which you gave this year indicate that there has been a further improvement: you said 9·38 per

cent. of food and 80·13 per cent. of liquor?—Yes.

1711. Last year you said 8·74 per cent. of food and 81·24 per cent. of liquor, which shows an improvement in the year under review in the percentage of sale of food?—The figure you are quoting for last year was for Carlisle only, and not for all districts. The comparable figure last year was 80·31 per cent. liquor and 9·45 per cent. food.

1712. I asked the question last year for the whole area. At Question 2473 I asked: "What are the percentages of food and liquor receipts?" and you replied: "I have the figures here. The receipts for food were £38,448 as against a corresponding figure of £35,671 in the previous year. You want a figure showing the percentage of food as compared with the other. Alcoholic liquor is 81·24 per cent. and food 8·74 per cent."?—I am so sorry. I ought to have corrected that afterwards. I was reading the Carlisle figures instead of the figures for the whole district.

Sir *Isidore Salmon*.

1713. I think the figure I have given is the correct figure. I do not wish to labour the point unduly, but it all depends upon the way in which you present it. I have taken the trouble to visit the houses, and, whilst they look very nice up to a point, they do not go out of their way to give facilities for food, and the consequence is you do not get asked for it if you do not show it. That is the particular point I wish to make. I am anxious, if we are going to have an experiment and we are going to do selling from a State point of view, that we should try to show that we can do at least as well as has been done by people who run it on a profit and loss account?—Yes.

Sir *Isidore Salmon*.] Because, after all, the total profit that you make on the whole concern, after debiting you with all expenses (that is to say, as if you had to pay income tax) only amounts roughly on your capital to a little over 4 per cent.

Mr. *Pethick-Lawrence*.] May I take it that this Account in the Civil Appropriation Accounts and the Accounts in the Trading Accounts are approved? (*Agreed.*)

(*Sir Alexander Maxwell and Mr. Prestige withdrew.*)

14 March, 1939.]

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE 2.

BROADMOOR CRIMINAL LUNATIC ASYLUM.

(On this Account no questions were asked.)

VOTE 4.

PRISONS, ENGLAND AND WALES.

(STATEMENT SHOWING EXPENDITURE ON LOCAL, ETC., PRISONS.)

Mr. *Pethick-Lawrence*.] We will turn to pages 114-119, Class III, Vote 4, "Prisons, England and Wales". There is a typewritten statement to be taken with this. Are there any questions?

Mr. *Benson*.

1714. I should like to ask, on the typewritten sheet, with regard to "New Buildings," Table B: I notice that for each class of building—local prison, convict prison, etc.—the amount per head spent on new buildings is £3 5s. in each case. Is that accident or design: is there an allocation per head?—(Mr. *Brittain*.) To confirm that, I am afraid I shall have to ask the Prison Department. It looks as though they have taken an over-all charge per head for the service.

Sir *Irving Albery*.] I do not know whether anybody here can answer my question. Last time there was some discussion about acquiring a prison camp. I do not see anything from the Accounts by which I can tell whether a prison camp was acquired or not. The question

arose in this way: They had been enquiring for a private site to buy private land, and the question was raised whether there was not Government land available. They said they were then going to look into that. We said was not it right to have looked into the Government land first and into the private land afterwards.

Mr. *Pethick-Lawrence*.

1715. Can you answer that question, Mr. *Brittain*?—I am afraid I do not know what has happened on that point.

Sir *Irving Albery*.] It would be interesting to know.

Mr. *Pethick-Lawrence*.] If anyone wants to ask any very important questions and they are not satisfied, we must arrange to have someone from the Department to deal with it, but, if it would satisfy you to have a note from Mr. *Brittain*, we might leave it at that.

Sir *Irving Albery*.] We might try the note first.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? *(Agreed.)*

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE 8.

LAND REGISTRY.

VOTE 10.

LAW CHARGES.

(On these Accounts no questions were asked.)

CLASS IV.

VOTE 2.

BRITISH MUSEUM.

Mr. *Pethick-Lawrence*.

1716. Now we take Class IV, Vote 2: "British Museum". Can the Treasury tell me how the Catalogue is getting on: have you any knowledge about that?—(Mr. *Brittain*.) In 1937 they made provision for seven volumes of the new edition of the General Catalogue, as against five in the previous year.

1717. How long is it going to be before the whole thing is finished? There are over a hundred volumes to be done altogether, are there not?—They did another seven in 1938. I am afraid I have not got the final date here.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? *(Agreed.)*

14 March, 1939.]

[Continued.]

VOTE 3.

BRITISH MUSEUM (NATURAL HISTORY).

VOTE 4.

IMPERIAL WAR MUSEUM.

(On these Accounts no questions were asked.)

VOTE 5.

LONDON MUSEUM.

Mr. *Pethick-Lawrence.*] Vote 5: "London Museum": are there any questions?

Sir *Isidore Salmon.*

1718. Could Mr. Brittain tell us if the numbers of persons visiting the museums are as large as ever, or are the attend-

ances falling off?—(Mr. *Brittain.*) I think in some cases they have been falling off, but in other cases they have been increasing. I am not sure where the balance lies.

Mr. *Pethick-Lawrence.*] May I take it that this Account is approved? *(Agreed.)*

VOTE 6.

NATIONAL GALLERY.

VOTE 8.

NATIONAL PORTRAIT GALLERY.

VOTE 9.

WALLACE COLLECTION.

*(On these Accounts no questions were asked.)**(The witnesses withdrew.)**(Adjourned till Thursday next at 2.30 p.m.)*

THURSDAY, 16TH MARCH, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Edmund Brocklebank.
Mr. Culverwell.
Major Sir George Davies.

Mr. Lathan.
Mr. Lewis.
Sir Assheton Pownall.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 9.

BEET SUGAR SUBSIDY, GREAT BRITAIN.

Sir DONALD FERGUSSON, K.C.B., called in and examined.

Mr. *Pethick-Lawrence.*

1719. We propose to take the Beet Sugar Subsidy first. We will start with the paragraphs in the Comptroller and

Auditor General's Report, pages xxvii-xxix, and take, first of all, paragraph 46. Paragraph 46 refers to the 1936 position. After we have dealt with that, we will

15417

H 4

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

take the other paragraphs which refer to the 1937 position. I will ask you, Sir Gilbert, if you have any amplification to make of your paragraph 46?—(Sir Gilbert Upcott.) Last year, Sir, the Committee had some preliminary discussion on the out-turn of the subsidy for 1936, and its effect on the Accounts of the Sugar Corporation, but with no very definite results. The Chairman during the discussion mentioned that he thought that this year the Committee would probably wish to have a clear picture for the year 1936. I have made some attempts in this paragraph to give the outlines of a picture, but I cannot say that I have been able to get at any very final results. The question which the Committee were enquiring about last year was what effect the subsidy fixed for the year 1936 had upon the profits of the Sugar Corporation just established. The Accounting Officer mentioned in the course of his evidence a figure of £584,000, and I found it a little difficult for some time to reconcile that figure with the provision for income tax of £311,000 made in the Accounts of the Sugar Corporation and a figure of trading profit which appears in their published accounts of £1,245,000, but I have come to the conclusion that it probably represents a net figure after providing for income tax and certain head office expenses and a prescribed amount of £240,000 for depreciation. I calculate that those deductions reduce the trading profit to a figure of £584,000. That figure itself is, the Committee will appreciate, substantially more than a figure which, I think, has been accepted as a reasonable profit on the capital of £5,000,000, namely, 4 per cent. The figure of 4 per cent. was not in fact mentioned in the Government White Paper on the Sugar Industry Bill, but it was mentioned in one of the Reports which have been laid before Parliament, and it has been taken as the reasonable profit for the succeeding year. Therefore, I think I was justified in assuming that it was the figure which was contemplated as a reasonable profit for 1936. But the position has been considerably cleared up by the answer which I have received from the Ministry of Agriculture to the enquiry which I made, as I say in my paragraph. The Ministry of Agriculture now inform me that it was contemplated, in proposing in the Bill a statutory rate of assistance of 5s. 3d. per hundredweight for the

year 1936, that that assistance should enable the Corporation to establish, apart from its provision for depreciation, substantial reserves, and the Accounting Officer did mention last year that various sums had been carried to reserves of different kinds, and the balance, I think, has been carried forward in the accounts of the Corporation. I think that the new fact which the Ministry have communicated to me, namely, that it was definitely contemplated that the Corporation should be enabled to establish substantial reserves in the first year of its trading, does make the rather puzzling figures of the profit for that year more intelligible. That is as far as I have been able to ascertain the position.

1720. Sir Donald, what I think the Committee will want to know is if you can help us to see on what principle the profit is ascertained. With regard to this question of reserves, to which the Comptroller and Auditor General has referred, what is the ground for forming these reserves? Of course, in the case of an ordinary company, it puts aside a certain amount of money to depreciation. Further than that, it puts aside a certain amount of money as a reserve to enable it to tide over any possible bad years. As I understand it, the reserves to which the Comptroller and Auditor General has been referring are reserves of the second character after reserves for depreciation have already been allowed for. What I am not quite able to understand is this: This Corporation is not in the position of an ordinary company: the Treasury and the Exchequer have undertaken to see that on the average a reasonable profit is obtained. Therefore, they are not quite in the position of an ordinary company which must establish reserves in order to prevent its profits falling to zero and becoming negative, because it has the promise of the Exchequer to fall back upon. So, when you are explaining to us the principle upon which profits are ascertained, perhaps you will explain to us why, so far as you can see, it is necessary for the Corporation to set aside out of its income these reserves at all?—(Sir Donald Fergusson.) If I may take the second point you raised first, Sir, the situation in which the Government thought it reasonable that the Corporation should be able to build up a reserve out of the profits of the first year's trading of the Corporation were exceptional

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

to that year, in this sense, that in subsequent years we do not in our calculation of the rate of subsidy make provision to enable the Corporation to build up reserves except for depreciation. But, in the year 1936, the rate of 5s. 3d., which was prescribed in the Sugar Industry Act, was intended to enable the Corporation to obtain in that year some reserve. At the time when the prescribed rate was fixed by the Act, it still remained to negotiate with the various companies the terms of the amalgamation, and it was almost impossible to reach an agreement about what would be the share capital of the new company until something had been fixed about what its position was going to be in the first year, or, at least, until the prescribed rate of assistance had been fixed. The fact that the proposed rate of assistance was a figure which would allow a reserve to be accumulated, in the first year was taken into account by the Sugar Tribunal which was negotiating the terms of the amalgamation. It was taken into account that this new Corporation would have a reserve, when it was brought into existence, as a result of its first year's trading, and the same fact was taken into account when the terms of what is called the incentive agreement were fixed, that is to say, the proportion of economies to be made as a result of amalgamation which was to go to the Corporation and the proportion that was to go to the benefit of the Exchequer. I do not know whether I have made that plain.

1721. Yes; I understand that?—But the point I wanted to make was that that question of the reserve, as you put it, arose in 1936, but it does not arise in the same way in subsequent years. For subsequent years, whereas the 1936 Act fixed the rate of subsidy at 5s. 3d. per hundredweight, which was related to a price of raw sugar of 4s. 6d. per hundredweight, in future years after 1936 the Minister has to fix the rate of subsidy after consultation with the Sugar Commission and with the approval of the Treasury. That rate of assistance is made up of two parts, which perhaps I might describe as the basic rate and what we call the incentive ingredient. The Act requires that all the calculations shall be made on the assumption that the Corporation will produce during the beet campaign the standard quantity of sugar equivalent to 560,000 tons of white sugar, and, subject to that hypothesis, the basic

rate is designed to bridge the gap between the Corporation's expenditure and its income, to enable the Corporation to set aside each year a sum for depreciation, determined by the Minister, and leave a sufficient margin to enable the Corporation to earn profits equivalent to such rates of interest as the Treasury consider reasonable (at present that is fixed at 4 per cent.) on the Corporation's share capital of £5,000,000. The calculations that we make for any year are based primarily on the accounts of the Corporation for the previous year, but there is necessarily a large element of estimation. For example, account must be taken of changes that may have occurred in the price of beet, and of coal, coke and other supplies, and an estimate must be made of the income which the Corporation will realise from sugar and its other products. Some of these we shall know with fair accuracy when we fix the rate of assistance. On the other hand, it will be generally impossible to say with any degree of accuracy what price the Corporation will get for its sugar and molasses, and unforeseen fluctuations in the output of sugar may affect the overhead charges on each hundredweight of sugar produced. The Act provides for the adjustment of the rate of assistance so as to counteract some but not all of these elements of uncertainty. Provision is made for varying the rate of assistance in accordance with any variations in what are called four standard conditions in the Fourth Schedule of the Act. The first standard condition is the difference between the Excise Duty and Customs Duty on sugar; the second standard condition is the price of raw sugar: if that varies, adjustment has to be made. The third standard condition is the total production of sugar: as I have mentioned, we have to calculate the rate of assistance on the assumption that the Corporation will produce during the beet campaign the standard quantity of sugar equivalent to 560,000 tons of white sugar, and, if production is below this figure, the proportion of the Corporation's fixed overhead charges to the charges varying with throughput will increase, and the Act provides for an extra rd. or 2d. to be added to the rate of assistance if production falls below the standard quantity by certain percentages. Then we have a somewhat complicated adjustment called the maximum quota income which takes account (within

16 March, 1939.]

Sir DONALD FERGUSON, K.C.B.

[Continued.]

certain limits) of variations in the refining margin.

1722. Sir Donald, you are getting a little beyond my question. I did not ask you how the subsidy was determined, which I quite agree is determined by the principles of the Act. What I wanted your answer upon was how the profits were determined to which in particular you referred last year as being £580,000. That is the question I really asked you?—On the basic rate we have to bridge the gap between the Corporation's expenditure and income, to allow a certain amount for depreciation and to leave a sufficient margin to enable the Corporation to earn profits equivalent to (at present) 4 per cent. on its share capital, but in addition to that there is an arrangement called the incentive ingredient under which the economies that may be effected by the new Corporation as a result of amalgamation and other economies are shared between the Corporation and the Exchequer. Therefore, if economies are made, the Corporation may get something more than the 4 per cent. on its share capital calculated under the basic rate system.

1723. You have told us the principles on which the subsidy is based, and of course the White Paper is a fairly comprehensive document, but you tell us that there was the principle that in the first year there was to be this reserve account. Is any reference made to that in the White Paper?—I do not think any reference was made to that in the White Paper at all.

1724. As that is rather an important consideration, what is the reason why, if Parliament was being informed of all the facts, that was excluded from its purview?—I think that, when the White Paper was produced in July, 1935, it was, as I indicated, absolutely necessary to fix or suggest a rate for the first year, and the rate for the first year which was then proposed was based on calculations that had been made as to the out-turn of the factories in 1934, which was the last complete year that was available. It was closely related to the subsidy that had been payable in previous years. It was recognised at the time, as I say, that that would enable the Corporation to have in the first year an advantage, because no account was taken in fixing that 5s. 3d. of economies that might be effected at once in the first year. (Sir Gilbert Upcott.) If I might interrupt, the Sugar Policy Proposals were pro-

duced in 1935 and the White Paper on the Sugar Beet Industry was produced in 1936, and there does not appear to be any reference to the provision for reserves that was to be made. (Sir Donald Fergusson.) I think the reason was that at the time these calculations were being made, many things were uncertain. For instance, at that time it was not known what the share capital of the Corporation was going to be. That was to depend on the out-turn as a result of the Sugar Tribunal's negotiations with the Companies, and there were a great many uncertain factors. I think all that could be said at the time was that it was contemplated that the 5s. 3d. would be on the generous side for the first year.

1725. This is what I am trying to get at, and I think it is what the Committee will wish, as far as it can, to ascertain. The Exchequer have undertaken to secure that this Corporation make a reasonable profit and you say that that profit is at present fixed or aimed to be fixed at round about 4 per cent. I think the Committee will quite understand that point. Of course, in an ordinary company, if it puts money to reserve, it is ultimately in some form available for the persons who are the shareholders in the company. This company comes into being with a Government guarantee of a reasonable profit. If these moneys are put to reserve, to whose benefit do they ultimately enure: to the shareholders in the company, or does the Treasury in any way ultimately become entitled to these reserves?—I think they would enure to the benefit of the shareholders of the Company, but it is not quite correct that the Corporation is guaranteed a profit. The rate of subsidy prescribed is meant to provide them with a profit, but it is not quite the same thing as a guarantee.

1726. Let us try to understand that: Supposing that in a subsequent year the subsidy is based on an estimate that it will provide a profit and supposing that profit does not in fact materialise. Do I understand you to mean then that in that case these reserves would be called upon so that the shareholders would in that case be able to keep up their profit to the reasonable profit, because they would draw on something which had been put in before. Is that the position?—Yes, the Act does not secure that the Corporation shall earn a profit in each year, and if they have

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

these reserves and put them to a dividend equalisation account that would be the purpose of them.

1727. But there is no power to get back into the Exchequer any of these reserves directly? The only way they can be got back, in a sense, is that the Exchequer will make a smaller subsidy another year and if in that case the reasonable profit on the year does not eventuate, the shareholders will dip into this reserve. Is that the position?—Yes; if the Corporation did not make the profit that it had been calculated that it should make in any given year, it could take money from the reserves to equalise its dividends or to pay dividends.

Mr. Lathan.

1728. Do I understand that the provision of 5s. 3d. per hundredweight was considered adequate to provide first for the 4 per cent. that was regarded as a reasonable rate of profit on the contemplated share capital, and secondly, the building up of a reserve fund?—Yes, and also a sum of £240,000 for depreciation.

1729. At the 5s. 3d. per hundredweight?—Yes.

1730. And since that reserve fund was contemplated as being built up during the first year of the trading, with the assistance provided, in the way just described, I take it that the contribution per hundredweight now has been substantially modified?—Yes, the subsidy in the year 1937 was 2s. 7·7d. The arrangement really means that considerable care has been taken to protect the interests of the Corporation from the dividend earning point of view, because not only was there in the first year assistance forthcoming that would enable 4 per cent. interest to be paid on their capital, but a reserve fund that would enable a dividend equalisation arrangement to operate at a later date?—You will understand that so far as I am concerned as Accounting Officer, the 5s. 3d. was fixed by Act of Parliament; that had to be paid in the first year. In subsequent years we have departmental responsibility for estimating to the best of our ability to fix the lower rate as best we can in accordance with the Act, but 5s. 3d. was inserted in the Act of Parliament.

1731. I quite understand that. All I am endeavouring to do is to gather how the conditions imposed by Statute have

operated, and I gather you agree to the interpretation which I place upon it?—Yes.

1732. This incentive ingredient, too, is provided for and covered by the 5s. 3d.?—That did not arise in the first year. It was only in subsequent years that that arose.

Mr. Pethick-Lawrence.] We are going to take the paragraphs relating to those years immediately we have finished this.

Mr. Lathan.

1733. So any questions of supplement of the grant or prescribed rate per hundredweight will have to be considered in connection with an additional contribution by way of incentive ingredient, as you describe it?—The question of the incentive ingredient only arises in the years after 1936. The 5s. 3d. was only provided in 1936.

Sir George Davies.

1734. I understand the 5s. 3d. was fixed by Act of Parliament. Thereafter it is fixed by ministerial administration based on calculations?—Yes.

1735. Also that it is possible to build up reserves which can be used for dividend equalisation, the intention being a distribution of 4 per cent. I can understand that if for years one and two, for example, under the 5s. 3d. provision, and possibly the year after, a substantial reserve was built up, so that if the calculations of subsequent years were not adequate for the distribution of 4 per cent. that reserve could be called upon for dividend equalisation: but I am thinking of a situation in which such fund does not exist and the provision for distribution of 4 per cent. is not realised. Is that taken into account in the following year so that any falling short of the 4 per cent., although there was nothing in a reserve fund, can be made up by the subsequent fixation? Do I make myself clear?—Yes. There is a purely optional provision in the White Paper of March, 1936, which says: "If, in any year, by reason of exceptional circumstances beyond its control, the Corporation should require to draw on its reserves in order to pay a dividend of 4 per cent. on its capital, the Corporation will propose to the Sugar Commission that, if the Commission should think fit in the light of all the circumstances prevailing, they

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

should recommend the Government to make provision in the rate of assistance for the following year or years, towards replacing the amount withdrawn for this purpose”.

1736. That covers the point?—There is no express provision one way or the other.

1737. So it would be possible, if in the early year or two years a reserve was built up, in subsequent years any depletion of that could be restored at the option of the Government?—Yes.

Mr. Culverwell.

1738. I understood you to say the rate of interest fixed at present is 4 per cent. Has it ever varied? Has it been higher or lower?—We do not fix the rate of interest. What we calculate is the rate of assistance (it is calculated per hundredweight of sugar by various complicated methods) sufficient to enable the Corporation to earn 4 per cent. on its share capital. It may be able to pay more than 4 per cent. if it has effected economies. (Sir Gilbert Upcott.) There is no limit on the dividends which the Corporation may pay. (Sir Donald Fergusson.) No, they may pay anything.

Mr. Pethick-Lawrence.

1739. The only point of fixing the dividend is that they fix what they think is a reasonable dividend and the words “reasonable dividend” occur in the White Paper and a lot of calculations are based on the assumption that there is such a thing as a reasonable dividend. The witness has told us that at the moment 4 per cent. is that percentage which is reckoned as a reasonable dividend?—That is correct. I ought to make one qualification of what I just said. There is a limit on what the Corporation can pay. In the same White Paper it says: “Save in exceptional circumstances, and subject to the prior approval of the Sugar Commission and the Government, the rate of dividend shall not exceed 7 per cent. per annum.”

Mr. Culverwell.

1740. In fact, although it is calculated to yield 4 per cent. at present, has it ever yielded more, or less?—In 1937 the Corporation paid 4½ per cent. That was in the year subsequent to the one we are dealing with now. They paid 4½ per cent. and I think put ½ per cent. to a dividend equalisation account.

1741. The ½ per cent. came from the dividend equalisation account?—No. In addition to paying 4½ per cent. on their share capital, they put another ½ per cent. to their dividend equalisation account. That would represent the benefit to the Corporation of their share of the economies which had been effected.

Sir Assheton Pownall.

1742. Sir Gilbert, you mentioned provision for income tax amounting to just over £300,000. Does that mean (income tax being then 5s. in the £) the profits were in the neighbourhood of £1¼ millions?—(Sir Gilbert Upcott.) £1,245,000 was the trading profit. I could not say on what they were assessed for income tax.

1743. Provision for income tax was made on that basis. That suggests a very large profit?—The provision for income tax made in the profit and loss account for that year was £311,000. I cannot say what was the assessment or what was paid.

1744. I do not know whether Sir Donald can tell us what was paid?—(Sir Donald Fergusson.) I cannot say off hand what was paid, but I might say there was some technical question of income tax law arising as to whether a certain liability would arise in connection with the expenses before the setting up of the Corporation, and a rather larger provision was made for income tax than did in fact prove to be related to the profits of the year.

1745. Did that make much difference?—I am afraid I cannot remember off-hand.

1746. It seems a very large sum. In the following line Sir Gilbert says he has recently asked the Ministry for particulars of the estimated and actual out-turn. Have those figures arrived?—(Sir Gilbert Upcott.) The Ministry sent me a very long answer in which they explained that they felt some difficulty in the circumstances which had arisen in giving any precise comparison of the estimated and actual out-turn, but they did explain, as I mentioned just now, that the 5s. 3d. fixed as the rate of assistance by statute for that year was intended to provide for substantial reserves.

1747. Would those figures be available for this Committee? Would they not

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

be of interest to us?—(Sir Donald Fergusson.) Yes, Sir.*

Sir Assheton Pownall.] I think they might be of interest to us.

Mr. Pethick-Lawrence.] Yes, I think they might.

Sir Assheton Pownall.

1748. A very large sum of taxpayers' funds is involved. The whole thing is extremely difficult to get hold of, and if we could get figures of that sort to peruse I think it might be of service?—Yes.

Mr. Pethick-Lawrence.

1749. I do not think we can carry the consideration of paragraph 46 any further. Now I come to paragraphs 47, 48 and 49, which relate to the following year, 1937. I propose to take those paragraphs together. I should like to begin by asking you, Sir Gilbert, whether you have any amplification to make with regard to the limitations you found yourself under, to which you have referred in paragraph 49?—(Sir Gilbert Upcott.) I wanted to put before the Committee my position, which is an exceedingly difficult one under this exceptionally difficult Act. It has been explained to the Committee that for the first year the rate of assistance was fixed by statute and the Ministry had no option but to pay it. They have explained the purposes to which it has been put. As regards 1937 and succeeding years, Sir Donald has already given some explanation of the manner in which the rate of assistance is determined, but from my point of view the important fact is that the Act of 1936 placed on the Ministry of Agriculture and the Treasury responsibility for prescribing the rate of assistance to the Sugar Corporation on various highly complicated assumptions and conditions including the provision of an amount sufficient to enable the Corporation to earn a reasonable rate of interest on its capital. That has to be done on hypothetical considerations and estimates and I consider that technically my functions are concluded when I have ascertained what rate of interest the Treasury consider reasonable and that they and the Ministry of Agriculture have addressed themselves in the prescribed manner to the various conditions and circumstances, and have

* See Appendix 9.

given effect to their conclusions in the prescribed statutory form. The only criticism which I have to make as regards 1937 from that point of view is that I was left to infer from a letter by the Ministry of Agriculture to the Treasury that the Treasury did consider 4 per cent. a reasonable rate of interest on the capital of the Corporation. I do not find anywhere that the Treasury explicitly said that they regarded that as the proper rate. I do not consider it is my function to decide whether the rate of interest determined by the Treasury is a proper one or to ascertain whether the estimates which they made in determining the rate turn out to be correct, and whether in fact the Corporation in the end earn that rate or a lesser rate or a higher rate. I do not think that is my function as Auditor. But I think that in accordance with its traditions, the Committee would not be content to leave it to the Treasury and the Ministry to exercise that discretion without inquiring subsequently how it turned out. Therefore, it seemed to me that the Committee might wish to consider whether they wish to have annually, either directly from the Ministry or through me, information which would enable them to form an opinion on the way in which the decisions of the Treasury and the Ministry have turned out in the trading results of the Corporation. I have made some attempts in these paragraphs to indicate certain directions in which it seems to me (though the matter is very complicated) that the arrangements have had rather favourable results to the Corporation as compared with what was considered reasonable, but as I say, I do not think it is for me to exercise a judgment on those things but for the Committee to consider whether they wish to have information which would enable them themselves to express an opinion.

1750. May I put it to you in this way, that you have had such facts and figures put before you as in your judgment entitle you to give your certificate to the Accounts, or to what Accounts you have given your certificate?—Yes, to the Appropriation Account.

1751. But you suggest that the Committee might very well ask for further facts and figures to carry out its proper function of investigating whether the intentions of Parliament are in fact

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

being carried out to what would be the satisfaction of Parliament if they had the facts before them. Is that your position?—Yes. Parliament has left it to the Treasury and the Ministry to exercise their discretion in this matter, but Parliament had in so doing certain broad intentions, and I think that the Committee would wish for the information of Parliament to ascertain broadly speaking whether those intentions have been given appropriate effect.

1752. I will ask the Treasury next: Do you concur in the view that has been put forward by the Comptroller and Auditor General?—(Mr. *Brittain.*) Yes, Sir, I think we should, generally speaking. Recognising always that it is a matter between the Comptroller and Auditor General and the Committee, we should agree with him, and speaking for the Treasury I think we should be glad if the Committee could have such facts before it as would enable it to see light through this rather difficult Act. At the same time perhaps I might make just two comments. You, Sir, referred to the intentions of Parliament. I am not sure to what detail you would think those intentions had gone, because as I read the Act Parliament deliberately left certain factors in the calculation of this subsidy to the estimation of the Ministry of Agriculture and the Treasury in part, and presumably Parliament then deliberately recognised the possibility that those estimates might turn out not to be quite true and that in some years the Corporation might benefit and in other years the Corporation might suffer.

1753. Certainly, but you would not dissent from the view that this Committee is entitled to have in its possession such facts and figures as to satisfy itself that the intentions of Parliament were in the main fulfilled? I am not dissenting from what you said. I quite appreciate that it is only an estimate that the Treasury and the Ministry can give at the beginning, and things may not work out in the end precisely according to the estimate you have made; nevertheless, you would not dissent from the view that it is the function of this Committee to require such facts and figures to be put before them as in their opinion would enable them to fulfil their function in this matter?—I think, Sir, we should not dissent.

1754. What would you say to that, Sir Donald?—(Sir *Donald Fergusson.*)

Yes, Sir, I certainly do not dissent from that at all. I would only hope that they might be put before the Committee in writing.

1755. Certainly?—Because the complication of a number of these estimates that we have to make under the Act is such that it is extremely difficult to explain them verbally, without having them written down beforehand. The real difficulty, of course, that we are in is that we are obliged, under the Act, to make estimates and we have to do our best to make correct estimates, and broadly speaking we have to go on to the basis of what has happened in a previous year—by the trading accounts and cost accounts of a previous year. (Sir *Gilbert Upcott.*) It is even worse than that, if I may interrupt. The Ministry are obliged to make estimates as to the happening of a number of hypothetical things, and after that the hypothetical things have to be translated into what are called effective things and even they, I think, are not actual.

1756. We are not asking that you should use preternatural prophetic powers. What I am asking is that when these powers have been exercised to the best of your ability and the results become known, this Committee should have such subsequent facts and figures as will enable them to understand more fully the position than they can at the present time?—(Sir *Donald Fergusson.*) Certainly, Sir.

1757. You do not disagree with that?—Not at all, Sir, no; but the complications that we suffer from were described, if I may take my quotation from the *International Sugar Journal*, in this way: "This Report of the Commission reveals pretty conclusively the complicated nature of the method adopted for subsidising the British beet sugar industry. It involves a vast amount of accountancy work and correspondence with the factories, and seems justified only by the desire of the Treasury to be liable for as small a sum in subsidies as possible, while keeping the industry going in an efficient manner." Most of these calculations and estimates we have to make are designed to protect the Exchequer and that is why there is the difficulty that if we estimate wrongly in any way we may be accused of not having protected the Exchequer.

1758. If it is the wish of this Committee subsequently to ask you to produce for our information rather more

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

facts and figures than you have so far furnished to the Comptroller and Auditor General, you would have no objection to do so?—I think we have furnished all the facts and figures we can in response to any request from the Comptroller and Auditor General.

Mr. *Pethick-Lawrence*.

1759. Is that your view, Sir Gilbert?—(Sir *Gilbert Upcott*.) I do not see the trading accounts of the Corporation and I do not know that I am entitled to. The profit and loss accounts are published, but not their trading accounts. It has never suggested itself to my mind that I am entitled to see the trading account.

1760. Perhaps that will be for the Committee to decide later on?—Perhaps I may put in a concrete form what I had in mind. The Act says that the Treasury shall fix the rate of assistance in such manner as to enable the Corporation to earn a reasonable rate of interest. I think the Committee would wish to know what rate of interest the Treasury consider reasonable, and I think the Committee would not hold themselves debarred (although there is that discretion in the Treasury) if they took an entirely different view, from suggesting that they did. Then I think they would also wish to know whether in point of fact the estimate on which the determination is made turns out to be such in practice that the Corporation did in fact earn that rate of interest on their capital. I suggest, as far as I can judge for 1937, the arrangements were such as to enable the Corporation to earn somewhat more than 4 per cent. on their capital after providing for the prescribed amount of depreciation. (Mr. *Brittain*.) On that question of interest, perhaps I may say there is no mystery whatever about that. I did not understand that the Treasury had been refusing to give any information about that. We have definitely agreed on the rate of interest on two, if not three, occasions now, for each year. In the first year, when the 5s. 3d. rate was calculated, that was based on a rate of 5 per cent. That was based on calculations before the amalgamation and on the performances, I think, of the old sugar factories. For the year 1937 it was fixed at 4 per cent. (Sir *Gilbert Upcott*.) I did not think there was any concealment at all, but it was not fixed at 4 per cent. The Ministry of Agriculture, in making their proposals to the Treasury, stated that

they understood that the Treasury would regard 4 per cent. as reasonable. (Mr. *Brittain*.) The decision may have been given in a semi-official letter. I know from experience that the rate of interest has been fixed. The reduction from 5 per cent. to 4 per cent. for 1937 was made, it being borne in mind that there was the incentive element. Similarly, 4 per cent. has been fixed between us for 1938.

1761. Is there anything you would like to say on paragraph 48, Sir Donald?—(Sir *Donald Fergusson*.) On paragraph 48 there are two points that the Comptroller and Auditor General has raised. One is the suggestion that the compensation payable because of the smaller throughput of sugar was more than was necessary. The position there is that the Act provides for a statutory allowance because, if there is a shorter throughput, the cost of the overheads is increased. The position is that, though it may be the case that, if we had been making our calculation on the actual output of the Corporation instead of on the hypothetical standard quantity, we should probably have paid less than we did in fact have to pay because we were bound by this hypothetical calculation, it does not mean that the statutory allowance of 1d. or 2d. per hundred-weight was itself an over-estimate of the increase in the burden of fixed charges due to the short throughput of sugar; but that there have come into the calculation other factors which have enhanced the allowance for short throughput. I should have pointed out with reference to what the Comptroller and Auditor General says, that the Corporation lose on their incentive ingredient part of their gain, which is referred to here. The share due to the Corporation in 1937 of economies achieved in 1936 has been computed at 1.5d. per hundred-weight on the standard quantity of sugar, but in fact the Corporation only gets its 1.5d. on about two-thirds of the standard quantity, because of its short throughput, and therefore the Corporation has lost on the incentive swings about one-half of what its adventitious gain was on the basic roundabouts. There is another point that is important. It does not follow that the extra 1d. or 2d. will always provide adequate compensation for the short throughput. That 1d. or 2d. is related to a short throughput of 7½ and 15 per cent., but in 1938 the production was 48 per cent.

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

below the standard quantity, and the Corporation will probably lose rather more in 1938 than they gained in 1937.

Mr. *Pethick-Lawrence*.] Are there any further questions?

Mr. *Lathan*.

1762. I understood you, Sir Donald, to say that the dividends paid have only been at the rate of 4 per cent. except in the one instance which you mentioned?—There have been two years, so far. In 1936 the dividend paid was 4 per cent.; in 1937 it was 4½ per cent.

1763. Those are the only two years of trading?—Yes, since the Corporation came into being.

1764. Since there was a profit of £1½ millions in 1936 it meant approximately £1,000,000 went to reserves for the purposes we were discussing a few minutes ago?—No, Sir. The profit was not £1½ millions. (Sir *Gilbert Upcott*.) That was the trading profit. They had to pay income tax and other charges out of that. (Sir *Donald Fergusson*.) The actual profit for 1937 was £584,000, after charging £311,000 for income tax and £240,000 for depreciation.

1765. I was considering the position at the end of 1936?—(Sir *Gilbert Upcott*.) Their year is 1936-7 to the 31st March, 1937.

1766. It seems to me that the position as revealed at the end of the period in 1936, would affect what had to be done, obviously, in 1937. There was a sum of £800,000, do you say, put to reserve in the first year of trading?—(Sir *Donald Fergusson*.) No; in the first year of trading the sums put to reserve were about £273,000.

1767. Only?—Yes. (Sir *Gilbert Upcott*.) That is apart from depreciation. (Sir *Donald Fergusson*.) That is apart from depreciation.

1768. Is the depreciation a fixed rate?—£240,000 was put to depreciation in that year.

1769. At a fixed rate?—Varying rates on various things. (Sir *Gilbert Upcott*.) Prescribed by the Ministry for the year in question.

1770. It does not fluctuate from year to year?—The Ministry may prescribe a different rate and they have, in fact, for 1937. (Sir *Donald Fergusson*.) We have prescribed for 1937 allowances on the basis of the Inland Revenue scale of allowances for depreciation.

1771. The difficulty I am in is that it is not obvious to me what necessitated the prescribed rate of 2s. 7·7d. per hundredweight that was allowed by the Ministry in 1937, which resulted in a charge of over £1,000,000, against the public. Having regard to the generous contribution to reserves and depreciation, as I gather, the need for that does not seem to me to be at all obvious?—Under the terms of the Act we should not have been able to take into account in fixing our rate of assistance for 1937 what the position of reserves was at 1936. We are obliged under the Act to base ourselves on certain conditions, related only to the year 1937. If I may put it this way, there might be a criticism against the provision made in 1936 which enabled them to obtain a reserve in that year, but once that year is finished we have no power to take into account the question whether they have a reserve or not.

1772. Do I gather then that if it should transpire that you, because of the difficulties you have mentioned, prescribed in 1937 a rate of assistance that turned out to be unnecessarily generous, you cannot adjust the position in 1938, having regard to the fact that the money is to a large degree put to reserve funds and can be used for dividend equalisation?—The only way in which it would affect 1938 would be this, that if our estimates had been wrong for 1937, it would be because certain expenses of the Corporation had been reduced in that year, or something of that kind. We should take those facts into account in fixing the rate for the next year.

Mr. *Pethick-Lawrence*.

1773. Is it not like the national Budget? The figures for one year only affect the next year, not because of the surplus which has actually accrued, but because the same circumstances may be expected to arise in the second year that were present in the first, and accounted for the surplus? Is it not practically the same as that?—Yes. (Sir *Gilbert Upcott*.) If I may put it rather crudely, if the Corporation get away with too much in any given year you can see that they do not get away with it again, but you cannot get the butter out of the dog's mouth.

Mr. *Lathan*.

1774. Since it appears that this money actually has gone to reserve funds of one kind or another (and I can imagine

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

without difficulty that there may be more than one kind of reserve fund) surely it is possible for some consideration to be given to that, and the need of the Corporation, when you are fixing the rate of interest, will be influenced by those considerations?—(Sir Donald Fergusson.) I do not think we have any power under the Act to do that.

Mr. Pethick-Lawrence.] You are getting very near the verge of what this Committee is entitled to do. It is not entitled to criticise an Act of Parliament. It is entitled to see that it is administered in accordance with the wishes of Parliament.

Mr. Lathan.

1775. I am conscious of that, but I am also conscious of the difficulty of examining this question without getting into that territory. Do I understand that you have access to the trading accounts of the Corporation?—Yes, and I think in fact we have supplied the Comptroller and Auditor General with a copy of the trading accounts?—(Sir Gilbert Upcott.) Yes.

Mr. Lewis.

1776. Does it not cut both ways? Though it is true to say that if the Corporation make too much in one year you can only endeavour to see that they do not make too much in the following year, but you cannot get back any of what they have already got, is not the opposite true, that if they make too little in one year you can only see that in the following

(At this point Mr. Pethick-Lawrence withdrew, and Sir Assheton Pownall took the chair.)

Sir Assheton Pownall.

1780. The capital structure was fixed by statute?—Yes.

1781. Some debentures have already been redeemed?—Yes, I think so.

1782. Can you tell me what was the capital structure? Do you know at all?—The share capital was £5,000,000 and £750,000 of debentures.

1783. In addition?—Yes.

1784. What was the interest the debentures were to bear? Do you remember?—(Sir Gilbert Upcott.) 2½ per cent. guaranteed debenture stock.

1785. These two types are held by whom?—(Sir Donald Fergusson.) The share capital is held by the general

year they make enough; you cannot give them anything to make up for the fact that they made too little the previous year?—(Sir Donald Fergusson.) That is true.

1777. It cuts both ways?—It cuts both ways.

Mr. Lathan.

1778. There is not much evidence, I gather, that such a contingency as has just been stated by the Honourable Member will arise, is there?—After all, we have only had one year's working under the rate prescribed by the Minister. We have only got the one year, 1937, and if you look at the very broad fact, the very broad fact is that in that year instead of 5s. 3d. the rate is 2s. 7d. plus a small additional sum to be determined. It will be 2s. 9½d. That is largely due to the higher raw sugar price, but it is by no means out of the question that the position which was suggested by the Honourable Member would not arise in any given year.

1779. It is not impossible, I agree, but I am speaking of probabilities based on experience so far. However, I will leave that. Could you further enlighten me by any information as to the position of these reserve, depreciation and other funds at the moment in relation to capital?—The Balance Sheet at 31st March, 1938, shows reserves, renewals and replacements as £52,000 in round figures; debenture redemption £23,000, staff pensions £55,000, contingencies £100,000; dividend equalisation £205,000.

public, the people who had the shares in the original companies which were amalgamated.

1786. I am merely asking for information. They are saleable, are they?—Yes.

1787. Just on the market in the ordinary way?—Yes.

1788. And the debentures as well?—As far as I know they are. I cannot be certain about that. The ordinary shares are quoted on the Stock Exchange.

Mr. Culverwell.

1789. Mr. Brittain, what are the factors that decide what the rates are? How did you arrive at 4 per cent. and what would make you vary that rate?

16 March, 1939.]

Sir DONALD FERGUSON, K.C.B.

[Continued.]

You say you have fixed the rate for next year again at 4 per cent. as though it might vary from year to year. What factors would induce you to alter that rate?—(Mr. *Brittain*.) It is rather difficult to be tied down to particular factors which would justify a change in the future, but I think a change in general conditions would justify a change.

1790. Is it the rates of money in the money market?—Interest rates would undoubtedly come into it, but I do not know that they would be final by themselves. Actually, this is largely proceeding on the basis, I think, that it has followed from the profits which had been earned by the old companies before the time when the 5 per cent. was fixed for 1936; the 4 per cent. was fixed in turn, because, in place of part of the fixed interest yield, we gave the new Corporation the results of the incentive agreement, and, therefore, some abatement was made in the rate which had been given earlier.

1791. But you anticipate that this rate will remain at 4 per cent. almost indefinitely?—We do, in fact, look at the rate every year. It is only just recently that the question was put to us by the Ministry: "Shall the rate of 4 per cent. be continued?" (I think it must have been for the 1938 year), and we came to the conclusion that there had not been any such important change in general conditions as would justify a change in the rate, and we left it at 4 per cent.

1792. I understood from Sir Donald that you cannot get back money that they have put to reserve, but could not you get it back by reducing the rate that you consider appropriate?—As Sir Donald has already explained, I think, the figure of 4 per cent. is used as a basis on which the Ministry of Agriculture arrive at their rate of assistance. It may be that the factors on which they make estimates do not turn out as estimated and that 4 per cent. may not be earned, and so the reserve—the equalisation reserve, at any rate—was set up for that purpose. I do not think, therefore, we could have it both

ways. We cannot say: "You shall dip into those reserves and we will only allow you 3 per cent. on the capital." I do not think we can say that, as Sir Donald has explained already. Those reserves, once they have been accumulated by the Corporation, have more or less got to be left there until they are required to make up deficiencies in the profits of the Corporation below what is estimated.

1793. But supposing you had a succession of profitable years and considerable sums were put to reserve each year, could not you then lower your rate?—Would it not be rather difficult to lower the rate of interest on an undertaking like this just because there had been a profitable year? The capital is fixed, and from year to year may be expected to earn as capital, I should think, 4 per cent. I should not have thought that profitable years were an argument for reducing the yield on the capital.

1794. I only thought of it as a means of getting something back, as Mr. Lathan was suggesting (almost complaining, I thought) that, whilst they could build up reserves, you could never get them back again?—I think, if there were any means of getting those back, it would not be so far as interest on capital was concerned, but rather on the Ministry's side, and on that side, I gather from Sir Donald's evidence, we are precluded by the Act.

Mr. *Lewis*.

1795. Would not the Treasury consider that there was, at any rate, some justification for the rates that they have fixed, as tending to show that those rates are not excessive, in the fact that the shares of the Corporation are normally quoted below par on the Stock Exchange? It does not seem to show that there is any excessive profit being earned?—I think I should agree with you, Sir.

[Sir *Assheton Pownall*.] Are there any further questions? Will the Committee pass to the figures on page 293: are there any questions on the figures? May I take it the Account is approved? (*Agreed*.)

VOTE 8.

MINISTRY OF AGRICULTURE AND FISHERIES.

Sir *Assheton Pownall*.

1796. Now turn, please, to page xxvi of the Comptroller and Auditor General's Report, Class VI, Vote 8: "Ministry of

Agriculture and Fisheries." On paragraph 44: "Allowances for use of private motor cars," could you please tell us, Sir Donald, more about this high

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

mileage at maximum rate, to which attention is called, amounting to £300 per annum paid to individual officers?—(Sir Donald Fergusson.) The officers in question and the mileage in question is in the case of official journeys undertaken by the veterinary officers of the State veterinary service whose numbers and functions were greatly increased as a result of the Agriculture Act, 1937, under which the functions and staff were transferred from the local authorities to the State service. From the nature of things, these veterinary officers are in much the same position as country doctors: a number of them spend a large part of their time visiting and inspecting animals on farms, and, in the case of most farms, of course, there is no alternative means; there is no public conveyance available in the case of most farms, and, therefore, under the Treasury Regulations the maximum mileage rate is allowable. In many cases, as I say, these officers are travelling every day to farms in the countryside, and necessarily the mileage is high.

1797. I worked out a quick sum: these officers to get £300 must have travelled 20,000 miles apiece, which is a very big mileage?—Yes; some of them would be in the neighbourhood of 20,000 miles.

1798. I gather from the note at the end of the paragraph that you are considering having official vehicles in the Department. £300 a year seems very high indeed, to some of us who know something about motoring.—It is rather a matter for the Treasury as to whether an economy would be effected.

1799. What is the Treasury view on this?—(Mr. Brittain.) As regards the particular cases in the Ministry of Agriculture, we had some figures provided by the Ministry last month, with details as regards the allowances actually paid at the 4d. rate, and also as to the probable running costs of official cars if they were supplied for a small number of these officers who had the highest mileages. We are at the moment examining the matter but we have not reached a decision yet.

Sir Assheton Pownall.] Are there any questions on paragraph 44?

Mr. Lathan.

1800. What is the basis for fixing the allowance at so much—2d., 2½d., 3d. or 4d. a mile: is it the horse power of the

car, or what other considerations are there?—(Sir Donald Fergusson.) It is the horse power of the car, (Mr. Brittain.) The Committee which sat in 1933 and produced these rates by agreement with the staff side did go carefully into the costs of different horse power cars and the different mileages, and the rates laid down, of which 4d. is the highest, were based on figures ascertained then.

1801. It would mean that cars employed are high horse power cars?—The actual rates laid down by the Treasury vary, according to horse power. It is 2½d. for cars up to 8 horse power, 3½d. for cars between 8 and 10 horse power, and 4d. for cars over 10 horse power. (Sir Gilbert Upcott.) The point was made by the Committee, when they previously discussed these rates, that one drawback of them was that, if your officer chose to use a high power car, it compelled the Treasury to pay him the highest rate, even though it may not have been necessary to employ a high power car. That is the difficulty that has arisen in this case. (Sir Donald Fergusson.) On the other hand, for many of these journeys, one would not call a 10 horse power or a 12 horse power car a high power car for these country journeys. (Mr. Brittain.) As Sir Richard Hopkins explained to the Committee in 1933, we cannot make the scale depend on what horse power car is required for the particular job. We have to take what car the officer has, because the whole object of this is to give the officer an incentive to use his car for his official work and incidentally save a certain amount of official time.

1802. It is involving a considerable charge on public funds to pay him £300 a year; a 12 horse power car could be bought for that?—I entirely agree. These charges are high, and that is why we are looking into the possibility of more economical alternatives.

Sir Edmund Brocklebank.

1803. Do the officers belong to one particular locality and visit in that particular locality, or are they in large districts?—(Sir Donald Fergusson.) The districts are fairly large, but most of the officers concerned would be district officers in such a district working in that district. Some of them would be fairly remote up in the Highlands of Scotland

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

and Wales and places like that, very large areas indeed.

1804. They do somewhere about 400 miles a week, so they have to cover a fair amount each day?—You could not cover that very quickly in the Highlands of Scotland with a low power car.

Sir *Edmund Brocklebank*.] But you could in Bedfordshire.

Sir *Assheton Pownall*.

1805. On page xxvi I see in the last line but one the figure of £41,500: would you mind telling us how that has been arrived at? Incidentally, the details are on page 284.—That was a payment made in accordance with the original agreement. That payment represents the dividends corresponding to those which the public shareholders, other shareholders, received in the first ten years of the company's existence.

1806. By "public shareholders," do you mean members of the public who were shareholders?—Yes.

1807. I do not see it on page 284. To turn to the top of the paragraph on page xxvii, why did you sell these shares: could you tell us the reason for that?—When the Sugar Corporation was formed, we had this block of shares which came to us in respect of our shareholding in the old company, and we felt that it was perhaps a rather difficult position in which we were paying a subsidy to a Corporation in which we were ourselves shareholders. We thought, therefore, perhaps it would be desirable to liquidate.

1808. Could you tell me what is the present value: were you well advised to sell?—Yes, we were. We sold at par, and the shares are now somewhat below par.

1809. Much below?—About 18s. 6d., speaking from memory.

1810. Do I understand that sum of £41,515 accumulated over a period of ten years?—Yes; this was a company which was formed back in 1920, and it was one of the first two experimental factories dealing with beet sugar. When it was set up the Ministry took half the shares and the public subscribed the other half of the shares. The arrangement was that the Ministry's shares were not to receive dividends for the first ten years.

1811. That was an arrangement?—That was an arrangement.

1812. Did the other shareholders take their dividends out during that time?—Yes; and it was arranged that, when the company was wound up, we should get the same as the other shareholders had received, and this £41,500 is the amount that we got in respect of that when the company was wound up.

1813. That was a provision made in the event of winding up?—Yes, in the original agreement.

1814. That, while the company was running, nothing accrued to the State?—Not for the first ten years; after that it did.

1815. Are there any further questions on that paragraph? Will the Committee turn to page 274: "Ministry of Agriculture and Fisheries": the first page and a half are purely summary. We will take the second half of page 275 and pages 276 and 277. Under sub-head G.5 on page 277, what are the building schemes which are mentioned there, Sir Donald, in the footnote at the bottom?—That covered building schemes. There was an extension of the Economics Research Institute at Oxford University, and a new farm building at Cambridge University School of Agriculture. There was development of research work in vegetable cultivation at the Horticultural Research Station at Cambridge, a new Post-mortem House at Seale Hayne Agricultural College, some laboratories at Reading University, some new buildings at Aberystwyth, a new laboratory wing at Rothamsted, a new wing at Weybridge, and one or two others.

1816. Pages 278 and 279: Under sub-head J.5, could you give us the total commitments under the 1930 Act on "Land Drainage": how much is the Exchequer commitment and how much is the local Authorities and Drainage Boards commitment: there is a difference of £50,000?—Under the 1930 Act? (Sir *Gilbert Upcott*.) The Land Drainage Act, 1930. (Sir *Donald Fergusson*.) The total estimated cost of the schemes approved is £12,170,000, and the Ministry's share of the total cost is £6,067,000. The Ministry's estimated liability up to date is £1,551,000. The actual advances we have made have been £374,000.

1817. So we have very large commitments still to come?—Very large.

Sir *Assheton Pownall*.] Are there any questions on pages 278 and 279?

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

Mr. Lathan.

1818. Under sub-head J.5, £50,000 is a large sum. Do I correctly understand from the last few words in the note that the delay in receipt of accounts for two large schemes would account for it?—I think the main saving really arose in respect of the new extension under the Agriculture Act, 1937. That was a new service. Under the Act of 1937, we were empowered to give grants to county councils and internal drainage boards for minor schemes of drainage. We did not know what applications we should receive. It was a new service, and we had to make an estimate, and the bulk of this £50,000 is due to the fact that the county councils and the internal drainage boards did not put forward quite as many schemes as we had anticipated.

1819. You say here: "delay in the receipt of accounts in respect of two large schemes". You evidently anticipated heavy expenditure, because, in addition to the original Estimates there were Supplementary Estimates amounting to £165,000?—(Sir Gilbert Upcott.) One is a minus quantity.

1820. I beg your pardon?—The actual supplementary was £35,000.

Mr. Lathan.] Yes.

Sir Assheton Pownall.

1821. Pages 280, 281, 282 and 283: On those "Details of Receipts", Sir Donald, some of the details seem almost too elaborate: for instance: "Receipts from disposal of skins of musk rats and miscellaneous receipts—£12 8s. od."; then a little lower down on page 283 you see: "Miscellaneous receipts in connection with oyster breeding experiments—£20." Would not it be worth while considering reclassifying and abbreviating these rather?—(Sir Donald Fergusson.) I think so. The difficulty is that some of the receipts which we show separately are for fishery services and some of them are for agricultural services. (Sir Gilbert Upcott.) I think the Ministry would have to address themselves, first of all, to the Estimates, because these items follow, generally speaking, the details shown in the Estimates. Therefore, they would have to clarify the Estimates and this Account would then follow suit.

Sir Assheton Pownall.] Are there any questions on pages 284-292? May I take it that this Account is approved? (Agreed.)

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

MINISTRY OF AGRICULTURE AND FISHERIES.

Sir Assheton Pownall.] We pass now to the Trading Accounts, pages 1-3: "Conway Mussel Cleansing Scheme": are there any questions? May I take it that the Account is approved? (Agreed.)

Now we come to the Farm Settlement Accounts: Pages 4-5, General Foreword; pages 6-9, Estates Combined Accounts; pages 11-13, Acton Park (Denbigh); pages 15-19, Amesbury; pages 21-25, Holbeach (Lincolnshire); pages 27-31, Rolleston (Nottinghamshire); pages 33-37, Sutton Bridge (Lincolnshire); and pages 39-43, Bosbury (Buchanan Trust) Estate. Are there any questions on these Accounts? May I take it that the Accounts are approved? (Agreed.)

Mr. Lathan.

1822. Before we leave the farms, I think I am correct in saying that in practically every case losses are shown, and in some cases they are really substantial losses. I avoided putting par-

ticular questions because I assumed the possibility of there being some general explanation of this situation: is that so?—(Sir Donald Fergusson.) The position is that the losses shown are, of course, largely book losses. If you take the Receipts and Payments on page 5, you will see: Revenue receipts: £31,830 in one column, and Revenue payments: £31,683 in another. The losses shown are largely due to the fact that the interest on the capital invested in them is not being met. (Sir Gilbert Upcott.) Broadly speaking, they met their cash expenditure, but did not meet the charges for interest or depreciation.

Sir Edmund Brocklebank.

1823. That has been so for many years?—Yes.

Mr. Lathan.

1824. They are in the position of a limited liability company not making payments of dividends on their capital?

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

—That is so; and making no provision for depreciation.

1825. The general reason is that attaching to agriculture at the present time?—(Sir *Donald Fergusson*.) Yes, with the additional reason that these were a number of schemes started immediately after the War.

Sir *Edmund Brocklebank*.

1826. When there was a very high price for land?—When there was a very high price for land, and high building costs for farm buildings, also.

Sir *Assheton Pownall*.

1827. I am reminded that in 1935 the Committee asked whether any proposals could not be made with regard to the form of these Accounts?—(Sir *Gilbert Upcott*.) At the end of three years. They said they wished the present form of account to be continued for three years, at the end of which period they wished the Treasury to review the matter. (Mr. *Blunt*.) Yes; the Treasury have it under consideration now, and they hope to put in a memorandum which perhaps could be considered on Treasury day. It is tied up with a number of considerations, and I think perhaps it would be more convenient if it was dealt with generally.

1828. On Treasury day?—On Treasury day.

Mr. *Lathan*.

1829. Is the Treasury considering anything in the nature of a reduction of capital charges, having regard to the answer you made to me a few moments ago?—That was considered in 1935.

The other alternative put forward by the Treasury in 1935, which was left for consideration now, is whether it should not now revert to a simple cash account; that is one of the alternatives which will be put forward in this memorandum which I shall put in.

1830. The Committee will have an opportunity of expressing an opinion on that, I take it?—Yes.

Sir *Edmund Brocklebank*.

1831. You mean writing off the original cost altogether?—That is one of the alternatives to be considered. Another alternative is simply to revert to a cash account which then would include nothing of these notional charges.

Mr. *Lathan*.

1832. I had in mind an arrangement under which the capital charges might be reduced to modern relationships in respect to values?—(Sir *Gilbert Upcott*.) That was rejected as a rather unsatisfactory compromise in 1935. The Committee might like to have an opportunity of seeing what the Treasury proposals are in writing.

Mr. *Lathan*.] That is the very reason I made the comment I did a moment ago.

Sir *Assheton Pownall*.] That will be on Treasury day.

Are there any questions on pages 45-51, National Stud Farm Tully, County Kildare (Eire)? May I take it that this Account is approved? (*Agreed*.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 11.

LIVESTOCK INDUSTRY AND CATTLE FUND.

Sir *Assheton Pownall*.

1833. We will turn now to Civil Appropriation Accounts, pages xxx-xxx1, Class VI, Vote 11: "Livestock Industry and Cattle Fund." Paragraph 52 is purely narrative. On paragraph 53, how are the rates of subsidy determined?—(Sir *Donald Fergusson*.) They are prescribed by the Minister.

1834. On what facts are they determined by the Minister?—The position

is that there is a limit of £5,000,000, and they must be determined on an estimate which would not bring the total payments up above that £5,000,000. We should have to determine them in agreement with the Treasury. The actual rates at present are of two kinds: there is what we call the ordinary rate for animals of ordinary quality, and a higher rate for animals of a better quality. In the case of the ordinary subsidy, the

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

rates are 5s. per hundredweight for home bred animals and 2s. 6d. per hundredweight for imported animals; in the case of the quality subsidy, it is 7s. 6d. per hundredweight for home bred, and 5s. per hundredweight for imported.

1835. On the following paragraph, paragraph 54, where are the expenses of the Commission borne? You mention the Livestock Commission. I see they are borne by the Cattle Fund?—There is a separate Account on page 299.

1836. Are there any questions on those three paragraphs 52-54? Now we will turn to the figures themselves, which are shown on pages 296-299 inclusive. It is a little confusing: you have an item of £2,733 on page 299; £28 is added to that; the total is shown as £2,752 under "Payments" on page 299, and the whole of that is transferred to the previous page. The inter-relation of those figures is a little difficult to follow. The same thing applies to another item there, the £16,000. How does the Livestock Commission figure fit in with the Cattle Fund figure?—The position is that under the Livestock Industry Act of 1937 it is provided that the Minister of Agriculture and Fisheries shall pay out of the Fund, that is to say the Cattle Fund, to the Livestock Commission the sums required to defray all expenses lawfully incurred by the Commission; therefore, we have to show on this page 297, under "Cattle Fund," that £16,000 was paid out of the Cattle Fund, in accordance with the Act, and it appears in the expenses of the Commission which we show as a separate Account on page 299.

1837. It is rather quaint: you transfer one thing from the second to the first, and something else from the first to the second?—(Sir Gilbert Upcott.) As far as I can see, they transfer it back again. (Sir Donald Fergusson.) Yes, we do. (Sir Gilbert Upcott.) It goes all the way back again.

1838. It always has been done on these lines?—(Sir Gilbert Upcott.) This is a new Account. (Sir Donald Fergusson.) This is a new Account. The Livestock Industry Act, 1937, says: "All sums received by the Commission otherwise than by way of payments made to them under" (a certain Section) "shall be paid by them to the Minister of Agriculture and Fisheries in accordance with

such directions as he may give, with the approval of the Treasury, and the said Minister, on receiving any sum so paid to him, shall pay it into the Fund." (Mr. Brittain.) The Livestock Commission Account on page 299 is really a subsidiary private Account of the Commission, and under the Act any sums they receive must be paid into the Cattle Fund, because that goes to swell, I think, the amount which is available for subsidy. The Cattle Fund was set up by Parliament to show the whole of the expenses of the service.

1839. But some of it is not only paid into the Cattle Fund, but £16,000 is taken apparently from this Cattle Fund and transferred into the Livestock Commission Fund?—(Sir Donald Fergusson.) That point arises for the following reason: the salaries of the Livestock Commission staff are paid, in the first instance, from the Vote, that is to say sub-head A, and, in order to bring the charge on the Cattle Fund, are repaid from the Fund as an Appropriation in Aid of the Vote. This is necessary to preserve the superannuation rights of the staff. (Sir Gilbert Upcott.) That refers to the salaries of the Commission's staff, but I do not think it explains the complicated travels of those certification fees. (Sir Donald Fergusson.) That is under the Act. Under the Act all sums received by the Commission shall be paid by them to the Minister of Agriculture and Fisheries. (Sir Gilbert Upcott.) They get to their correct destination in the end.

(Sir Assheton Pownall.) They seem to take a rather lengthy route to get there. Are there any questions on these four pages 296-299?

Sir Edmund Brocklebank.

1840. Under sub-head I.A. on page 297, I notice that for the first four months of the Cattle Fund, apparently, the estimate was fairly close to what the actual payments were, but for the next period of eight months the estimate and actual payments were really quite widely far apart; the estimate in each case except one, I think, was considerably far apart from the actual payments made: why was there that difference?—(Sir Donald Fergusson.) In the first four months of the year we were working

16 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

under the old Emergency Cattle Subsidy Acts, and in the last eight months of the year we were working under the new Livestock Commission.

1841. Which you did not know about?
—The Livestock Commission were going

to fix the new rates, and we did not know what they would be for certain.

1842. That will not happen again?—
No.

Sir *Assheton Pownall.*] May I take it that this Account is approved?
(*Agreed.*)

(*The witnesses withdrew.*)

(*Adjourned till Tuesday next at 2.30 p.m.*)

TUESDAY, 21ST MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Sir Edmund Brocklebank.
Mr. Culverwell.
Major Sir George Davies.
Sir Haydn Jones.

Mr. Lathan.
Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITTAİN and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE IIA.

LAND FERTILITY IMPROVEMENT.

Sir DONALD FERGUSSON, K.C.B., called in and examined.

Mr. *Pethick-Lawrence.*

1843. This is the second day we are dealing with Agriculture, and we have again Sir Donald Fergusson with us. The first items are Land Fertility Improvement and Milk. I would ask you to turn to page xxxi, paragraph 55. With regard to that, I would like to ask you, Sir Donald, more particularly in reference to the second sub-paragraph, what steps you take to ensure that the fertilisers actually do go on to the land: that the use of the fertilisers intended by Parliament is actually implemented?—(Sir *Donald Fergusson.*) There are two checks, three checks, perhaps. In the first place we have declarations by the seller of the fertiliser and by the purchaser of it. There is that double check. Then we have test inspections—local inspections—to make sure that there has not been lime, for example, bought and not used on the actual farm.

1844. Have you discovered any abuse?
—I cannot say that there have not been

occasional cases, but there are no significant cases: no significant abuse.

1845. You are satisfied that it is being used as intended?—Yes.

1846. Further to that, can you give us any figures illustrating the amount of lime and slag used since the passage of the Act in comparison with what was used in the days before the Act came into existence?—Yes, I have the figures here. So far as lime is concerned, the best estimate we can make is that in the season 1936-7 380,000 tons were used.

1847. That was before the Act?—That was before the Act, and in the first season in which the Act was in operation, 1937-8, 1,400,000 tons was used, nearly four times as much. As regards basic slag, our figures are, in the season before the Act came into force, 240,000 tons, and in the first season after the Act operated, 409,000 tons—an increase of about 70 per cent.

1848. Going on to the next paragraph, which I may as well take at the same

21 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

time, that is a question of price. I notice that, so far as lime is concerned, the original price was that ruling on 1st May, 1937, and that subsequently a still higher price was allowed. Was any attempt made in view of the large orders that were being effected to get a lower price for the lime?—No, Sir. The position was that we took the prices for lime that were in operation before any announcement of the Government's proposals was made. It was not considered necessary in the case of lime as it was in the case of slag to make particular arrangements with the trade. For one thing, it would have been very difficult, because there are a great many small producers of lime. Secondly, in the case of lime, additional supplies, largely mean setting up extra kilns, and there is not necessarily a saving in cost with larger quantities supplied. In the case of basic slag we did make special arrangements to secure a reduction of price in consideration of the larger anticipated sales. There was one further reason why we did not in the case of lime make any particular attempt to get a reduction in price and that was that at the time when the scheme was being introduced the price of coal was going up and we anticipated that probably the prices of lime would have been going up if it had not been for the scheme coming into operation.

1849. I notice that the price did go up; that you did allow later on an increased price. I was going to ask you whether you had good grounds for thinking that that was entirely due to the increased cost of the production of the lime, or whether there was not any element of scarcity value introduced into that computation?—No, Sir. We employed a firm of accountants to go very carefully into the question of costs and the increases in price allowed (which were not allowed universally but only in the case of certain producers), were based on the results of this investigation into costs which showed that costs had increased since the original prices were fixed.

1850. You are satisfied that the price you had to pay was justified under all the circumstances?—Yes.

1851. Turning to the question of slag, of which as you have already said, there was a reduction in the price, I notice at the foot of page xxxii that the Committee recommended reductions of

1s., 2s., and 3s., per ton, but the Ministers cut down this reduction in price, thereby making the price of the article greater than the Committee recommended: they cut down the reductions to 8d., 1s. 6d. and 2s. 6d. Can you tell us why the Ministers, after the recommendation of the Committee, took this action, which would appear *prima facie* to be against the public interest?—The reason was this, Sir: In the first place I think that what the Committee based their recommendations on was the fact that the increase in production and sales of basic slag, in the first year of the scheme, was rather greater than had been anticipated. For that reason, they assumed that that increase in production and sales would continue, and perhaps grow still further, and it was on that basis that they made the recommendations to the Minister which are stated in the Comptroller and Auditor General's Report. The producers of basic slag, however, represented to the Minister that the output of basic slag during 1938-39 would not be as large as during 1937-38. It is, of course, a by-product of the steel industry, and the representation they made was that there would be a falling off, and in the light of those representations, the Minister agreed that the lesser figures shown here would be reasonable. In the event the representations made by the producers proved correct. There was a lower output in the year 1938-39 and the forecast on which the reduction was made did prove correct.

1852. Has there been a further question since that date or does it stand at that at the moment, because it is true, is it not, that the output of steel is increasing at the present time?—Yes. At the time that these arrangements were made, it was recognised on both sides that it was an unsatisfactory procedure, perhaps, fixing prices like those on not very full information, and arrangements were made, and the producers agreed to a full investigation by an accountant of the position and the costs. That investigation is proceeding now, and should give us a surer basis.

1853. That is what is referred to in the final words of the paragraph, I think?—Yes.

1854. Can you tell us what is the type of accountancy that is investigating? Is it entirely independent of the producers?

21 March, 1939.]

Sir DONALD FERGUSON, K.C.B.

[Continued.]

—Yes, entirely independent of the producers. It was a firm chosen by the Minister.

1855. Entirely independent of the producers?—Entirely independent, yes.

Sir *Haydn Jones*.

1856. What sort of an inspection is made in regard to lime in the case of local inspection?—The purpose of the inspection locally is to see whether the lime or the slag—particularly, I think, as regards lime—has in fact been applied to the land. We have every reason to believe in any given case that the lime has been bought by the farmer presumably for his land, but the purchaser might sell the lime to a builder or something of that kind, for some non-agricultural purpose, and the object of the inspection is to see that the lime has been applied to the land itself.

1857. The point I make is this. I do a little farming. I have bought a little lime. I have never seen an inspector in my district?—We only make test inspections.

1858. How often?—In most cases the test inspections are made where there is reason to believe that there might be an element of fraud. 240,000 farmers have made use of the scheme and we could not possibly inspect all their farms. We could only do it by a test.

Mr. *Lathan*.

1859. I understood you to say that your first estimate as to cost was based upon the price of lime prior to the introduction of the Act?—Prior to the announcement that there was going to be a subsidy.

1860. That is something similar; and that thereupon there appears to have been an increase in price?—No, Sir: the position was this, that we fixed the prices at what they had been before any announcement was made. The prices remained at that figure for some time. Representations were then made by the producers of lime that some of their costs, in particular coal, had gone up, and a firm of accountants was appointed to examine the question whether the costs to these firms had gone up. He found that they had and a result of that investigation, the increase in price was allowed in certain cases.

1861. The accountancy enquiry extends to lime as well as to basic slag?—They were quite separate enquiries. The one enquiry I have just been referring

to was into the question whether the costs of producing lime had increased. The other enquiry made by a different firm of accountants into the cost of producing basic slag is now going on.

1862. What had been the period of time before the increase took place?—I cannot say off-hand. Speaking from memory, I think it was after about six months. The scheme came into operation in August, and it was next Spring. I think, that the increase took place.

1863. The accountants have enquired and are satisfied as to the justification for this?—Yes. It was not allowed in all cases; it was allowed in certain cases where it was shown.

1864. There has been an extraordinary increase in the volume of output, I gather, from the figures you gave to the Committee?—Yes.

1865. It is normally, I think, the experience that increased output means reduction in price rather than increase in price?—Yes, Sir, that is so, but it very much varies with the scope of the producer's business. In the case of little firms, it may be a question of setting up a new kiln, or something of that kind, which may be quite expensive. In the case of a firm where they can increase their output with their existing machinery, the consideration to which you refer would apply.

1866. I should imagine it would in the case of most of those upon whom you were dependent, would it not: the fixed charges would remain very much the same?—Not, I think, if they had to open a new kiln. The figures were these: the number of producers whose prices were increased was 361, and the number who received no increase was 146.

Mr. *Lewis*.

1867. I should like to ask a question with regard to the test inspections: I understood the witness to say that some 240,000 farmers availed themselves of the scheme?—Yes.

1868. Could you give us an idea as to in how many cases the test inspection was in fact made?—I have not the figure available at the moment. I should perhaps explain that in the early days of the scheme (the Act was passed in July, I think, and we had to operate the scheme from the beginning of August) we did very few inspections. The system of local inspections only came to be developed after some months. I

21 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

have just been given the figure: it is over 1,600.

1869. Could you tell me whether in any single case, where a test inspection was made, it was found as a fact that there had been a re-sale of the lime?—No; it has not been found. There are very heavy penalties in the Act against that.

Mr. Lewis.] I know, but I wanted to know the facts.

Sir Isidore Salmon.

1870. In arriving at the question of the justification for the increased cost of lime, an accountant was called in to see if the price that they paid for their raw material, after a certain date, had increased to such a figure as to justify whatever the increase might have been?—Yes.

1871. You assumed, presumably, that the original figure, the basic figure, was a correct figure?—Yes, Sir, we took the prices of lime as they were being charged by the producers before there was any announcement that the scheme was coming into operation.

1872. My point rather is that, if you are going to make an enquiry as to the reasonable cost to the user of lime, would it not have been a wise thing to have taken the cost of lime from the very inception rather than assume that on a certain date you draw a line and say: "If the contractor can satisfy us that the extra expense is attributable to the cost of fuel and this, that and the other, he is entitled to so much more a ton"? By an accountancy enquiry you have really done, if I may say so with respect, half the job instead of dealing with it as a whole?—There are two difficulties to which I may perhaps refer. The cost of producing lime varies enormously, according to the distance of the kiln from coal. You can produce lime, therefore, much more cheaply if you are near a coalfield than if you are at a distance from a coalfield. On the other hand with reference to the transport charges of the finished product, if you are wanting to get lime from a kiln to a farm, you must go, if you can, to the nearest lime producer to your farm. Therefore, the prices of lime charged by producers vary enormously: they did vary enormously before May, 1937, and they still vary enormously. What we have tried to do is not to allow any particular producer to put up his prices more than he could show was justified

since that time, so that, even if we found out whether all these producers could justify their prices before May, 1937, I do not know that we should be very much further on.

1873. I am sorry: perhaps I have not made my point clear. I understood you to say that there were 507 persons or firms supplying lime, of which you allowed 361 to have an increase on account of the cost of coal or fuel, and you refused any increase in 146 cases; that is the position?—Yes.

1874. However you arrived at that position, you presumably arrived at it, or the accountants did, by looking at each individual firm and its relationship to the question of transport and other necessary factors?—No; I think what happened was that the accountant examined the books of 41 producers to ascertain what the increased costs from coal and other reasons were, and on that basis increases were allowed, ranging from 2d. to 2s. a ton, to various producers.

1875. Did the accountants then zone the country as regards the increased cost of fuel?—Yes.

1876. Therefore, the point I am trying to make is this: I am not challenging the way in which you arrived at the increased cost, but what does strike me as rather strange (because I have had experience in other Departments of a very similar thing) is that, unless you really start your costing from scratch, it is a little difficult to say, first of all, if you originally paid a reasonable price; one assumes, because an accountant has given you a certificate that that is the right price, that the whole figure is necessarily right, when, as a matter of fact, you drew a line on a certain date and said: "That is going to be the basic price, and, if they are going to make any demand for an increase, they have got to justify it": I do not want to press it unduly?—I quite understand the point. You will recollect we had to introduce this scheme within five weeks of the passing of the Act, and we should not have been able to examine the costs of all the producers in the country. Moreover, the situation was that we are not ourselves buying the lime; the farmer is buying the lime. We were only concerned with this, that if we pay the farmer back half the cost of what he pays for his lime, that money should go to the benefit of the farmer and not into the pockets of the

21 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

producer of lime. We, therefore, felt we were meeting that if we took what the producers' prices had been before we started paying out.

1877. In the case of the slag, you are making presumably an enquiry from scratch?—Yes. We started by paying the prices, with a reduction, which we agreed with the producers. The reduction that we suggested and which they accepted was based on no costings. An investigation into costs there is now proceeding.

1878. In the case of the slag, you will deal, then, with each individual firm which is supplying this slag, to see that you are only paying an economic price?—Yes; there are only six of them; that makes it easier.

1879. It is an easier problem?—Yes.

1880. You were saying just now that you had some 1,600 tests?—Yes.

1881. Do you ever test for weight?—No. We could not do that unless we were there when it was delivered. It is up to the farmer to do that. He is paying half of it, so presumably he checks that.

Sir *Isidore Salmon*.] I appreciate he is doing that, but we appreciate that the farmer is not the most acute-minded person, is he, otherwise you would not need so many Departments within the Ministry if they were quite up-to-date.

Mr. *Lathan*.

1882. There are public weighbridges, are not there, over which these loads could be passed now and again?—It varies a great deal. A number of the big suppliers would perhaps pass them over weighbridges, but at a lot of the small lime kilns they may not.

Mr. *Pethick-Lawrence*.

1883. Perhaps you will take the suggestion conveyed in this question under consideration, and see whether any useful application could be made of it?—Yes, Sir.

LAND FERTILITY (RESEARCH) FUND ACCOUNT, 1937.

Mr. *Pethick-Lawrence*.

1890. Turn please, to the White Paper: "Land Fertility (Research) Fund Account 1937". On page 4 you will find the Report of the Comptroller and Auditor General. I should like to ask this question: Why do only the users contribute to the Research Fund in the case of basic slag? I notice that in

Mr. *Pethick-Lawrence*.] Turn now, please, to pages 300-301.

Sir *Irving Albery*.

1884. As regards the estimated expenses under sub-heads A, B and D, I notice that the estimated contribution was greater than the expenditure but the salaries and expenses are, to a large percentage extent, greater than was estimated: Is it because a special staff had to be set up, or is it a question of mere internal book-keeping?—The reason for the increase is that this was a new service, and we did not really know what we should require in the way of staff. We, in fact, found that we had more applications and more work involved in the applications than we had anticipated when this estimate was framed. That is the reason. We just had to make a very rough guess at what the administration would cost, before the Act was passed.

1885. Is there a special staff devoted entirely to this work?—Yes.

1886. About how many persons?—It is known as the Land Fertility Committee: there are six senior officers and about 120 clerks.

1887. All devoted entirely to this particular work?—Yes.

1888. How many farmers are making use of it?—240,000.

Mr. *Pethick-Lawrence*.

1889. Do your figures relate to the present day: they cannot surely relate to the £17,000: you cannot employ 6 officers and 120 clerks for £17,000, can you?—(Sir *Gilbert Upcott*.) I think that is the 1938 provision that Sir Donald has given. (Sir *Donald Fergusson*.) I am afraid I have. There have been 365,000 applications of one sort and another. (Sir *Gilbert Upcott*.) 1937 was only a part year and was only in the initial stages. The numbers relate to 1938.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed*.)

the case of lime both the users and the producers make a contribution: what is the reason for the distinction?—(Sir *Donald Fergusson*.) The sums involved, of course, are comparatively small, but, when the negotiations with the producers of basic slag for fixing the prices of basic slag were taking place, when the figures were eventually reached, it

21 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

was not thought expedient or desirable to ask for a further contribution of the 2d. a ton for the Research Fund from them. It was a question of the negotiations to get the price down which was the main thing.

Mr. *Pethick-Lawrence*.] Are there any questions on the Comptroller and Auditor General's Report? Now we come to the actual Accounts on pages 2 and 3.

Sir *George Davies*.

1891. I observe that 11 institutions have been selected for advisory and local investigation work and have received grants in accordance. I should like to know on what basis those are selected, or whether there are additional ones likely to be selected at some future time?—Those are the recognised provincial centres under our scheme of advisory work under the Ministry of Agriculture. Those are the provincial centres who normally do the work of tests for farmers under our general advisory system under the Ministry of Agriculture.

1892. That is the complete list of them?—Yes, who have got chemists to do this work.

Sir *Haydn Jones*.

1893. Why do the grants differ?—It was mostly a question of enabling them to get extra staff or laboratory equipment to cope with the additional samples which they were asked to test and that varied, to some extent, with different centres.

1894. Do the sums vary with the amount of work done or how?—Yes, very much, and in certain parts of the country, of course, much more use was made of this scheme than in others, depending partly on whether it was lime deficient or phosphate deficient soils.

1895. What does the University College of Wales actually do for £300: I am speaking of the University College of Wales, not the University College of North Wales?—It would have to make

arrangements for collecting and testing samples of soil sent by any farmer in that particular district which this provincial centre covers. Wales has made a very big use of the scheme. I have the figures of the number of applications here.

1896. Is that Aberystwyth or the University: you have got it down as the University of Wales?—Aberystwyth and Bangor.

1897. You have got Bangor as North Wales?—University College of Wales would be Aberystwyth. The numbers of applications for lime in some of those counties were very big: In Carmarthen there were 4,843, and in other counties 3,000 or 2,000. In many cases the farmer will not have had his soil tested before he applied for his lime, but in a great many cases he will have had his soil tested and he is entitled under this scheme to have it tested free, and we pay a contribution to enable those provincial centres to carry out the work of testing.

1898. We have in Wales a University of Wales, and you have got it down as the University College of Wales, and not Aberystwyth?—I am afraid I only know from our point of view; Aberystwyth is our provincial centre, from the Ministry of Agriculture's point of view, for doing this sort of work.

1899. It should be Aberystwyth?—I am sorry about that. We may have made a mistake.

Mr. *Lathan*.

1900. Not all the farmers subscribe to this research section?—Yes. There is a deduction in respect of every ton of lime or slag used.

1901. They all of them subscribe to it?—Yes: 2d. a ton is deducted: when we pay them our contribution, it is deducted and paid to the Research Fund.

1902. So that they are all entitled to the assistance which you can afford them by this research work?—Yes.

Mr. *Pethick-Lawrence*: May I take it that this Account is approved? (*Agreed.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 10.

MILK (ENGLAND AND WALES AND NORTHERN IRELAND).

Mr. *Pethick-Lawrence*.

1903. We come now to pages xxix-xxx of the Comptroller and Auditor General's Report: are there any questions on para-

graph 50? On paragraph 51, what was the subsidy and what were the remanet payments?—(Sir *Gilbert Upcott*.) The remanet payments were rather larger; I

21 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

should say remanet payments are about £80,000 out of £140,000.

1904. It is the last sentence of sub-paragraph 2 of paragraph 51?—The actual payment under the sub-head is shown on page 294 as nearly £140,000 under sub-head A, and according to my information, I should say about £80,000 of that is remanet payments.

1905. If you have any comment to make on that, Sir Donald, perhaps you will make it later. Coming to the third sub-paragraph, Sir Donald, can you tell us what the liability amounted to and what the difficulties were?—(Sir *Donald Fergusson*.) Yes, Sir. The amount in question was about £112,000. The difficulties were that we had to make regulations under the Milk Acts specifying the form of return to be made by the Milk Board to enable this repayment liability to be calculated. The difficulties arose about certain types of milk that had been used for manufacturing into cheese on the farms which had not been subsidised under the Milk Acts. We had a great deal of difficulty in making the necessary regulations to cover these categories, but eventually those were settled. It was the delay in making those regulations that prevented our getting the money in in this particular year.

1906. Does that mean that you will recover it in a later year?—Yes.

1907. You have, of course, the possibility of making contra accounts?—Yes; we shall get the money in a subsequent year.

1908. Turn now, please, to pages 294-295: if you look at sub-head B, you will see, Sir Donald, that there was an underspending to the amount of £9,000, or roughly 25 per cent. of the estimate. Incidentally, I notice that in Scotland they spent considerably more than their estimate. What is the reason why in England and Wales and Northern Ireland the estimated expenditure was not actually reached?—I am afraid that this is one of those cases in which Scotland got a little bit ahead of England in the matter of their attested herds. I am, however, happy to say that we have now been catching up. The reason for this is that the attestations did not proceed as fast as we had hoped, but we have since that date to which these figures relate been making much more rapid progress.

Sir *Assheton Pownall*.

1909. On page 294, you had originally £310,000; you then take £78,000 supplementary and, notwithstanding that, you spent £170,000 less than the original sum taken. It is rather extraordinary to take a supplementary when you are so much under your estimate anyhow?—The reason for that, Sir, was that the supplementary estimate was taken in July, and it was only after that that the prices of butter and cheese rose.

1910. Was it necessary to take a supplementary in July, which is within three months of the beginning of the accounting year?—We only had the legislation for the period of a year.

1911. I cannot quite see why you could not defer your supplementary estimate until later on in the year, when you knew more where you were, you take a supplementary estimate when your original figure was already itself more than £170,000 more than was required. It is very bad budgeting: have you anything to say on that, Sir *Gilbert*?—(Sir *Gilbert Upcott*.) I am not responsible for bad estimating.

1912. It is almost unique in its way?—(Mr. *Brittain*.) I think the answer is that a supplementary had to be taken anyhow, because the legislation only ran up to a date in the middle of the financial year. They had to take a supplementary in the summer, and, when they took a supplementary, naturally they would make the best shot they could, at the time, of their requirements for the whole of the year.

Sir *Assheton Pownall*.] It is an extraordinarily bad shot, is it not—a quarter of a million pounds out?

Mr. *Mabane*.

1913. Would you split up sub-head C a little, please?—(Sir *Donald Fergusson*.) That covers the following services: the "milk in schools" scheme, which is contributions to enable milk to be sold cheaply to school children in schools.

1914. How much is that?—For milk in schools, the estimate was £408,000, and the actual expenditure was £442,000.

1915. Do you mean that the original and the supplementary estimates together were £408,000?—Yes.

1916. What was the original estimate?—I am afraid I have not got that figure here with me. I can get it if the Honourable Member wishes.

21 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

1917. If I might just divert from that, what I wanted to ask was why an estimate of somewhere about £200,000 was made as being likely to be your probable contribution towards your "milk-in-schools" scheme, when your actual expenditure was about £442,000?—(Sir Gilbert Upcott.) It was due to the extension of the Act.

1918. That is what I was asking?—When they began the year, the milk scheme was only running to a definite date, and then it was extended.

1919. I was asking that question, because, if you look at the note, you will see the explanation you have just given is not in the note: I was asking for that information; is that correct?—(Sir Donald Fergusson.) Yes; that is the explanation: it is the supplementaries under sub-heads A and C, to a large extent: we had to have supplementaries because the Act expired.

Mr. Pethick-Lawrence.

1920. Do you wish to add to that, Mr. Brittain?—(Mr. Brittain.) No, the explanation is as given by Sir Donald: the original Act only ran up to September of that year.

Mr. Mabane.

1921. What is the second item?—(Sir Donald Fergusson.) The second item is an estimated expenditure of £500 for a nutrition survey which is being carried out to test the effect on children of drinking milk. £219 was the actual expenditure. The third item is "General publicity advertising the advantages of drinking milk," for which the estimate was £21,000, and the actual expenditure was £31,941.

1922. That is the lot, more or less?—Yes.

1923. Is that General Publicity item a contribution you make to the Milk Marketing Board in accordance with some expenditure they make? Is it a ratio of their expenditure?—Yes; it was a ratio of their expenditure. We no longer contribute to that now.

1924. Last year we spent some time on this publicity scheme, and I understand that last year you told us you were contributing on a pound for pound basis?—Yes.

1925. Is that scheme at an end?—The last of those schemes has been terminated, and the Minister has informed the Milk Marketing Board that in future he is not going to contribute any further to their publicity. They are,

therefore, paying for their own publicity entirely themselves now.

1926. How was this £31,000 spent?—That was spent under the arrangements which were then in force under which we did contribute to the expenditure of the Milk Marketing Board on posters and publicity.

1927. I remember that last year you told us that the Milk Marketing Board proposed to spend £60,000 a year on publicity?—Yes.

1928. I take it that in this year under review they spent £62,000 and you contributed £31,000: is that roughly correct?—That will be approximately correct, yes.

1929. Can you tell us how that was spent? The previous year they spent £76,000. Was this £62,000 spent almost entirely on the newspapers?—A good deal of it, I think, was spent on posters as well. It was for Press and posters publicity.

1930. You have no control over the manner in which it is spent? That is a matter which is entirely within the province of the Milk Marketing Board, or is the whole of it under the National Milk Publicity Council?—No; it is under the Milk Board.

1931. Where does the National Milk Publicity Council come in?—(Sir Gilbert Upcott.) It does not get a Government grant. (Sir Donald Fergusson.) They have a separate scheme.

1932. To which you make no contribution at all?—No.

1933. And the Milk Marketing Board decides entirely, without any direction or assistance from you, as to how this £62,000 is spent?—They produce a scheme in which they give various general headings: for example, there is to be so much spent on the main and supplementary Press campaigns, and so much on a poster campaign, and they provide estimates of that kind, but they are responsible for it.

1934. May I ask why this was stopped: because the results were not found to be satisfactory?—No, because we thought we were contributing in other ways to the Milk Marketing Board, and they could afford to pay for their own scheme by themselves in future.

1935. So you feel that really this contribution did not in the end result in a very considerable expansion in the sales of liquid milk?—No, on the contrary. I think the facts are quite clear: there has been a great increase in

21 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

the consumption of liquid milk in this country—a very remarkable one.

1936. Yet you do not want to continue the scheme of the expenditure of this money?—The scheme is being continued, but the Ministry is not contributing to it.

1937. Are the Milk Marketing Board spending as much now; that is to say, double the amount they used to spend?—As far as I know, but I have not got their figures.

Sir *Isidore Salmon*.

1938. Could you give us any figure as to the increased gallonage, directly or indirectly, as a result of this publicity in the past?—I can only give the increase in the amount of liquid milk drunk; I cannot say that that is attributable to publicity or propaganda, or any other reasons.

1939. But the fact remains that there has been very much more milk drunk in the country?—Yes; very much more.

1940. Have you any idea what the figures are?—The last Annual Report of the Milk Marketing Board shows that the increase in liquid milk sales since the Milk Marketing Scheme came into operation is 51,303,000 gallons a year.

1941. When you say “since the Marketing Board came into operation,” have they increased in any one year that figure, or is that the total figure they have increased since they have been in existence?—It is over the amount of liquid milk consumption the year before the scheme came into operation.

Sir *Haydn Jones*.

1942. How did they know?—It is estimated that the net increase since the scheme came into operation is 40,000,000 gallons a year.

Sir *Isidore Salmon*.

1943. 40,000,000 gallons a year?—Yes.

1944. How were you able to arrive at a basic figure to say it was 40,000,000 gallons a year? What statistics did you have in those days to work upon?—I beg your pardon: I find that the increase that I have just mentioned is for the year ending March, 1938, compared with the previous twelve months.

1945. That is the 40,000,000 gallons you spoke of?—Yes.

1946. Could you tell us roughly, as regards the expenditure of £139,000 under sub-head A: “Milk used for

Manufacture”, to what extent that was divided between England and Ireland? It is not material if you have not got it handy, but it would be interesting if you have?—(Sir *Gilbert Upcott*.) £31,897 is my figure of the payments to Northern Ireland.

1947. Out of the £139,000 odd?—I think so.

1948. About 25 per cent.?—(Sir *Donald Fergusson*.) Yes; £31,897 is the figure.

Mr. *Pethick-Lawrence*.

1949. With regard to this increase of consumption of liquid milk, of course, the publicity is only one factor out of several. There has been, for instance, a very great increase in the milk to schools. Could you tell us how much increase out of the 40,000,000 gallons can be attributed to the increase in the milk for schools scheme?—In the Report of the Milk Marketing Board, the same one as the one from which I am quoting the 40,000,000 gallons, it says: “The financial arrangements for the supply of milk to school children are to be continued until the end of September next under the Milk (Amendment) Act, 1937. The number of children is steadily increasing, and, at the close of the financial year under review, there were nearly three million school children taking milk regularly on the customary school days and in some cases during holidays. The total consumption of milk under this scheme was twenty-five million gallons, compared with twenty-two million gallons in the previous year.”

1950. Twenty-five millions as against twenty-two millions?—Yes.

1951. That is only an increase of three millions; that would not be a very large part of the 40,000,000 gallons. If the cost of this publicity campaign falls on the Milk Marketing Board, would it be correct to say that in effect that all comes out of the pockets of the consumers of liquid milk?—The publicity comes directly out of the pockets of the producers. The Milk Marketing Board pays the costs; that is so much less for them to pay the producers.

Sir *Isidore Salmon*.

1952. But does not it come out of the percentage they charge for general administrative expenses—so much per gallon?—In May of each year they make a levy on both the producers of milk and on the distributors (an eighth of a

21 March, 1939.]

Sir DONALD FERGUSSON, K.C.B.

[Continued.]

penny per gallon each) and that is the money that is used for publicity work and administration.

Mr. *Pethick-Lawrence*.

1953. I do not want to press the matter, but it is arguable, I imagine, that in the last resort it does fall upon the price of the liquid milk: would you agree with that?—I should have said myself that the charge is made directly; it is made in the form of a diminution in the payments to the producer.

Sir *Isidore Salmon*.

1954. Have you got handy the total gallonage of milk that I asked about? You told us what the increase was, but have you got the total gallonage?—I have these figures: for 1937-1938, the total liquid milk was 720,000,000 gallons (I am giving it in millions of gallons): that showed an increase of 51,000,000 gallons over the sales for the previous year.

1955. That 720,000,000 odd includes milk supplied to children?—Yes.

1956. The total gallonage of milk consumed?—Liquid milk.

Mr. *Mabane*.

1957. I should like to be clear on the question of the nutrition survey. You said the estimate was £500 and the expenditure was £219. Last year you said the contribution was £5,000 and the expenditure was £3,300. Unless we are talking about two different things, it looks to me as if one of the figures is wrong?—This payment here is the last remanet of a scheme which was to cost £5,000.

1958. The final question is: what number of children is represented by this 25,000,000 gallons: what number of children are receiving milk?—The figure is nearly 3,000,000 school children.

1959. Last year you gave us an exact figure. You gave us the figure on one particular day?—I do not know whether I have got a figure for this year.

(Sir Donald Fergusson withdrew.)

VOTE 21.

DEPARTMENT OF AGRICULTURE, SCOTLAND.

Mr. P. R. LAIRD, C.B., called in and examined.

Mr. *Pethick-Lawrence*.

1966. Now we turn to page 326, Class VI, Vote 21: "Department of Agriculture, Scotland." I have no questions on page 326; on page 327 I should like to ask why there is a considerable

1960. You said it was 2,793,000. It is rather important to have the exact figure to observe whether there is an increase or a decline?—On the 1st October, 1938—

1961. That is not in the year under review, is it?—No. I am afraid I have not got it in the year under review.

Mr. *Lathan*.] Were the figures that you quoted for the year then under review?

Mr. *Mabane*.

1962. We were given the figure last year by Sir Donald in reply to Mr. Benson, who asked, at Question 2137: "May I ask the number of children receiving milk?—(Sir Donald Fergusson.) 2,793,000." Then the Chairman asked for the figure at that moment last year and was told: "2,800,000," which showed a slight decline as compared with yet another figure that Sir Donald gave. I thought it would be valuable if we could have on record the actual number of children receiving the milk year by year?—I could no doubt obtain the figure.

Mr. *Pethick-Lawrence*.

1963. Perhaps you could obtain these figures, Sir Donald; I think it would be extremely valuable?—Yes.

Mr. *Mabane*.

1964. At a key date in the year under review?—Yes.

Mr. *Lathan*.] Would it be advisable to have them for the past two or three years?

Mr. *Mabane*.] It would, because I have been looking at the figures for the past two years, and frankly I cannot understand them.

Mr. *Pethick-Lawrence*.

1965. Perhaps you will let us have that?—Yes.*

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (Agreed.)

underspending under sub-head J?—(Mr. *Laird*.) The principal reason for that, Sir, is that it was expected that an important drainage work on the River

* See Appendix 10.

21 March, 1939.]

Mr. P. R. LAIRD, C.B.

[Continued.]

Kelvin would be started in the year which is under review, but in point of fact it was not started then, and is only just being started at the present time, this month.

1967. It is going on now?—Yes.

Mr. Lathan.

1968. Is that failure to get started due to some physical difficulty arising, or was it a matter of policy?—The main difficulty was that, before we could start the works, there was an elaborate procedure to be gone through in relation to arbitration or compensation claims which has taken much longer than we expected.

Sir Isidore Salmon.

1969. Your total expenditure under review is slightly down, some £15,000 in salaries: is that due to the division of the offices of the Ministry in London and in Scotland, comparing it with the Appropriation Account of the year previous. I did not know if there was any special reason for it?—The previous year, I think, the total salary expenditure was £175,000, or thereby. It is up in the year under notice, is it not?

1970. Take your total figure of expenditure of £699,000, on page 328: I did not know if there was any special reason for it?—No; I do not think so.

1971. The only other question I should like to ask you is this: We discussed last year the question of the raspberry scheme?—If I might just revert for a moment, there is one special point in

explanation of the reduction and that is sub-head G, "Agriculture (Scotland) Fund (including Grants in Aid)." In this year we finished the period during which an extra payment was made for special land settlement purposes.

1972. Is there anything to be said regarding your scheme? You were going to have a scheme for raspberries and it was discussed last year, if I remember correctly?—Yes. There has been no revival of that scheme.

Mr. Pethick-Lawrence.

1973. Pages 328, 329 and 330. On page 328, sub-head P, "Regulation of Agricultural Wages," if I am correctly informed, I think this is a new service so far as Scotland is concerned? It corresponds to a service which has been going on in England for a considerable time, but it is a new service as far as Scotland is concerned, is it not?—Yes, the Act was only passed in 1937.

1974. Is it operating successfully?—Yes, very successfully.

Sir Isidore Salmon.

1975. On the Appropriation Account, your receipts are not quite as large as you estimated?—No. The main item there is the Development Fund grants, the very first item, which is simply of course a counter-entry against expenditure on the sub-heads.

Mr. Pethick-Lawrence.] Pages 331, 332, 333, 334, and 335. Are there any further questions? May I take it the Account is approved? (*Agreed.*)

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

DEPARTMENT OF AGRICULTURE FOR SCOTLAND.

Mr. Pethick-Lawrence.

1976. Now turn to the Trading Accounts, pages 52 to 55, "Small Holding Colonies," "Combined Estate Profit and Loss Account." I think last year on page 52 you promised to look into the question of this Account, both as to the method of accounting—I am referring particularly to the administration expenses which appear about two-thirds down on page 52, £56,000—and as to whether this expenditure on administrative matters was economically run. Have you anything to say with regard to that?—(Mr. Laird.) Yes, I wrote a letter to the Clerk of the Committee on the 12th May last year, which gave a

full explanation of how these administrative expenses were calculated. That was done in consultation with the Treasury, and I do not think there is really anything to add to that explanation, except that we are continuing to adopt the same methods of calculating the expenses, with one modification: we found out that the detailed procedure which we had undertaken in order to arrive at the cost of administration brought out in the years 1934, 1935 and 1936 respectively costs of 55·7, 59·6 and 60·2 per cent. of the total charges relating to land settlement generally. It was therefore decided with Treasury approval that in order to avoid going

21 March, 1939.]

Mr. P. R. LAIRD, C.B.

[Continued.]

through the very laborious process of making a calculation every year to arrive at what appeared to be the same results to all intents and purposes, we should take 60 per cent. as being roughly the proportion which we ought to assign to administrative expenses, and that has been done in the account under notice. It was our intention to continue that for a year or two, and then to make a further calculation on the old basis in order to see that we were not straying too far from actualities; but by taking a fixed percentage ratio we shall save ourselves a great amount of detailed calculation which takes a great deal of time and trouble.

Sir *Isidore Salmon*.

1977. You are talking of small holdings?—Yes. The Land Settlement Expenses, Small Holding Colonies.

Mr. *Pethick-Lawrence*.

1978. Are you going to review the accounting any further, or are you satisfied now that you have reduced it to the simplest terms?—I think we are satisfied that we have reduced the accounting—so far as this particular question of ascertaining administrative expenses is concerned—to the simplest possible proportion. It does not follow, of course, that we shall not always watch the major question of whether these administrative expenses are too high or not.

1979. Are the Treasury satisfied on this point?—(Mr. *Brittain*.) Yes, it was arranged in agreement with us.

Mr. *Lathan*.

1980. Page 53, on the right-hand side, "By Balance, Loss, transferred to Balance Sheet, £163,723," and last year £163,068. Am I correct in assuming that the net result, after having allowed for depreciation, interest, and so on, is a loss of £654? If you have increased your loss by £654, that, in effect, is the result of the year's working, is it not?—(Mr. *Laird*.) I think that probably is so.

1981. Am I correct in understanding that interest, as well as depreciation, has been provided for?—That is what always brings out this loss figure in regard to these Trading Accounts, the charge of interest on moneys which were borrowed at anything from 3½ to 6½ per cent. from the Public Works Loan Board. That, as has been explained many times to the Committee, is really

15417

what causes the loss. It is only a loss in respect of the fact that we have not made a sufficient profit to cover interest rates.

1982. They were borrowed at high rates?—A great deal of money was borrowed at very high rates in the years immediately after the War from the Public Works Loan Board.

1983. There is nothing that can be done, I suppose, to relieve the undertaking of that very heavy burden?—No, nothing except a re-modelling of the Accounts, which, as the Committee know, has been under consideration. (Sir *Gilbert Upcott*.) You have misinterpreted these Accounts, Mr. Lathan. The loss for the year under account is £163,000 odd. It was £163,000 odd last year, too. That last figure on the right-hand side of the Accounts is an annual loss.

1984. There is a net increase of £654 on the annual loss?—Yes, it is by that amount larger than it was last year. The total figure is an annual loss.

1985. That makes it very much more significant, and increases the importance attaching to the interest charges which I understand are £140,984, for the current year?—(Mr. *Laird*.) Yes. (Mr. *Brittain*.) On the following page, the total losses up to date are about £2½ millions, accounted for as regards about £1¼ millions by interest accrued.

Sir *Irving Albery*.] Mr. Chairman, last year there were several questions put on this question of administration expenses. Nearly every question ended by an appeal for a paper, and the questions were usually stopped on the basis that the paper would be put in. I understand a detailed paper has been put in, which was, I believe, too long in detail to circulate?

Mr. *Pethick-Lawrence*.] Perhaps I had better answer that myself. There has been a paper which I have seen for the first time to-day, but what I gathered was that since that paper was contributed, setting out the method of the account, it was the intention of the Department very greatly to modify the whole method of presenting the Accounts again, and I think Mr. Laird has told us that there are certain modifications (perhaps it is an exaggeration to say "considerable"), but at any rate my opinion was that it would only confuse the Committee if I were to give them this scheme, and on top of that there was to be a further modification and I thought it would be better to wait

I 2

21 March, 1939.]

Mr. P. R. LAIRD, C.B.

[Continued.]

until we had the whole scheme in its complete and present form, and that is the reason.

Sir *Irving Albery*.] I was not raising the point in any way as a complaint. The fact remains that one still is without any definite answer to the questions one put last time. I do not want to weary the Committee by reading out the evidence which was taken down last time, which is here in print. I was wondering whether some time or other we could have an answer.

Mr. *Pethick-Lawrence*.] When the method has been reviewed and brought up to date, we may then get a complete and up-to-date statement of how the Accounts are compiled.

Sir *Irving Albery*.

1986. As concisely as possible?—(Mr. *Laird*.) I think so. As far as the form of the Accounts is concerned, it is a Treasury matter. We have been in consultation with them. (Mr. *Blunt*.) We have been in consultation with the Department on the general question of altering the form of the Accounts and that is one of the things we hope to put in for consideration on Treasury day.

Sir *Irving Albery*.] I was interested to know how the percentage is arrived at. It seems a high figure.

Mr. *Pethick-Lawrence*.

1987. I will show you the document we have had with pleasure.—(Sir *Gilbert Upcott*.) Whatever the form of the Accounts, the short point stands, I think, that the Department of Agriculture in Scotland administer land settlement directly themselves. In England the direct administration is done for the most part by the County Councils. That is the explanation of the great difference between the cost of administration in England as compared with the cost to this Department. The cost of administration is much higher in Scotland, because they do the direct administration themselves entirely, whereas the administration in England is mainly done by the County Councils.

Sir *Isidore Salmon*.

1988. Therefore, that proves, if I understand it correctly, that the County Councils do it more cheaply?—No, the County Councils' cost of administration is not included in the figures.

Mr. *Pethick-Lawrence*.

1989. As I understand you, Sir Gilbert, the cost of administration falls on the County Council in England, and does not appear in our Accounts, whereas in Scotland the cost of administration falls directly on the Exchequer, and therefore does appear in our Accounts?—That is so.

Sir *Isidore Salmon*.

1990. What I should like to ask Sir Gilbert to tell us if he knows is this: It does cost the County Council a certain figure for administration. If we had that figure, could we make a comparison as between the general administration in Scotland and that by the County Councils?—That is not within my knowledge.

Mr. *Pethick-Lawrence*.] We cannot deal here with the figures that are spent by the County Councils. They are outside our province.

Sir *Isidore Salmon*.] I will address my remarks to the Treasury. I am not suggesting criticism of anyone. All I am asking is for information.

Mr. *Pethick-Lawrence*.] My point is that you cannot ask for the figures of the County Council in this Committee, because they do not come within the purview of this Committee in any way.

Sir *Isidore Salmon*.] I am sorry I have not made my point clear. What I wanted the Treasury to say, if possible, is this: Could they say which was the cheaper administration, that administered by the State or that administered by the County Council?

Mr. *Pethick-Lawrence*.] I do not think I could allow that question to be put, because it is *ultra vires* this Committee altogether to discuss what is the expenditure of a County Council on these matters.

Sir *Isidore Salmon*.] I will not say more about it. I should like to ask, with reference to the Account that is before us, this question: On page 52 I notice that last year there was a write-off of £3,000: "Other capital losses written off", and this year £406 only. Therefore, so far as we are concerned, our figures, on the face of it, in making a comparison of one year with another, are £2,500 worse than they appeared to be when Mr. Lathan quoted a figure just now of the loss being increased by some hundred pounds only.

21 March, 1939.]

Mr. P. R. LAIRD, C.B.

[Continued.]

Mr. Lathan.

1991. I was mistaken. It is £163,000? —(Mr. Laird.) It is the case that the loss was about the same. With regard to the particular item that you mention, if you are interested in the reason I can give it.

Sir Isidore Salmon.

1992. No, not in the reason, but the fact does make the loss so much greater? —Yes, it will vary from year to year. The item will go up or down according to the rate of settlement and one thing and another.

Sir George Davies.

1993. At the top of page 55, I observe that land and buildings to the extent of £252,006 have been sold. Could we have any idea as to the comparison of that with the figure at which they were secured? I should like to know whether there has been a heavy loss on realisation?—I am afraid I have not got that. I am told they were odd houses in estates and that it would be almost impossible to get this information.

1994. Just oddments that were not wanted in the acquisition?—Yes.

Mr. Pethick-Lawrence.] I will put those Accounts, pages 52 to 55. These are the individual estates: On pages 56

and 57, Borgie Estate; on pages 58 and 59, Gariochsford Estate. Are there any questions on these Accounts? May I take it that these Accounts are approved? (Agreed.) Now pages 60 and 61, Knocknagael, Beechwood, Cantraydoune and Balrobert Stud Farms.

Mr. Lathan.

1995. Could we revert for a moment to pages 60 and 61. I notice a profit last year has been turned into a loss this year. Is there any special reason for that?—Yes, the main reason for that was that this was a bad year for crops and prices of grain. Most of the crops that we realised had to be valued lower, because the prices were ruling low.

1996. I rather took it, this being a stud farm, that it was from that quarter?—No. Running it as a stud farm, we have to grow crops for the purpose of feeding the stock, and we have to value those, and the main cause of the change was the low prices of commodities in that year.

Mr. Pethick-Lawrence.] May I take it that the Accounts are approved? (Agreed.) Pages 62 and 63, Knocknagael Farm. May I take it that these Accounts are approved? (Agreed.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

Vote 22.

MILK (SCOTLAND).

Mr. Pethick-Lawrence.

1997. Now turn to the Civil Appropriation Accounts, 1937, page xxx, paragraph 51 of the Comptroller and Auditor General's Report. We have had paragraph 51 before us. This is just the Scottish part of paragraph 51. Are there any questions? Turn then to pages 336 and 337. I notice that the item under sub-head B is growing. Can you tell us Mr. Laird, anything with regard to that?—(Mr. Laird.) That was growing in respect that the attestation scheme under the Milk Act, 1934, made much more rapid progress in Scotland than was expected, and accordingly more money was required for the premiums for attested herds; but since this Account was closed all that work has gone over to the Ministry of Agriculture and is being done by their veterinary

staff, so it will not grow on our Vote in future. It is finished.

Mr. Pethick-Lawrence.] Are there any further questions on pages 336 and 337?

Mr. Mabane.

1998. In sub-head B you anticipated a saving because of the transfer of the Tuberculosis (Attested Herds) Scheme to, I take it, the English Ministry?—Yes.

1999. What was the amount of the saving that you anticipated but which was not realised, which resulted in your expenditure being higher?—I think that would be indicated by the amount of £7,500 that we were able to detach from sub-head B for the supplementary required for sub-head C. We really borrowed from A and B in respect of the extra money required for sub-head C.

21 March, 1939.]

Mr. P. R. LAIRD, C.B.

[Continued.]

That was the extent of the anticipated saving of the amount that we could spend.

2000. It would not pass off your Vote entirely?—It did not pass off our Vote entirely. It passed off our Vote on the 1st April. It was to have passed off in January.

2001. I take it there is some money that you spent in this year under review that you anticipated would not be spent by you, but would be spent by the English Ministry of Agriculture and Fisheries?—That is so.

(Mr. Laird withdrew.)

WHEAT FUND ACCOUNTS, 1937-38.

Mr. H. D. VIGOR, O.B.E., called in and examined.

Mr. Pethick-Lawrence.

2005. We now come to the White Paper, "Wheat Fund Accounts, 1937-38." Turn first to the Comptroller and Auditor General's Report, pages 6 and 7 of the White Paper. On page 6, paragraph 2, the second sub-paragraph, can you tell us what effect will the increase in acreage have on the quota?—(Mr. Vigor.) The effect is that in any year where the maximum quantity permitted by the Agriculture Act is marketed, the quota payment is liable to be about one-third more than it would have been under the Act of 1932.

2006. Are there any questions on that paragraph 2? Paragraph 4: Can you explain to us the reason for the decision of the Commission on this point?—We took counsel's opinion upon the question whether we could recover from millers quota payments in respect of wheat-meal which some of them had used for manufacturing purposes in preparing feeding stuffs. The advice we received was to the effect that it was unlikely that we should be able to recover the quota payments if we based our claim upon the amount of wheat-meal used in the feeding stuffs, but in order to succeed we should have to base our claim upon the total tonnage of the feeding stuffs, including the non-wheaten substances in them. That meant to say we should have to formulate a claim against the millers not for £6,000 but for something like £30,000. We came to the conclusion that that was a very heavy responsibility for us to take in pursuing a claim of that kind, with the possibility that it would not succeed in the courts. We took into account the fact that the millers had engaged in the manufacture

2002. What was that amount?—£11,800.

2003. We might expect to find in the English Ministry that they were in fact to that extent not spending money that they anticipated they would have to spend?—I think that is so, yes.

2004. Could you tell us how many children were receiving milk?—It has remained fairly steady at about 300,000 for some time.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (Agreed.)

of this meal under some misapprehension of the provisions of the Act, and that they discontinued manufacturing the meal after their attention had been drawn to the matter, and we also took into account the fact that the Minister intended to clarify the whole position about the wheat-meal in the Bill which has just come before the House of Commons, so we thought the proper course in the circumstances was not to pursue the matter in the courts at the same time as the matter was being dealt with in other ways by Parliament.

2007. Are there any more questions? On paragraph 5, can you tell us how far this scheme compares with the Civil Service superannuation?—One of the chief differences between this scheme and the Civil Service scheme is that this is a scheme in which the staff contributes some part of the cost; nearly one-third of the cost is contributed by the staff of the Commission. When you exclude the staff's contribution, the cost to the employer, the Commission, is very little different from what we understand to be the cost of the Civil Service scheme to the Exchequer. In return for those contributions the staff do receive certain benefits which may be regarded as making the scheme a little bit more attractive to them, but if that is so, it is the result of their extra contributions.

2008. Has the Treasury anything to say on this point?—(Mr. Brittain.) I do not think so, Sir. I do not know that we are in a position to express an opinion on the scheme.

2009. Are there are other questions? Turn now to the Accounts, pages 2, 3, 4 and 5. If you look at page 5, towards the end, you will find the words

21 March, 1939.]

Mr. H. D. VIGOR, O.B.E.

[Continued.]

"Other debtors, £2,175." Who are these other debtors in question?—(Mr. Vigor.) As to £1,680, they are certain wheat-growers from whom we were then claiming the repayment of deficiency payments that were irregularly obtained. As to £192, it was a debt due from a grower who had been prosecuted and against whom we had obtained a judgment in the court. That £192 is in a suspense account. The third liability was £260 due to the estate of a member of the staff who had died and who was entitled to a superannuation payment from the insurance scheme, and a small amount was stamp duty due to us from the Inland Revenue.

Sir Irving Albery.

2010. On page 4 there is an item in the Wheat Fund Investment Account. "Investments at cost and interest accrued," £1,287,000 odd. On the other side, page 5, is "Investments, retained at cost, and interest accrued" £1,133,000. Then there are some Treasury Bills down below. The point I wanted to ask was: It appears from that that some investments have been sold, and I should have thought that must have resulted in either a profit or a loss. If so, where does that appear?—The difference between cash invested and the investments retained would represent loose cash at the bank.

2011. But surely in an Account of this kind—perhaps I had better ask the Comptroller and Auditor General—would it not be usual, if you have investment in an Account at cost and you sell and they realise more or less, as the case may be, to carry the balance in some separate item?—(Sir Gilbert Upcott.) I understand the sales were all Treasury Bills.

2012. In that case, why did they have a separate item, "Treasury Bills," just below on page 5? You have "Investments retained" and then you have "Treasury Bills."—The second figure of

Treasury Bills on the right is the holding at the end of the year.

2013. They have got the item "Treasury Bills" quite separately? "Cash invested during the year in Treasury Bills, £3,646,000." "Cash proceeds of matured Treasury Bills, £3,690,000," and down below, "Treasury Bills £1,133,000"?—(Mr. Brittain.) The first item is simply telescoped from the final figure in the previous year's Account to the 31st July, which led up to that £1,246,000, and was made up of £1,173,000, Treasury Bills, and these same Treasury bonds plus some interest. It simply avoids repeating details of the first item on the left-hand side which were in fact in the Account last year. That is the position.

2014. Do I understand from that that the investments at cost plus accrued interest are Treasury Bonds?—They are mainly Treasury Bills, but they also include one per cent. Treasury Bonds; in fact, the same Treasury Bonds as are shown on the right-hand side. The Bonds have not changed during the year.

2015. All the investments are short-dated securities which are only cashed in at par? There have been no sales?—There have been no capital profits or losses.

2016. There can have been no sales?—There were maturities. There have been no sales in the market.

2017. If that is the explanation, it seems all right, but it seems a peculiar way of making out the account?—It is just shortening the three or four lines from last year.

2018. It would have been better to put "Treasury Bonds" instead of "Investments"?—Treasury Bonds and Treasury Bills. You would have to have two or three lines instead of one? (Sir Gilbert Upcott.) It is a figure which comes into the Account on the left, as shown in detail on the right-hand side of the Account in last year's Account.

Mr. Pethick-Lawrence.] May I take it the Account is approved? (Agreed.)

(Mr. Vigor withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS V.

VOTE 2.

BOARD OF CONTROL.

Mr. Pethick-Lawrence.] We have now to take the Accounts without witnesses: Class V, Vote 2, Board of Control. Are there any questions? As I explained

last time, if there are any detailed questions we shall have to deal with them separately, but we need not do so if there are no important questions, or

15417

I 4

21 March, 1939.]

[Continued.]

only questions which the Comptroller and Auditor General or the Treasury can answer; but if there are detailed questions we shall have to consider what we will do about it.

Sir *Irving Albery*.

2019. I take it they will come up another time?—(Sir *Gilbert Upcott*.) The

Committee always decides at the beginning of the year which Accounts it wishes to hear witnesses upon, and which it does not. Any Account left out this year can always be put in next year.

Mr. *Pethick-Lawrence*.] May I take it the Account is approved? (*Agreed*.)

VOTE 3.

REGISTRAR-GENERAL'S OFFICE, ENGLAND.

VOTE 4.

NATIONAL INSURANCE AUDIT DEPARTMENT.

VOTE 5.

FRIENDLY SOCIETIES REGISTRY.

VOTE 6.

OLD AGE PENSIONS.

(*On these Accounts no questions were asked.*)

TREASURY MINUTE ON PARAGRAPH 10, OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

(*On this paragraph no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 4.

DEPARTMENT OF OVERSEAS TRADE.

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

DEPARTMENT OF OVERSEAS TRADE.

(*On these Accounts no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 18.

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH.

CLASS VIII.

VOTE 3.

ROYAL IRISH CONSTABULARY PENSIONS, ETC.

(*On these Accounts no questions were asked.*)

TREASURY MINUTE ON THE FIRST REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

(*On this Minute no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VIII.

VOTE 4.

SUPERANNUATION AND RETIRED ALLOWANCES.

(*On this Account no questions were asked.*)

(*The witnesses withdrew.*)

(*Adjourned till Thursday at 2.30 p.m.*)

THURSDAY, 23RD MARCH, 1939.

Members Present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Sir Edmund Brocklebank.
Mr. Culverwell.
Major Sir George Davies.

Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITTAIN and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VII.

VOTE I.

ART AND SCIENCE BUILDINGS, GREAT BRITAIN.

Sir PATRICK DUFF, K.C.B., K.C.V.O., and Mr. A. G. BARNETT, C.B.E., called in and examined.

Mr. *Pethick-Lawrence*.

2020. Will you turn to pages 346 and 347, please? I should like to ask you, Sir Patrick, with regard to this item of £75,000, "Sale of property 1-7 Cromwell Gardens, London"; whether you can give us any particulars with regard to that?—(Sir *Patrick Duff*.) It is the sale of buildings on what is called the island site in South Kensington that was originally leased to the Institut Français.

Sir *Assheton Pownall*.

2021. For the theatre?—That is the site that the theatre is now going on.

Sir *Isidore Salmon*.

2022. Dealing with the question of the Cromwell Gardens property, Sir Patrick, did it stand on the books of your Department at £75,000? That is to say, did you originally buy the property, or how did you come by it?—We bought the property in 1912.

2023. At a lesser figure?—At about half.

2024. So you have done very well on the sale. There is one point I should like to ask you: I notice on sub-head B that the "Maintenance and Repairs" are considerably up, whereas on the other hand new works are substantially down. Is that the policy, only just to do maintenance work at the present time, and not to go in for new works?—That is on the original estimate?

2025. Yes, on page 346, sub-head A, "New Works, Alterations, Additions, and Purchases"?—No. It is just that as regards the new works we had completed two big works or just got to the end of two big works at the British Museum and the extension of the Royal Scottish Museum, and we had finished the National Maritime Museum, so we did not need to take so much money for new works in this particular year. As regards the increase under sub-head B, "Maintenance and Repairs", we had one or two special items of external maintenance like the renewal of boilers at the Tate Gallery (that was one item) and the heavy incidence of painting.

Mr. *Pethick-Lawrence*.

2026. May I take it the Accounts are approved? (*Agreed*.) Now turn, please, to pages 348 and 349. I may as well take the whole of A.I. together, to page 350. I think the Accounts in their present form are different from what they were before, and divided up to a larger extent, are they not?—Yes, the cage (so called) is a bit different from what it was.

2027. I think the Committee will appreciate the improvement that that affords. With regard to the last item on page 349, this gift of £100,000, can you tell us how that is brought into the Account, Sir Patrick?—This £100,000 is the contribution that Sir Alexander Grant made towards the extension of

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

the National Library. The £100,000 is in the hands of the trustees of the National Library and each quarter we go to the trustees and ask them out of this sum for half the amount that we paid in the previous quarter, so that it is paying pound for pound for the work as we go along.

Sir *Isidore Salmon*.

2028. Does that mean that the undertaking of the trustees is to pay half the cost up to £100,000?—That is so. (Sir *Gilbert Upcott*.) The payments made by the trustees would be appropriated in aid of the Vote?

Sir *Assheton Pownall*.

2029. On page 349, the top item, "British Museum, North Section", your estimate, I see, is under £100,000. You have already expended over £100,000. Are we finished with it?—(Sir *Patrick Duff*.) Yes, it is completed. I think note 1 gives the answer "Completed", and the estimate was reduced again.

Mr. *Pethick-Lawrence*.] Now let us take pages 351, 352 and 353.

Sir *Isidore Salmon*.

2030. Sir Patrick, dealing with the National Physical Laboratory, have you a programme of the total additions and alterations that are going to be made there? Has any definite programme been made as to what your expenditure is likely to be over a period of years?—No, I think we are subject each year to a programme which is drawn up by

the Department of Scientific and Industrial Research, and I think it varies in relation to the scientific problems that have cropped up as they go along. I do not think they have a long term programme extending five or ten years ahead.

2031. The only point that struck me under all these different headings of the National Physical Laboratory is that you are building in different parts of the country, and I did not know if you or they had a definite programme of the lay-out of the National Physical Laboratory. Does it mean that when any problem comes up they take in a hurry a particular piece of land or decide on a building, or is there a well thought-out scheme?—They have a certain amount of spare ground at Teddington on which they can build. There are some items in this list like Meat Research Laboratory or Fruit Research Laboratory. Those are places which I think are hired to meet special problems that require research, which has not been foreseen at all, but in general it is the Advisory Council of the Department of Scientific and Industrial Research that make their plans ahead, and each year they present their budget, I think, to the Lord President of the Council, as Chairman of the Committee of Scientific and Industrial Research and I get their requisitions in that way.

Mr. *Pethick-Lawrence*.] I do not need to put these Accounts. They are really subsidiary to the one we have already put.

VOTE 2.

HOUSES OF PARLIAMENT BUILDINGS.

Chairman.

2032. Turn please to page xxxv, paragraph 61 of the Comptroller and Auditor General's Report. Sir Gilbert, have you anything to add for our further enlightenment on this question?—(Sir *Gilbert Upcott*.) The arrangement which I have described was made, I understand, for the convenience of the House, and by agreement between representatives of all Parties. It involved a somewhat exceptional procedure, in that the work was begun in anticipation of Parliamentary approval of the estimate, and later on in order to get it done within the long recess of 1937, instead of spreading it over two years,

considerable savings were diverted from the maintenance provision in order to meet the cost of this work. I think that if an ordinary Department had done this, perhaps the Committee might have asked for a good deal of explanation. The House of Commons, of course, is not bound rigidly by rules which it lays down itself; it has power to override conventional procedure; but I felt it my duty, if only for form's sake, to report to the Committee that the arrangements were in some way exceptional.

2033. Sir Patrick, have you anything to say with regard to this, and while you are dealing with that, perhaps you

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

will answer this specific question. I notice that the money was found out of savings (or under-spending, in other words) on the development work. Was that under-spending in any sense deliberate, or was it simply that it happened to come at the same time?—(Sir *Patrick Duff*.) On your point of the under-spending on the stone work, it was deliberate in this sense; We were just starting, or we had estimated to start, in this year on the Victoria Tower. For the purpose of the Victoria Tower, we needed about $\frac{1}{4}$ million feet of scaffolding. It was not present to our minds at the moment that with the Coronation coming on scaffolding would be at a premium. At the beginning of this year we found that scaffolding was extremely expensive. We found it out with our own enterprises in building the seats along the Mall and so forth. Accordingly we said "We will get this job done a great deal cheaper if we do not start work on the Victoria Tower, or do not buy the scaffolding till the Coronation is over." To that extent the work was stopped deliberately, but if the suggestion is that from sinister motives we deferred the work in order to find the money for something else, that is not the case.

Sir *Isidore Salmon*.

2034. I think the Department are to be congratulated on looking so far ahead as regards the scaffolding. I think the Committee will agree also that the work that was done in the Refreshment Department was done after a Joint Committee of both the House of Lords and the House of Commons went into the matter very fully. Is that so?—Yes, that was so. It had been gone into very fully by a Committee of both Houses of Parliament. This particular exceeding of our estimates was due to the fact that when we had got a certain way on this work we found that, instead of doing it in two years, which had been the intention, we could with a rush get it through and cause what we thought was infinitely less inconvenience. Accordingly the Speaker convened a Three-Party Conference at which all the Whips were present, and I think Members of the Kitchen Committee and other people interested, and it was decided that we should go on. On that we felt that there was a good deal of Parliamentary cognisance of this affair and go on we did.

2035. I suppose it can be truthfully said that never has your Department done a piece of work so quickly or more efficiently?—I would not like to say that!

Sir *Isidore Salmon*.] To the first or the second part you would not like to say yes?

Sir *Assheton Pownall*.] The Committee will say so, if you will not, Sir Patrick.

Sir *Irving Albery*.

2036. Do you hire the scaffolding or buy it?—In the case of the big amount of scaffolding for the Victoria Tower where the job is a long job we found that it was cheaper to buy than to hire for anything over three years;

2037. The work is done by a contractor, is it not?—The work is done by contractors—by two separate contractors.

2038. But the scaffolding is outside their contract?—That is so. We have bought the scaffolding.

2039. It is outside their contract?—Yes.

2040. And you buy the scaffolding?—We bought the scaffolding in the case of the Victoria Tower. We have a good deal of scaffolding that we hire as required, keeping a sort of banking account, so that it goes back and is reconditioned when we are not using it; but in the case of the Victoria Tower where the scaffolding is bound to be up for something like possibly five years, it was cheaper to buy it.

2041. That will also make it less necessary to hire in the future?—I should hope when this stonework comes to an end that I shall not want to carry anything like the amount of scaffolding that I have got up round this building now.

Mr. *Culverwell*.

2042. What were the unforeseen conditions that led to the great increase in the cost of the alterations? It was more than double, was it not? I was looking at the provisional estimate of the total cost, £7,500. "Owing to the undertaking of additional work and to the difficult conditions found on opening up, this figure was progressively increased to £16,300"—more than double?—That is so. We found when we opened up that there were a number of structural problems which we had not realised we were going to be up against when we started. There was a certain

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

amount of extra construction that we found had to be done in the matter of the servery. We found that the servery apparatus which we hoped was going to be good enough and which we could use again was not, under good advices, good enough.

2043. Is that what you call "Furniture"? It says "In addition to £1,300 for furniture"—No, I am not on furniture. I am talking about the increase of this estimate from £7,500 to eventually £16,300 and that is not including furniture.

2044. When you said the equipment of the servery, I did not know if you called that furniture.—I am counting that in the job and not as tables and chairs. There was one extra job which it was found desirable to do as the job proceeded, and that was to form a waiting place outside the dining room, instead of that miserable dark black cul-de-sac, where Members could sit and talk.

Mr. Pethick-Lawrence.

2045. Before we part with the paragraph, I should like to ask the Treasury if they consider that what was done in this case was exceptional?—(Mr. Brittain.) It is exceptional in one sense, but it has been done before, of course. In fact, it is done on numerous occasions when the Treasury is faced with the fact that a particular building work is urgent. It has on occasion given authority to the Office of Works, or it may be in other cases to the Defence Departments, to proceed with work in anticipation of Parliamentary authority. Naturally we have regard always to the overriding need to get Parliamentary authority if we possibly can, but sometimes circumstances are against that. In the second place it does often happen also that savings on one work are made available to meet an excess cost on another work, so that I do not think the House of Commons need reproach itself too much on this occasion.

Mr. Pethick-Lawrence.] Now pages 354 and 355, which are largely on the same point, of course.

Sir Isidore Salmon.

2046. I notice that the details given for the realised figure of "sale of stone removed in connection with the work of restoration" on page 354 is much less than you anticipated?—(Sir Patrick Duff.) The figure estimated, you will observe, is "sale of stone and acknowledgment rents and old materials." It is rather the other way on. We got more instead of less.

2047. I am dealing with the stone only?—But the stone is included in the £800 that we estimated. That £800 is for sale of stone and for acknowledgment rents, old materials, miscellaneous and everything else.

Mr. Mabane.

2048. In the reconstruction of the Refreshment Department, where does the spending of the Office of Works end and the spending of the Kitchen Committee begin?—The Kitchen Committee does not spend anything here.

2049. The Office of Works provides the whole of the equipment of the Refreshment Department?—That is so.

Mr. Pethick-Lawrence.

2050. I should like to ask with regard to item E on page 354, "Furniture, &c.", what were the unforeseen services that required this additional £2,560?—They followed on again these alterations in the dining rooms. If we had done it in the usual programme of two years we would probably have taken money for extra furniture, but we had to do things like stripping and renovating some of the old furniture, and we bought a very handsome (as I think) new carpet and new curtains, and there was the furniture for that little lobby outside. They were items such as that. One or two rooms (I think the Whips' Rooms) had their panelling cleaned up and there was a little bit of new furniture there. That accounts for this over-spending.

Mr. Pethick-Lawrence.] May I take it that the Accounts on pages 354 and 355 are approved? (Agreed.)

VOTE 3.

LABOUR AND HEALTH BUILDINGS, GREAT BRITAIN.

Mr. Pethick-Lawrence.] We now come to the Labour and Health Buildings, Great Britain, page 356. I have no questions on pages 356 and 357.

Sir Isidore Salmon.

2051. Sir Patrick, with regard to the total expenditure which is up considerably, I suppose that is because you had

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

large demands from the Ministry of Labour for new buildings?—(Sir Patrick Duff.) You are talking about sub-head A, the original estimate, being up?

2052. Yes?—Most; in fact I think the whole of the increase under sub-head A is due to the inclusion this year in this estimate of providing and maintaining Government Training and Industrial Instructional Centres which were previously borne on the Ministry of Labour Vote, and which I think this Committee or the Comptroller and Auditor General felt ought to be shown on this Vote instead. That accounts for the extra money shown here over what our Vote was the year before.

Mr. Mabane.

2053. There is an under-spending, is there not?—Yes.

Sir Isidore Salmon.

2054. What is the position with regard to the Metropole Buildings? Is the whole thing settled up? Is all our expenditure there finished? Last year I think we had some point as regards the total cost of adaptation of the Hotel Metropole?—Yes, that is all finished. There is an item which figures, I think, later on in this Account or on Public Buildings showing that there is a loan to be paid off by the Refreshment Club in the building over the next twenty years on the apparatus put in for their Refreshment Club, but apart from that one may say the whole thing is finished.

Sir Irving Albery.

2055. On sub-head A, the note refers one to page 360; and on page 360, under A.II, "Proposed Works", the estimate was £81,000 and the expenditure was only £27,000. Could we know why there was such a large over-estimate there?—It is not easy to cast one's mind back about eighteen months, but in the Spring of 1937 a rather difficult situation was arising in the building industry, because of the heavy impact which the re-armament programme was at that time exercising on it. There was a considerable shortage of skilled labour and there was a shortage of materials, particularly steel, and prices were rising, so that we were rather holding off from proposed works for the time being so as not to get in the way of the armament programme, and also with a view, when the armament programme

ceased, to be able to put work into the market and prevent a slump.

2056. The difference is on account of work it was considered deliberately advisable to postpone?—To go slow. As a matter of fact, the situation after about seven or eight months began to right itself, but that is the main reason for this under-spending here.

2057. It is not that any of the proposed works are not now going to be carried out? It is only postponement?—That is so, unless in one or two small places in these notes one had not got a site and changed to another, or something like that.

Mr. Pethick-Lawrence.

2058. On pages 358 and 359, would you explain the position with regard to the item of £1,595 at the bottom of page 359?—As a matter of fact I had not noticed it was on this page, but that was the transaction I adverted to a moment or two ago. The Luncheon Club had certain accommodation and equipment put in for them. The arrangement is that before 1951 they pay it off in quarterly instalments, and this note merely informs the Committee of the amount that still remains to be paid off.

2059. Now let us look at pages 360-365. On page 364, item 64, I should like to ask how that matter stands?—At the present moment we are negotiating to get the extra amount of site that is required to put on the site the additional building that the Ministry of Labour's programme now calls for. I put in a note, I remember, last year, about this particular transaction, because it was found that, owing to the growth in the Ministry of Labour's needs since the site was bought, we were not going, on that site, to find room to put all they wanted to put. The result is that we have had to try to acquire some fresh ground, and that is in course of negotiation now.

2060. Therefore, not only will it appear in this year under review, but it will appear in the next year somewhat in the same position? You have not really begun yet?—We have not started any expenditure yet on building, and indeed the site itself will not be purchased, until my estimates for this year have passed the House of Commons.

2061. This additional site?—Yes.

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

2062. That means the actual site which is mentioned here has been lying idle for some little time?—That is so, unfortunately, but one always has to buy a site when one can get a site.

Sir *Isidore Salmon*.

2063. Is it correct to say with regard to the particular site you had in mind that you have not entered into any contractual obligation with any firm for building?—No, we are at the moment

negotiating to get the extra site itself. There is no building contract entered into at all.

2064. On the first site that you entered, had you committed yourself to a building contractor to have it built?—No.

2065. The quantities had not been got out?—No.

Mr. *Pethick-Lawrence*.] Are there any questions on pages 365-379? May I take it the Account is approved? (*Agreed*.)

VOTE 4.

MISCELLANEOUS LEGAL BUILDINGS, GREAT BRITAIN.

(*On this Account no questions were asked.*)

VOTE 5.

OSBORNE.

Mr. *Pethick-Lawrence*.] We now come to page 385, "Osborne".

Sir *Isidore Salmon*.

2066. What about the number of persons who are attending at Osborne. Is it up to the average number, or what is the position?—(Sir *Patrick Duff*.) No. I was just under my estimate for this year under review. It was an average of just over 33 instead of 35 per day.

Sir *Ashton Pownall*.

2067. Thirty-five is your maximum accommodation, is it?—No, 40.

2068. You had 33 and there are seven vacant rooms?—That is so.

Sir *Isidore Salmon*.

2069. Do the Home Civil Service make use of the new plan that you had in mind?—I have been very disappointed. I have only had one or two Home Civil Servants since the Home was opened to them by Order in Council.

Sir *Irving Albery*.

2070. I understood the average daily attendance is about 40?—No, Sir, the average has been recently about 35.

2071. The numbers on the staff are 52. That seems a large number. I know some of them are out-door staff, but it does not appear from the estimates that very many are. It seems a large number of staff for an average of 35 residents?—Osborne is always in this difficulty,

that it combines two things, that it is a convalescent home and it is an ex-palace plus a museum, and the result is that it is not easy to run as efficiently or I will say as economically as if it were either one thing or the other; it is both.

2072. I think I did ask this last time, but I do not remember. Can you tell me what the maximum accommodation is?—For convalescent officers?

2073. Yes?—40.

2074. That is because it has now been arranged to take less. It has been more, has it not?—No, one could not take more than 40 convalescent officers there. If it were a hospital and you could bank them all up in wards and big rooms it would be a different thing, but in convalescence, when each officer is likely to have a separate room, 40, allowing for changes when perhaps you have to distemper a room in between, is the most I can take.

2075. Can you give one any idea of the average length of stay of an individual resident? What kind of length of time do they usually stay? What is about the average?—I do not think I could give that offhand. That all depends. The consulting surgeons go down and they recommend that a man stays three weeks longer or goes up and has a Board and need not stay any longer. I do not know, but I think I could produce the figure after research.

Sir *Irving Albery*.] We have examined this on previous occasions and the work

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

is a very good thing as far as the work goes. I do not know what other Members of the Committee think, but I have always been under the impression that much better use of Osborne could be made than is made of it, and I was wondering if we could have a paper giving us a more detailed report of what goes on there—giving us, for instance, the numbers and the average length of time the people stay.

Mr. Pethick-Lawrence.

2076. Could you give us a report of that kind?—I think I could easily give a report showing the relevant factors, so far as the convalescent home is concerned. On the other hand, one has to remember that it was handed over or accepted by Statute to be a convalescent home as well as the other thing.

Sir Irving Albery.

2077. Yes, but it may be possible for the matter to be reconsidered as to whether it can be more efficiently used, either as some other form of convalescent home or in a different way?—I am afraid it would not be possible.

2078. It would not be possible?—One would not be able in any circumstances to get more people into that convalescent home than there are now, simply because there is not the bedroom accommodation for more.

Sir Irving Albery.] I will not press it.

Mr. Pethick-Lawrence.] Sir Patrick no doubt will give us a further statement. The Committee might like that.

Sir Irving Albery.] I personally should like some kind of statement which would make me feel a little more convinced that the maximum use is really being made of Osborne.

Mr. Pethick-Lawrence.

2079. Perhaps you will kindly do that, Sir Patrick, will you?—Yes.*

Sir Asheton Pownall.

2080. Tell us who are eligible to go; you mentioned the Home Civil Service: are the Indian Civil Service, the Colonial Police and Forces of that sort eligible?—Colonial Civil Servants are, certainly.

2081. Are Colonial Police, for instance, who come back with tropical troubles?—I cannot say whether Colonial Police are specifically described.

* See Appendix No. 11.

2082. If there are seven rooms habitually not in use, one obviously wants to widen the classes who are allowed to go?—That is what I had very much in mind when we threw it open to the Home Civil Service, to whom it had never been opened before.

Mr. Mabane.

2083. What determines the length of the stay—the desire of the patient?—No. The House Governor is a medical officer. There also visit at periodical intervals a panel of the best known consulting surgeons in London who give their services perfectly voluntarily; they vet the officer in the Home and they pronounce that he should stay so much longer or that he can go, and so forth.

2084. Is it that he *may* stay or that he *may* go, or that he *should* stay or he *should* go? There is rather a difference. Can the patient at Osborne go on staying there as long as he likes? I asked the question because of the way in which you phrased your reply?—In the case of a serving officer, undoubtedly he would return to duty as soon as he was pronounced fit to return to duty.

2085. But if he was not?—As regards a retired officer, if he was pronounced fit to go, it is conceivable that he might, if he felt he would be the better for it, be allowed to stay on a little longer, provided that there was room for him and that he was not keeping a new case out.

2086. What is the payment that is made; is it a flat rate?—Serving officers or those on the Retired List or in the Reserve pay 6s. a day; cadets or half-pay officers pay 4s. 6d. a day; Home Civil Servants or Colonial Civil Servants pay 10s. a day.

2087. That means to say that a retired officer can live there for two guineas a week?—Yes, but the House Governor would not want permanencies there.

Mr. Mabane.] I have followed Sir Irving's questions in previous years, and I have felt that there was some substance in his desire for further information. It seems very proper that it should be a convalescent home, but one wants the figures and the lengths of stay.

Sir Irving Albery.

2088. I wanted to know, but I had not any preconceived opinion about it. Could we have one other item, Mr. Chairman—the 37 subordinate domestic

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

staff. Could we have particulars of the subordinate domestic staff, whether they are outdoor or indoor?—I could give some figures here; there is a House Governor.

2089. Subordinate domestic staff; 37. Nursing sisters; would you count them?—No.

2090. Who then?—There are 29 female domestic staff—the head cook, dairy stores assistant, one book-keeping typist, two kitchen maids, one vegetable maid, one scullery maid, one linen room maid, thirteen housemaids, two base-

ment maids and six dining room maids. Then there are seven male domestic staff—four porters, two valets and one boy attendant; there is also the garden staff.

Sir Isidore Salmon.

2091. Is this staff responsible for looking after the part of the Palace that has to be kept clean?—Yes; this is palace and nursing home combined.

Mr. Pethick-Lawrence.] May I take it that this Account is approved?—(Agreed).

VOTE 6.

OFFICE OF WORKS AND PUBLIC BUILDINGS.

Mr. Pethick-Lawrence.

2092. Now we come to pages 386-389, Vote 6: "Office of Works and Public Buildings". With regard to page 387, I notice that the expenditure has doubled: can you give us the principal reasons for that, and can you at the same time say what has been done with regard to the Air Service and the War Services, and how far they account for the increase in this amount?—(Sir Patrick Duff): When you said the expense is double, which page were you referring to?

2093. It is on page 387, the total which adds up to £5,986,000.—Roughly speaking, it is double because of the ordnance factories that we are building on repayment for the War Office.

2094. In that connection, are you finding that your present staff, which now cost just under £1,000,000, can cope with all this additional work?—I am having to recruit staff in order to be able to cope with it.

2095. Does that mean that there will be a considerable increase in the salaries next year?—Yes; I am afraid the numbers on my staff on these Accounts show a considerable increase over the numbers on the previous Accounts, and, when I appear here next year, there will be a still greater increase on what these figures show.

Mr. Pethick-Lawrence.] I have just one further question on page 388, under the column headed: "Maintenance and Repairs": I notice that that figure has gone up. Can you explain that a little bit? It is column 2 on page 388.

Sir Assheton Pownall.

2096. It is nearly £2,000,000.—I think that will be due to the enormous

number of extra buildings and hirings we have had to take because of the vastly enhanced staffs due to Defence as well as to Social Services rising simultaneously.

Sir Isidore Salmon.

2097. I notice the total cost under sub-head A is up by roughly £160,000, and that the staff are up by 897 persons. What I would like to ask you, Sir Patrick, is: Is the staff of a temporary character or of a permanent character?—Most of the staff are practically on a weekly notice basis. There are some longer, but I am saying most of them.

2098. I also observe that your receipts are up from £290,000 to £500,000, chiefly due to salaries of staff on recoverable services. How is it you are able to loan (if you do loan) staff to make such a large recovery? For instance, you get a very large recovery figure, do not you, from different Departments: Your receipts were £290,000; now you are getting £500,000?—I do not loan the staff; I do the job for a Department—it might be building a training school at Rosyth for the Admiralty—and I charge the Admiralty with the cost of the job and the cost of my staff for doing the job.

2099. So the £500,000 is really part of the building which you debit a Department with: is that what it means? Take your realised figure on page 386 to make the thing clear: The receipts authorised to be used as Appropriations in Aid you estimated to be £481,000, and you realised £500,000?—Yes.

2100. What does that realisation mean?—That is the proceeds of our levy for our establishment expenses, our 11

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

per cent. agency charge. (Sir *Gilbert Upcott.*) It is the overhead expenses on the total expenditure shown on page 387.

2101. The point that struck me about it as being an extraordinarily increased figure is that last year that figure, if it came under that head, was only £290,000, and this year it is £500,000 which is realised?—(Sir *Patrick Duff.*) Yes, but I am engaged on an enormous programme of munitions buildings running into millions, which is a new feature. (Sir *Gilbert Upcott.*) The expenditure has doubled.

2102. I appreciate that, but is not the percentage for which you are taking credit too high having regard to the enormously increased turnover?—(Sir *Patrick Duff.*) I ought to have mentioned that. As regards the war factories, the agency fee we are charging is not 11 per cent.: it is 5 per cent. In the year under review it would have cost us a good deal more than 5 per cent. It has come steadily down since. Perhaps next year it will be only 4 per cent. It,

therefore, looks as if, on the War Department's work, on these factories costing millions of pounds, a 5 per cent. agency fee will be equitable. My agency fee on other services remains at 11 per cent.

2103. When you speak of an agency fee, what sort of service do you give for that charge?—I deliver the job with all the services that have gone to the job.

2104. I suppose it is fair to say, is it not, that, if you were drawing plans, you would charge extra for the plans, irrespective of the 11 per cent. or the 5 per cent.?—No; it is all-in.

2105. Is it an inclusive figure?—Yes.

2106. It includes plans as well?—It includes plans as well; it includes my surveyors' searching for sites; it includes the furniture men.

2107. It is the general administration of the Department?—That is so.

Sir *Isidore Salmon.*] I just wanted to be clear about it.

Mr. *Pethick-Lawrence.*] Are there any further questions on pages 386-389? May I take it that this Account is approved? (*Agreed.*)

VOTE 7.

PUBLIC BUILDINGS, GREAT BRITAIN.

Mr. *Pethick-Lawrence.*] We now turn to pages xxxv-xxxvi, paragraph 62, of the Comptroller and Auditor General's Report. Are there any questions?

Sir *Irving Albery.*

2108. I was wondering whether the Comptroller and Auditor General could enlighten us a little more about this paragraph 62? Does it mean that sum set aside means that the Office of Works is able to expend money from that Account without any further authority from Parliament?—(Sir *Gilbert Upcott.*) This paragraph is really an obituary notice.

2109. I understand that the patient is only partly dead?—Almost so, perhaps I should say. This refers to the balance of a sum of money which was set aside out of the surplus revenue of 1907 for the purpose of public buildings in Westminster. It was not all spent, and it has lingered in the Exchequer for a long time. The Treasury has of recent years, at my instance, frequently considered when they would make up their minds to do something with it—possibly to surrender it back to the Exchequer—but the Whitehall Gardens scheme has

provided an opportunity of making use of it, and it is being brought into the Vote as an Appropriation in Aid towards the cost of the Whitehall Gardens Scheme and will appear in the annual Appropriation Accounts as a receipt in aid of that scheme, until it is exhausted.

2110. Does that mean that the whole of the remaining balance will be expended on that scheme before any other money is asked for?—Money is asked for on the Vote for the cost of that scheme, and towards that money this money will be applied. It will go in diminution of the amount to be voted.

2111. It will all disappear now?—It will all disappear shortly. It is the use of a small nest egg to minimise the amount to be provided by Parliament.

2112. Could the Comptroller and Auditor General tell us if he knows of any other similar sums floating about?—That knowledge is usually locked up in the breast of the Treasury.

Mr. *Pethick-Lawrence.*] Turn, please, to pages 390-394: Are there any questions?

Sir *Isidore Salmon.*] Sir Patrick, where can we see the amount of money that you have actually spent on the new

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

site of Whitehall Gardens that we have just been discussing, that is to say any cost there has been for foundations?

Mr. *Pethick-Lawrence*.] That really comes on page 397: it is given in detail there.

Sir *Isidore Salmon*.

2113. You had quite a number of Supplementary Estimates under this Vote, had you not?—(Sir *Patrick Duff*.) Yes; we had to take a supplementary for the work at No. 10, Downing Street.

2114. But under most of your headings you seem to have had quite a bit of supplementary?—Yes. We had these big Defence demands, the housing of new staff, and so forth, in accordance with the growing needs. We had a sort of item such as having to hire accommodation at Earls Court for the British Industries Fair. The cost of fuel was considerably greater.

2115. Enormous.—The staffs were more; furniture was more. In the same way additional staffs caused me to have to ask for more money.

2116. The only thing you seem to have been accurate with is the Brompton Cemetery?—I make some money on that.

Sir *Assheton Pownall*.

2117. On page 392, in the note to sub-head QQ, I see the phrase "two payments under mutual forbearance agreements": what are mutual forbearance agreements?—I think it is what insurance companies call a "knock for knock" arrangement.

2118. Did these two pensioners bump into one another and recompense one another? It seems such a funny idea; were they separate tricycles?—I think they are separate tricycles.

2119. I did not know if they had been running into one another, or what happened?—No; they are separate accidents.

Mr. *Pethick-Lawrence*.

2120. Pages 395-397: Sir *Isidore* was beginning to ask you about the Whitehall Gardens. Perhaps you will tell us how that scheme is getting on?—Do you mean how it is getting on at its present stage?

2121. Yes, please?—The foundations have been lying bare for the last two or three weeks. We kept them open for a fortnight or so more than we intended

because of the extremely interesting remains disclosed of the Palace of Whitehall and previous buildings, but now the foundation contract is under way.

Sir *Isidore Salmon*.

2122. What effect will the delay by keeping them open a fortnight or three weeks longer than you had intended have upon your contract with your contractor for the foundations; is there any time by which the foundations should be finished?—I do not think we did interfere with the contractor; I could make sure of that.

2123. I did not know if it interfered with the contract in any way?—I do not think so.

2124. Have you any schedule out as to when certain parts of the building are going to be erected, or is it left entirely in the hands of the contractor and the architect as to how quickly or how slowly they get on with the job?—No. We always map our buildings out on a sort of time and progress schedule. We have a regular time-table.

2125. A progress schedule?—Yes.

2126. So you know when you are going to reach ground-floor level?—Barring accidents.

2127. You have a programme arranged accordingly?—Yes, we have.

Sir *George Davies*.

2128. Is the intention to retain certain historical and archaeological features going to add materially to the originally anticipated cost?—We have always from the very inception of the scheme intended that there should be embodied in the building what we call the Crypt, the Wolsey Wine Cellar. That was part of our instructions to the architect (it is an outside architect doing this), that he should so design the building as to retain that structure entire in the heart of our new building. Apart from that, the only part of the old remains we can keep is the Wren river wall (that is the latest of the three periods of retaining walls of the Palace) because, in fact, that stands a little outside our actual building line. As regards the rest of the remains, it is rather a miscellaneous labyrinth of old buildings which it is very hard to trace. One would not be able to retain them anyhow, because the Tudor bricks are all extremely soft, but items of any special interest we shall either keep in the wine cellar, which

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

might be perhaps a little museum, or we shall seek the advice of a committee, which we have recently set up to advise us about archaeological finds at ancient monuments and other places, as to where anything of interest can best be bestowed.

2129. I had in mind particularly the Wren wall?—That we shall keep,

2130. You did not anticipate that: the preliminary decision affected the crypt or the wine cellar?—Yes.

2131. The wall is additional thereto, but it is outside the actual area?—Happily it is outside the actual area.

2132. So it is not going to add materially, if at all, to the cost of the new work?—It is not going to add at all, I hope.

Mr. Pethick-Lawrence.

2133. Page 399: Could you expand a little the footnote, at the bottom of the page, to item 18: "No. 10, Downing Street"?—With regard to No. 10, Downing Street, the original estimate was for improving the house and the reception rooms there, which could only be done by transferring the bedrooms on to the second floor from the first floor. That entailed adding a main staircase to the second floor. It also entailed running the lift up to the second floor. It entailed the removal of a parapet wall outside the house which rather obscured the dormer windows and which, incidentally, was very ugly. We had then to modernise the heating, the hot water and the electric lighting. That was our original programme of what we set out to do. When we got into that house and started doing things such as running a lift higher up or making an additional staircase, we found that the house was not as sound as we had thought. One big item was the roof. We had to take the whole of that roof off, and the poor people in No. 10 lived

under a canvas cover! The main cornice had to be renewed. The floors of all the top storey had to come away and be renewed. The fact of the matter is that in 1825, which was, I think, about the last time the place had been thoroughly overhauled (because we never have time to get into the house between one Prime Minister going and another coming) the Office of Works reported on the house: "This is a large old building which has been altered and added to at many different periods and, though in a substantial condition, requires very frequent repairs". I am afraid that is always going to be true of that house. But those in general, Sir, are the reasons why our estimate increased from its original figure so formidably.

2134. Pages 400-404: On page 403, the third item, there is some statement about a structure on the roof: can you explain a little what that refers to?—It was a structure on the roof of my own building. What happened was that in connection with these munition factories we had to recruit large staffs to deal with the job and we had to find a place for those staffs to work. It was extremely difficult to find a building handy outside, and it would have caused us great delay if these particular staffs had been divorced from the rest of my architectural, engineering and technical staffs. Accordingly, we built some temporary buildings on the roof of our present office (very reluctantly) which housed about 75 draftsmen.

2135. You added another storey?—Hardly.

2136. Partially: it was not as much as that?—No; it was not as much as that.

Mr. Pethick-Lawrence.] May I take it that these Accounts are approved? (Agreed.)

VOTE 8.

PUBLIC BUILDINGS, OVERSEAS.

Mr. Pethick-Lawrence.

2137. Turn now, please, to pages xxxvi-xxxvii, paragraphs 63 and 64 of the Comptroller and Auditor General's Report. Perhaps, Sir Patrick, you would like to say a word or two about paragraph 63, to start with? It relates to the Legation house at Athens?—(Sir Patrick Duff.) On which particular aspect—on the financial side of the

transaction or on what the transaction itself was?

2138. You might say a few words about the second aspect, first?—Our Legation in Athens had quite nice features, but the neighbourhood in which it was had considerably gone down, and for years past (I should think the last ten years) we have been pressed most emphatically by all Ministers and

23 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O.,
and Mr. A. G. BARNETT, C.B.E.

[Continued.]

by the Foreign Office to find them better quarters. As a matter of fact, I did go out to Athens myself in conjunction with other visits, but at that time we simply could not find any alternative accommodation. We had, in fact, produced a plan to improve that old Legation. Shortly after that, the house of M. Venizelos fell into the market and we bought it, and in fact we bought it at such a good figure (when I say "at such a good figure" I mean at such an economical figure) and sold our present building to such advantage that we were well up on the total deal.

2139. But there was some point with regard to holding it in currency, was not there?—I think that the Comptroller and Auditor General has simply exposed in the note the procedure adopted.

2140. Have you anything to say on paragraph 64 about Nanking?—I think I unbosomed myself rather thoroughly last year on this subject.

Sir Assheton Pownall.

2141. Might I ask where the Ambassador to China is domiciled now?—He flits about from Shanghai; he was in Peking the other day, but only for a very brief stay.

2142. Although they are in Japanese occupation, he still goes to places like Peking?—I thought I saw in the paper the other day that he went to Peking for a day or two.

Mr. Lewis.

2143. Where are his headquarters?—They must be in some premises, but I am a little vague as to where they are. I have no premises for him at Nanking.

Sir Assheton Pownall.

2144. Are not you paying for his premises somewhere?—We have maintained the old palace in Peking. That is still in our charge.

Sir George Davies.

2145. Are the records and so forth kept there?—I should doubt it. There is a guard in Peking, anyhow.

Mr. Pethick-Lawrence.

2146. Pages 405-409: With regard to page 408, item 5: "Yokohama: Erection of Residence for Consul-General," is that going forward at the present time?—Yes. In the footnote here it says: "Building work was suspended owing to the increase in prices"; we did suspend it, but we have now found that we have got to have the building, and prices are not getting any less, so we are, in fact, getting on with it.

Mr. Pethick-Lawrence.] Are there any further questions on these pages? May I take it that this Account is approved? (*Agreed.*)

(*The witnesses withdrew.*)

(*Adjourned till Tuesday next at 2.30 p.m.*)

TUESDAY, 28TH MARCH, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.

Mr. Benson.

Sir Edmund Brocklebank.

Mr. Culverwell.

Sir Haydn Jones.

Mr. Lewis.

Sir Assheton Pownall.

Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN, and Mr. D. F. C. BLUNT, called in and examined.

TREASURY MINUTE ON PARAGRAPH 13 OF THE SECOND REPORT OF
THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VII.

VOTE 9.

ROYAL PALACES.

Sir PATRICK DUFF, K.C.B., K.C.V.O., and Mr. A. G. BARNETT, C.B.E., called in and examined.

Mr. *Pethick-Lawrence*.

2147. Will you take the Treasury Minute of December 20th, Paragraph 13? We shall be taking at the same time pages 410 to 412 of the Appropriation Accounts. I do not propose to take the whole of those pages of the Appropriation Accounts at the same time as the Treasury Minute, but to confine ourselves to the second half of page 411, which deals with this matter of the Royal Palaces. The question I should like to ask you, Sir Patrick, is this: We have on page 411, three columns, one relating to External Works, one relating to Internal Works and one relating to Special Works, chargeable against the balance that was in the Civil List. Can you tell us what in practice is the distinction that you draw in dealing with items in their apportionment between these three columns?—(Sir *Patrick Duff*.) "External works" covers, roughly speaking, all structural works and improvements in the Palaces for State purposes, and things like fire protection, drains and boilers. It covers things like day-to-day repairs to roofs or chimneys or grates, and all sorts of out-buildings and servants' quarters, and things like special maintenance—a thing that does not come every year but is a recurrent feature of large properties, like, say, lead

roofs or stone work or renewals of pavings of stone or asphalt. In other words, it is all the external upkeep of these large and extensive buildings with all the servants' quarters and the mews and apparatus of Palaces. That is the external work. The internal work, which was the old Civil List IV Grant, covers all such things as the recurrent services indoors such as repairs to doors or locks or floors or touching up places that have got scratched, or cleaning chandeliers; things like all the internal engineering apparatus; items like painting and cleaning which are recurrent services; then other internal services for, you might say, the indoor convenience of the occupants, like a new bathroom at Windsor Castle or Holyrood House. The things are kept separate, but that is the main distinction between the two types of expenditure. Should I touch on the third column, that is the "Works chargeable against balance transferred in 1936 from Civil List"?

2148. I think you might?—At the end of King George V.'s reign there was an accumulation on the old Civil List IV. The Civil List Committee, when it was arranging for the new King, Edward VIII, and subsequently for the present King, decided that that accumulation

28 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O., and
Mr. A. G. BARNETT, C.B.E.

[Continued.]

should be used for the same type of purpose as the annual Civil List IV money, that is, on internal works, which they foresaw would be rather considerable at the start of a new reign, so that this third column will, in the process of a short time, disappear altogether, because it was merely a nest-egg standing over from the surplus accumulating on George V.'s reign, which will soon be gone.

2149. There was one thing you said with regard to the distinction between columns 1 and 2 that I was not clear about. You spoke of grates. I do not quite understand why you put grates among external work. I should have thought offhand that grates and all those sort of things would have been internal work?—Yes. It was perhaps a slip of the tongue. If it is a grate it will be some structural repair.

2150. External heating arrangements, perhaps you meant?—No, I think I made a slip.

2151. Do I understand you now to say that there is no distinction in principle between column 2 and column 3? An amount which is charged to the £20,000 that is voted and the amount that is taken out of this nest-egg are really more or less identical expenditures? There is no distinction in kind between the two? Is that what you say?—No; we could not go spending the nest-egg money on some item of external maintenance.

2152. Pardon me, that is not quite the question. There is the external maintenance on the one side. Then there is the middle column, which is the internal maintenance which properly falls on the Vote. What I am asking you now is not whether the third column which is spent out of the nest-egg could be charged to the first column, but whether there is any real essential difference between the items that are charged to the second column and the items which are charged to the third?—No.

2153. No essential difference at all?—No.

2154. Sir Gilbert, does that distinction which Sir Patrick has laid down present to you any problems of audit? Are you satisfied that you can work to this?—(Sir Gilbert Upcott.) I do not think they should present any difficulty. I take it the distinction is roughly between landlords' and tenants' liability. There is a well-recognised tradition of the past from which to seek guidance. I should

regard my main duty to be to see that the money provided for external works is not diverted for the purposes of the internal works, and vice versa. Of course, the Palace authorities would also be concerned to see that money provided for the internal works is not used for the external works, as I think the Treasury indicated last year. Subject to that, I hope I am right in assuming that the Committee would not wish me (subject to general common sense) to scrutinise jealously details of expenditure for internal works which Their Majesties wished to incur.

Sir Assheton Pownall.

2155. Did you say Civil List IV?—(Sir Patrick Duff.) Yes.

2156. I am afraid I do not know what Civil List IV is?—The Civil List is divided up into Civil List I, II, III and IV, and No. IV happened to be Maintenance of Buildings.

2157. It is an accounting sub-heading, Civil List IV?—(Mr. Barnett.) It is a statutory division, Classes I, II, III and IV.

Mr. Culverwell.

2158. Do I understand that £20,000 is allowed for internal repair?—(Sir Patrick Duff.) Yes.

2159. What will happen when you have used up the balance of what you call your nest-egg?—(Sir Gilbert Upcott.) It is £20,000 a year.

2160. Yes, I know; £20,000 a year is fixed. But you are at present utilising your nest-egg for anything that is incurred above that £20,000, I gather?—(Sir Patrick Duff.) Yes.

2161. What will happen when that comes to an end?—We should hope in the normal course of events that on that £20,000 a year there would be a saving of perhaps a few hundred pounds, and when that had accumulated, supposing that Their Majesties wanted any particular work done, that might be done when the accumulation had reached a figure sufficient to pay for it.

2162. Do I understand that the internal repairs were, shall I say, neglected, and therefore you were able to build up this nest-egg?—No.

2163. Why should you imagine that in future you are going to spend less than £20,000, if to-day you are spending more than £20,000, if you lump what you are using of the nest-egg in with the £20,000?—It is because, I think, at the beginning

28 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O., and
Mr. A. G. BARNETT, C.B.E.

[Continued.]

of a new reign perhaps more changes are required in a Palace than in the ordinary normal year to year occupancy.

Mr. Benson.

2164. With reference to the point the Chairman raised, in external repairs you included boilers, grates and servants' quarters. Why servants' quarters, and why boilers? Boilers are not usually outside. Is your division really between structural works and decorations?—Yes, it is. It is a rough division, as the Comptroller and Auditor General said, between landlords' and tenants' repairs.

2165. Landlords' repairs are usually to roofs, walls and main timbers. If it is a statutory division between internal and external, and the words "internal and external" are used technically, are you entitled to change the division from "external and internal" to "structural and non-structural"?—I do not think these forms of words are statutory in any way. It is simply a customary heading, a kind of omnibus heading which has seemed best to cover shortly and generally the type of work done.

2166. I may be wrong, but I was under the impression that that £20,000 in the old Civil List under heading IV was internal works?—Yes.

2167. And it was transferred by the Civil List Act from the Civil List to the Estimates?—Yes.

2168. As internal?—Yes.

2169. Not as non-structural?—(Sir Gilbert Upcott.) If I may interrupt, there is not, I think, any statutory definition of the expressions "internal" and "external", but as I said just now, I suggest that in seeking for guidance as to the interpretation of those expressions, I have to look to the traditional practice of the past.

2170. I must say I am not satisfied with the Comptroller and Auditor General's suggestion that "internal" requires statutory definition. It is a common or garden word which any court of law could put an interpretation on immediately. Internal repairs are internal repairs. External repairs are external repairs, and external repairs are not necessarily structural?—(Sir Patrick Duff.) One might have an internal repair like the provision of a lift in connection with, we will say, a state dining room only used for state purposes. That might be an appropriate item for the external Grant in Aid, although the

lift would be internal, because it is, so to speak, structural, and for state purposes, as opposed to domestic purposes.

2171. Yes, but the words used are "internal" and "external". There is no reference to what might be appropriately referred to. You have here a statutory definition and apparently you are not keeping to it?—I do not think the definition is statutory. It is the nearest thing you can get. (Sir Gilbert Upcott.) If I may quote from the Civil List Committee's Report, I think, if I may say so, that it indicates that regard should be had to the practice of the past, because in speaking of the use of the balance which is referred to in column 3, the Committee expressed the opinion that it "should be expended on any interior works which have been hitherto dealt with under Class IV", which is an indication of their opinion that the interpretation of the expression "internal" should be the same as it had hitherto been.

2172. I do not know what the previous practice was, but you have these two words, "internal" and "external", and apparently you are not keeping to them?—The practice has been the same.

Mr. Pethick-Lawrence.

2173. We pass to the rest of the pages, 410 to 412. On page 411 there is a reference to the donation to Hampton Court. Will you explain the position with regard to that, Sir Patrick?—(Sir Patrick Duff.) The donation was for the purpose of enabling us to do away with some extremely ugly, fat, conservatory types of hot water pipes which ran round the state rooms and stood about a foot and a half above the floor like enormous iron snakes running everywhere. It was impossible ever to make the rooms look distinguished or gracious with these pipes. Unfortunately, the pipes were quite good for heating purposes for another few years, but a generous benefactor came forward and said: "I will provide the money to enable these pipes to be done away with and the heating to be put in in an inconspicuous way".

2174. So that the whole of that cost has been borne by this private donation?—That is so.

Sir Isidore Salmon.

2175. Do I understand that the £7,000 will cover the whole of the ex-

28 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O., and
Mr. A. G. BARNETT, C.B.E.

[Continued.]

pense, or is the sum of money expended likely to exceed the gift of £7,000?—No, the £7,000 was for the first range of state rooms. The donor is going to do another range as well and in fact for engineering purposes we did a bit more in this bite, with his consent, antici-

pating some of the work on the second range.

2176. Therefore the whole of the alterations will be paid for by gift?—That is so.

Mr. *Pethick-Lawrence*.] May I take it the Account is approved? (*Agreed.*)

VOTE 10.

REVENUE BUILDINGS.

Mr. *Pethick-Lawrence*.

2177. Let us now take page 413 onwards, but in the first instance I will take just pages 413 to 416. Will you kindly explain, Sir Patrick, the item "Sale of property—Glasgow"?—(Sir *Patrick Duff*.) When the Scotland West Telephone Manager's Office was set up in Glasgow, which was in February, 1936, the staff had to be housed in three different sets of premises, each rather far apart from the others. This was extremely inconvenient, and as a result we had a scheme to concentrate all the Inland Revenue Offices under one roof and the Crown property that they were in, and which was vested in this Department, became vacant. We transferred that to the Post Office for the occupation of the whole of the District Manager's staff, and this money here is the consideration, which was assessed by the Inland Revenue Department, that we got for the building.

Sir *Irving Albery*.

2178. Did I understand that the £30,000 was a book transfer from the Post Office?—It was a cash transfer. (Sir *Gilbert Upcott*.) It was a payment by telephone loan capital. The telephone service pays for its buildings out of loan capital.

Sir *Isidore Salmon*.

2179. Sir Patrick, how is it that on the Post Office and Telegraph Buildings there generally seems the necessity of having Supplementary Estimates?—(Sir *Patrick Duff*.) I think within the last few years there has been a great boost in the postal services. There was a campaign for "Brighter Post Offices", and undoubtedly the Post Office have felt that they have a good deal to catch up with in the way of postal communications. I know that their programme for telephone buildings is likely to grow for the next five or ten years or so.

2180. Does that apply to furniture? There was a Supplementary Estimate for furniture and a Supplementary Estimate for removals?—There has been a considerable expansion in the Post Office services. Under the Bridgeman Report, I remember there was the setting up of a number of area offices, and I think this extra furniture and the extra removals is part and parcel of that picture.

2181. It is contingent on the extension of the programme, which presumably you did not know at the time you framed the estimate. Is that the position?—Yes. I think our estimate was for a larger sum than it had been in the previous year, but even so, we did not estimate enough, and I think we had to have supplementary provision.

2182. I notice under sub-head P on page 415, the original estimate for "Maintenance and Repairs" was £534,000, and you asked for a Supplementary Estimate of £30,000, which you practically spent. Would you not have known that earlier in the year, when you were forming your estimates, that you would have these repairs to do?—Our estimate was based on the actual expenditure on these works or works of this type during the last financial year, which was 1935, but the estimate did actually prove to be inadequate to the growth of the expansion, and we had to seek for supplementary provision. (Sir *Gilbert Upcott*.) I think the Post Office explained, when they were here, that the year 1937 was a year of very substantial expansion.

Mr. *Pethick-Lawrence*.

2183. I am taking all the explanatory pages which follow together, pages 417 to 427. On page 421, a little way down, there is item 3, which relates to Edinburgh. I notice there the "Purchase of site and erection of Building". Can you give us a little explanation of

28 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O., and
Mr. A. G. BARNETT, C.B.E.

[Continued.]

what that involves?—(Sir Patrick Duff.)
What the purchase involves?

2184. Yes?—Or of the compensation
to the tenants?

2185. What is the building? It is not
the big Government Offices, is it? It
is some subsidiary place?—It is to provide
accommodation for the Inland
Revenue Headquarters, not the new
Government Offices.

2186. Where is that to be?—I have
forgotten the address.

2187. That is going forward? The
building is being erected, is it?—(Sir
Gilbert Upcott.) It was postponed in
the year of account.

2188. What is happening there, then?
—(Sir Patrick Duff.) It has been post-
poned for the time being. We had, as
a matter of fact, in this year, so many
urgent services, owing to the Defence
Programme and so forth, that we could
get on with, that cases like this, which
presented some form of difficulty owing
to negotiation with tenants and other-
wise, we let wait for the time being. It
will be taken up again.

Sir Assheton Pownall.

2189. On that same item, we have
already apparently expended £23,600 on
Edinburgh, number 3. It seems rather
a large disbursement to spend—over one-
quarter of the total—and then suddenly
suspend operations, is it not?—We had
to get the site when the site was avail-
able to us to buy.

2190. This is the item for the site,
broadly speaking?—Yes.

2191. And building operations have
not yet started?—That is so.

Sir Irving Albery.

2192. About how many persons is this
building intended to accommodate?—I
am afraid I cannot answer that.

2193. You have no idea at all?—No.

Sir Isidore Salmon.

2194. Is it correct to say that when you
do postpone these buildings because you
have more urgent work in hand you
have not in any case entered into a
contractual liability and then stopped;
or is the fact that you have not yet
entered into a building agreement?—We
should be very reluctant, once we had
entered into any form of contract, to go
back, but here was a case where we
had not started, where we had an
enormous amount of other preoccupa-
tions, and I ought to have added also
that labour and materials at this time,
and particularly so in Scotland, were
scarce and hard to come by, so that
where we could, in a case like this, where
there was no loss and no contract had
been entered into, we purposely deferred.

2195. Would it be correct to say that
none of the jobs which you have post-
poned will mean any extra expense on
account of having entered into a con-
tract for building?—I think I can say
so, all over these Votes, that there is no
case unless it is particularly stated in
these notes, where postponement has—
2196. Or will?—or will make more
expense.

Mr. Pethick-Lawrence.] May I take it
that the Accounts are approved?
(Agreed.)

VOTE II.

ROYAL PARKS AND PLEASURE GARDENS.

Mr. Pethick-Lawrence.

2197. Turn now to the following
pages, 428 to 431: Royal Parks and
Pleasure Gardens. On page 429 I should
like to ask about the Regent's Park
item. I notice that you have a receipt
this year of £340 17s. 11d. What is the
period which this payment covers? Is
there any money still owing from the
same source?—(Sir Patrick Duff.) No,
that is the final instalment due from the
debt owing to us for 1935.

2198. On page 431 I notice in F.III.
there is an item which says "Purchase

of motor boat and gear". Can you
explain just what that is?—We have
from time to time, and particularly in
very hot summers, been very appre-
hensive about the state of the water
in the Serpentine for all the children
bathing. It was an extremely difficult
problem, because the Serpentine covers
tens of acres of water, so that it was
not very easy to deal with as a whole,
and we were very reluctant to make an
enclosure for the swimming part, which
would have been rather visible and
would have urbanised this lovely sheet

28 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O., and
Mr. A. G. BARNETT, C.B.E.

[Continued.]

of water, but we felt we wanted to do something. Every now and again we have had to stop bathing altogether if the water has seemed contaminated, and I may say the Government Chemist assists us and lets us know if it is getting contaminated. But to avoid this contamination we felt we must have some ingenious contrivance for chlorinating the water in the area bathed in, and this formidable looking motor boat is in fact a chlorinator.

Sir Assheton Pownall.

2199. Surely the water is gradually moving down. There is the fountain at the top and the water moves down. I do not see how chlorinating can help if the water is moving down the whole time?—It does not move fast enough.

2200. It is a very small stream there, is it?—The Serpentine is apt to be a very still lake, and it is because the water has not got a great amount of movement in it that there is that danger.

2201. "Contributions by private donors for provision of seats". Are there many of these private donors who have given £1,568 between them?—These are the new wooden seats which have been rather admired in various places like St. James' Park, Hampton Court and Hyde Park, which are expensive items. They replace older seats which were not very agreeable but which had a lot of life in them. The First Commissioner issued a public appeal to which there was a fair response, and this represents the response.

Mr. Culverwell.

2202. Could you explain note J: "Moiety of commission remitted on account of loss sustained by the contractor for sale of refreshments on the Stands and other places on the Coronation route on 12 May, 1937." It is on page 429?—Yes. When we had the Coronation stands up all about the parks we wanted people to be able to buy some sort of food and drink and we got the caterers who do the ordinary park catering to undertake the cost of certain structural work on the stands, to erect marquees and so on, to distribute the food. We were going to take the ordinary commission on their sales in the same proportion as we take it over the normal sales in the parks. They had very bad luck that day, because it may be recalled that almost before the Royal

Procession got into the Palace there was a flood of rain which continued most of the afternoon, so that these unfortunate caterers did not do as well as they had every reason to expect they would do. Seeing that we were very anxious that there should be food and drink for all these people if they wanted it, that was why, when they had made this demonstrable loss, we felt it was legitimate to remit half of what they owed us. (Sir Gilbert Upcott.) To remit half the commission.

2203. It did not cost you anything?—No, it did not cost us anything.

2204. You expected to make something out of it on commission?—Yes.

2205. And you made £325 less than you expected?—That is so.

2206. Did you make anything?—(Sir Gilbert Upcott.) They made £325.

2207. That is the moiety?—Yes.

Mr. Benson.

2208. With regard to the licences for letting chairs and boats, these items realised either more or less than you anticipated. What arrangement have you there? Have you a commission arrangement or do you get estimates?—(Sir Patrick Duff.) No, we have a regular rent and if the man exceeds a certain profit we have a little more and if he falls short of that datum line we have a little less.

2209. He provides the chairs and boats?—That is so.

2210. Have you any idea whether he makes a really good thing out of it?—Is it a thing you could take over yourselves profitably?—I should be extremely reluctant to take over that chair contract. I should think the plant—the chairs alone—must be the equivalent of £10,000. It is an extremely difficult service to run, for example, with half a day's wet and suddenly he wants his troops on the ground again because it turns fine. I would much rather see it run by this contractor, who is very efficient and from whom I feel that we get a very respectable revenue.

Mr. Lewis.

2211. On sub-head D, on page 428, what is the practice at present with regard to the gardening work in the Royal Parks? In the summer time there must be much heavier work than there is in the winter time, mowing, bedding out and that sort of thing. Is it largely done

28 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O., and
Mr. A. G. BARNETT, C.B.E.

[Continued.]

with temporary staff, or how do you manage?—Yes, when the mowing comes along or the picking up of leaves time, we recruit extra men.

2212. You take on extra people?—Yes.

Sir *Isidore Salmon*.

2213. On sub-head G, "Maintenance and Repairs," the expenditure is considerably up on the year previous. Was that because you held up certain work?

TRADING ACCOUNTS AND BALANCE SHEETS, 1937. OFFICE OF WORKS.

Mr. *Pethick-Lawrence*.

2214. Turn now, please, to Trading Accounts, pages 134-135. This is the Richmond Park Golf Courses Account. At the bottom of page 135 there is an item: "H.M. Office of Works, Current Account". Last year the Treasury promised to look into this item (I think at the solicitation of a Member of the Committee) and to consider whether interest should not be allowed on it. Have the Treasury investigated this point, and, if so, what is the conclusion they have reached?—(Mr. *Brittain*.) If you remember, at the last meeting of the Committee or the one before that, Mr. Blunt mentioned that we were proposing to review this question of interest and how it was calculated in all these Trading Accounts. That will be mentioned in the general review of all these Accounts which we hope will be made on the Treasury day. We have not come to a separate decision on this case. We thought we would put the general question as it affects all the Accounts together, because there are other Accounts which present the same problem.

2215. So you are not in a position to make any statement to-day?—Not on this particular Account.

2216. You want us to wait till you come to the general statement on the Treasury day?—If the Committee would be good enough to do that.

2217. Have you anything to say on that, Sir Gilbert?—(Sir *Gilbert Upcott*.) It does require some investigation, I think, because this is entirely the reverse of the practice for which the Treasury were arguing the other day. Here is a cash account built up of depreciation money which is not allowed interest. That does not make the Accounts incorrect in any way. It

—We had one exceptional item that year. We had to re-condition the outer circle road in Regent's Park. We had a large increase in labour rates, £4,500 on that. We had certain improvements in Queen Mary's Garden in Regent's Park. We had the re-construction of one of the houses in Kew Gardens—non-recurrent items, but just happening to fall in this particular year.

Mr. *Pethick-Lawrence*.] May I take it the Accounts are approved? (*Agreed*.)

is a strict practice which is within the Treasury discretion. I find, however, what I had forgotten last year, that I did some years ago ask the Treasury in another context whether they did not think it desirable to look through these Accounts and consider whether there should not be some uniformity of principle; but it is, in point of fact, precisely the opposite of what the Treasury were arguing the other day. (Mr. *Brittain*.) I think I mentioned last year that I did recognise the difference between the treatment here and the treatment in the Post Office Account.

Mr. *Benson*.

2218. I see you are depreciating your buildings 10 per cent: Are those temporary wooden buildings, or are they brick structures?—(Mr. *Barnett*.) They are permanent buildings.

Mr. *Benson*.] It seems a very high rate of depreciation.

Sir *Assheton Pownall*.

2219. They are rather of a shed nature, if I remember rightly?—Two of the buildings are entirely brick; the first one that was put up was partly wood.

Mr. *Benson*.

2220. While we are on this question, are you depreciating your dog at 10 per cent?—The dog, I think, is dead.

2221. Has he been written off?—Yes.

2222. I notice you are making a very handsome profit on this. Has the Office of Works considered experimenting with a golf course in other parts? Is there any possibility?—(Sir *Patrick Duff*.) I do not think we have got any territory quite so large that we can afford to cut off enough for a golf course out of it.

2223. Not even a nine-hole course?—I doubt whether there is room, and a nine-hole course is apt to get simply trodden away to nothing.

2224. And congested?—Yes.

28 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O., and
Mr. A. G. BARNETT, C.B.E.

[Continued.]

Sir *Irving Albery*.

2225. I see the profit of £1,600 was allocated to the Exchequer, that is, the whole profit less £65. Up above I see the item: "Profits applied to providing improvements—£4,200": does that mean that that is previous profits which have all been devoted to that?—(Mr. *Barnett*.) Those profits were reserved from previous years.

2226. It puzzles me rather. If that amount of money has been spent on improvements, I should have thought that affected the item of depreciation. Does it show anywhere? I suppose it was all in previous years. There were no improvements this year.—(Sir *Gilbert Upcott*.) This was a reserve fund created out of profits which has been applied to improvements. (Mr. *Barnett*.) Six or seven years ago.

Mr. *Benson*.

2227. Are these structural improvements or improvements to the course, to get better bunkers and greens?—They are principally improvements to buildings.

Sir *Isidore Salmon*.

2228. Where you say "Office of Works, Current Account—£5,983", how is that made up—from depreciation or from surplus profits?—Depreciation.

2229. So, whenever you want improvements, you treat it out of profits. What

do you propose to do then with the cash-in-hand which you have: what do you use that for—trading?—The £5,983 is to be used at some time for replacing these existing assets. (Sir *Gilbert Upcott*.) It is not entirely the Depreciation Fund; £300 of it is cash balance.

2230. Is this the cash that the Department have for trading for stock, and things of that kind?—(Mr. *Barnett*.) It is the item which in an ordinary balance sheet would be represented by cash and investments.

2231. I appreciate that, but what I am trying to arrive at is this: presumably you have golf balls and things of that sort which you sell?—No.

2232. You let that out, do you?—Yes.

2233. And you take a commission on that?—Yes.

2234. Therefore, all the capital that you want for running the business is found by contractors?—We require a certain amount of capital for wages and materials for the course.

2235. That comes out of ordinary current expenses. The point I am rather trying to make is this: In this Current Account, where you have the £5,983, who has that money: have the Treasury?—The Exchequer has the money temporarily.

2236. It is only a book entry here?—Yes.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed*.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VII.

VOTE 15.

WORKS AND BUILDINGS IN IRELAND.

Mr. *Pethick-Lawrence*.

2237. We will now turn to the Civil Appropriation Accounts, pages 440-442, Class VII, Vote 15: "Works and Buildings in Ireland". With regard to an item on page 440, I notice that under sub-head F you took a Supplementary Estimate of £5,500, and in fact you only spent about £1,000 of it; on the other hand, under sub-head G you took a supplementary, but in fact you overspent to the tune of £1,830; and under sub-head H you overspent to the tune of £1,660. So it appears that you took a

supplementary for sub-head F and spent most of it on sub-heads G and H: can you tell us why that was done and the date on which you took the supplementary?—(Sir *Patrick Duff*.) The supplementary was taken, I think, in January, and it was because we assumed that we were going to start work on the adaptation of a building called Moore House in Belfast, where we were going to concentrate the Inland Revenue Departments. Unfortunately, the negotiations for that building were not clinched in January, as we hoped

28 March, 1939.] Sir PATRICK DUFF, K.C.B., K.C.V.O., and
Mr. A. G. BARNETT, C.B.E.

[Continued.]

they would be, nor indeed, owing to the various difficulties which cropped up, were they clinched at all until about late in June, so that, although we hoped we were going to start work on the adaptations and get the premises in January, we were disappointed. Accordingly, the supplementary we had taken for the purpose of starting the work in January was not used for that purpose.

2238. How was it that sub-heads G and H so considerably exceeded your estimate?—As regards sub-head G, I have had a good deal of correspondence with the Government of Northern Ireland on this. They point out that they were in considerable difficulty, under sub-head G, because so much of the items of maintenance and repairs, which this sum represents, is small jobs on a time and material basis which they

carry out by their own workshop staff, and it is extremely difficult to compute what the cost of each of these tiny items is going to be in advance. When there was a big accumulation of them, as there was in this year, it resulted unfortunately in there being an excess on this sub-head. (Sir Gilbert Upcott.) If I may say so, what happened was a stroke of luck for the Office of Works, because, if it had not been for the failure to get on with the Belfast adaptations, they would have been run in, as they were last year, with an excess Vote; but in fairness to them, I ought to say that the safeguards which were made as a result of the excess Vote last year were not fully in operation in 1937.

Mr. Pethick-Lawrence.] May I take it that this Account is approved? (Agreed.)

(Sir Patrick Duff and Mr. Barnett withdrew.)

TREASURY MINUTE ON PARAGRAPH 4 OF THE SECOND REPORT OF THE
COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Mr. J. H. McC. CRAIG, C.B., called and examined.

Mr. Pethick-Lawrence.] Turning to the Treasury Minute, paragraph 4: "The Mint. Special Purchase of Machinery,"

I think this is merely a Report. I do not think anything arises on that.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS I.

VOTE 15.

THE MINT.

Mr. Pethick-Lawrence.

2239. Now we will turn to the Civil Appropriation Accounts again, pages 25-27, Class I, Vote 15: "The Mint". If you look down page 25 to the notes of explanation, in the second paragraph of the note to sub-head A you will see the words: "The amount provided for fees for designs for coins", etc. Can you tell us what fees were paid and how many designs there actually were?—(Mr. Craig.) Yes, Sir. The total fees paid were £4,155. The largest of those was a fee for a Great Seal and Coronation Medal, £1,400. In connection with the Great Seal a further payment of £825 was made to three other artists. There is £550 for the uncrowned effigy used on the coins and medals of King George VI, £225 for the crowned effigy used on the medal and coins; £400 for the design of George VI's Coronation

Medal; £300 for the commemorative Coronation Medal, and £50 for an effigy for oval medals. There is another £50 for effigies for a trade medal, £210 for the new reverse for the Imperial silver coins, £95 for the obverse of the Coronation Medal of His former Majesty, and £50 for crowned effigy for oval medals, which was not used.

2240. The point I really want to get at was why the original amount provided was exceeded by no less than £1,555. Is it the fact that in some cases more than one design was produced for the same seal or coin or whatever it was?—The over-expenditure arises principally in connection with the Great Seal. A Great Seal was prepared for His former Majesty King Edward VIII, but, of course, it never came into use. That accounted for £800. An attempt was made to adapt it by altering the effigy

28 March, 1939.]

Mr. J. H. McC. CRAIG, C.B.

[Continued.]

for His present Majesty, which cost another £200, and that was not satisfactory. There was also a Coronation Medal for His former Majesty, of which the design cost £400. That total of £1,400 was not allowed for in the Estimate.

2241. It was entirely due to the fact of the Abdication?—Yes.

2242. It is entirely due to that and not to anything else?—Yes, Sir. (Sir *Gilbert Upcott*.) Certain designs were rejected.

2243. Is that correct, Mr. Craig?—(Mr. *Craig*.) The amended design for the Great Seal was rejected, as I said. There was also an effigy for oval medals rejected. That was only a small item of £50. Then there were two payments for preliminary designs for the Great Seal for the present Monarch: we got three designs and we accepted one of the three; it was a search or experiment.

2244. What did you have to pay for the other two?—£100 each.

Mr. *Benson*.

2245. For the one you accepted you paid what?—£625.

Mr. *Pethick-Lawrence*.

2246. Are the Treasury entirely satisfied on this point?—(Mr. *Brittain*.) I think the position is rather inevitable. The Treasury are satisfied that this expenditure was inevitable.

Sir *Assheton Pownall*.

2247. At the bottom of page 26, Mr. Craig, I see there are very big differences: The estimated profit on additional bronze coin issued was £50,000, yet the sum realised was over £1,000,000?—(Mr. *Craig*.) It is simply a question of the quantity of coin demanded by the community or by the banks.

2248. I notice the explanation—"specimen sets of the new coinage", but surely not to the extent of over £1,000,000?—No, Sir; this £1,000,000 is simply coin for ordinary circulation—the penny, the halfpenny, the farthing and the new nickel brass threepenny-piece. The demand made on us by the banks was enormously greater than was anticipated.

2249. Are the new threepenny-pieces popular in England? I am not asking about Scotland at the moment.—Scotland prefers the old silver threepenny-piece, which, broadly speaking, England does not like. A very large number of the new threepenny-pieces have been

issued, and people seem to hold on to them when they get them. They are passing more freely from hand to hand than they were.

2250. People are becoming more accustomed to them?—Yes.

2251. Scotland prefers the old silver threepenny-piece?—Scotland prefers the old silver threepenny-piece, and so does South Wales, I think.

2252. The threepenny-piece is in much greater demand in Scotland than in England?—There are a great many more silver threepenny-pieces than nickel brass threepenny-pieces in existence.

2253. The demand for threepenny-pieces has been much greater in Scotland than in England?—Yes.

Mr. *Culverwell*.

2254. I was not quite clear about the Great Seal: do you say you fixed on one design which cost you £800 and tried to adapt it for another £200, and it was not a success?—Yes.

2255. So that there will be another estimate which is not in this Account, I presume, for another Seal: is that correct?—No, Sir. A Seal had to be prepared, in the first instance, for King Edward VIII. That design modelled and complete, cost £800; that is taking it up to the point at which you can begin to turn it into metal. Then there was the Abdication, and an attempt was made to render that design suitable for the present King by altering the effigy, the portrait, and that was not successful. That is where the £800 went; that, so to speak, is lost.

2256. That is what I meant.—(Sir *Gilbert Upcott*.) Plus £200.

2257. That is why I said £1,000.—(Mr. *Craig*.) I beg your pardon—£1,000; it is £800 plus £200.

2258. So there will be a further item that is not in these Accounts?—It is in these Accounts. There is a further expenditure of £825 in all for the Great Seal which was actually adopted. £200 of that went to artists whose designs were not adopted, and £625 went to the artist who made the model that was accepted.

2259. Both amounts, the £1,000 for the old Seal and the £800 for the new one, are in this Account?—Yes.

2260. On page 25, with reference to the footnote to sub-head D: "Due to the greater number of telephone calls involved by the control of coinages executed by private firms", what do the words "control of coinages executed

28 March, 1939.]

Mr. J. H. McC. CRAIG, C.B.

[Continued.]

by private firms" mean?—Certain colonial coinages were entrusted to firms that have for many years done foreign coinages. The Mint itself was too busy to undertake the whole work, and it was placed, with the consent of the Crown Agents, with two firms in Birmingham.

2261. That is unusual: in the ordinary way you do it yourselves?—We do it ourselves if we can. I would not say it is unusual; it frequently happens.

2262. Do you take a commission?—We take a small payment for supervising. The payments are made through the Mint by the Colonies or Crown Agents. We do a certain amount of labour in advising and guiding and accepting or rejecting coin, and we keep a small payment for that.

2263. You are responsible for the coinage when it is made?—We are responsible for the quality of the coin.

Sir Edmund Brocklebank.

2264. Who accepts or rejects the design for the Great Seal?—Ultimately, His Majesty.

2265. Does the Fine Arts Commission come in for consultation?—No, Sir. There is an Advisory Committee to the Mint, which examines it, in the first instance. I suppose the Deputy Master examines it, in the first instance. He then takes it to his Advisory Committee, which includes artists and people skilled in art. If their opinion were adverse, it might not go any further. If their opinion were favourable, it would go up, in the case of the Great Seal, to, I think, the Lord Chancellor and to the Palace.

Sir Haydn Jones.

2266. In note A, on page 25, I see the clerical and supervisory staff were paid a sum, the industrial staff were paid a sum, there was payment of overtime and there were gratuities: I should like to know what the gratuities are?—During that year, instead of working a normal day, the Mint had to work twice that length, the staff being split up into two shifts. We recruited additional workmen and some additional clerks, but we could not supplement the experienced and skilled officers, so they had, as it were, their own responsibility doubled and their hours altered, and the Treasury agreed that extra payment should be made to them in recognition of the extra responsibility, extra time and, indeed, the inconvenience to them.

Mr. Benson.

2267. I am still not quite clear about the Great Seal. Was the reverse redesigned?—This includes both parts, the obverse and reverse, or the Seal and Counter Seal, as they say.

2268. Why should the reverse be redesigned: you must obviously redesign the obverse?—The reverse has to be redesigned, because actually it also has an effigy of the King on it.

Mr. Benson.] With regard to coinage, you coined something like 14,000,000 farthings: where are they used? You will find those figures in the Trading Accounts.

Mr. Pethick-Lawrence.

2269. We shall come to the Trading Accounts afterwards?—No, Sir, I cannot tell you where those go. They are used for small change.

Mr. Benson.] It comes under worn bronze coin on page 26.

Mr. Pethick-Lawrence.] If you are dealing with the facts, it is perhaps better to leave it until we come to the Trading Accounts.

Sir Irving Albery.

2270. I wanted to ask the Treasury: With reference to "Paid separately to Exchequer"—£2,800,000 odd, halfway down page 26, what becomes of that?—(Mr. Brittain.) It is brought into the Budget as miscellaneous revenue.

Sir Isidore Salmon.

2271. On page 25, under sub-head A, you first of all spend more than is granted; you give an explanation: "A saving of £1,280 resulted from staff changes and retirements during the year"; it is a little confusing?—(Mr. Craig.) The estimate is made, in the first instance, on the basis of the existing staff. If a person retires during the year, being near the maximum of his scale, and is replaced by another person near the minimum of his scale, there is a saving. Sometimes you can foresee it, and sometimes you cannot. But relatively to the total sub-head it is very small.

2272. The point I am making is that with regard to the first item: "Salaries", on page 25, there is an item, under the column headed "More than Granted", of £42,000 odd. Anyone reading that and seeing the explanation would find it a little confusing, where you speak of a saving, on the one hand, and, and you spend £42,000 more

28 March, 1939.]

Mr. J. H. McC. CRAIG, C.B.

[Continued.]

than your grant, on the other hand?—It is only the way it is analysed. We put in pluses and minuses; the £42,000 is the sum by which we have exceeded the grant, and the £1,280 is from small savings effected by the accidents of retirement.

2273. Is there any point in giving an explanation of that kind when you have actually spent £42,000 more than the grant?—(Mr. *Brittain*.) It is a matter of degree. The Mint, I think, were trying to be helpful here by showing that, although there was a very big plus, there were also small minuses. (Sir *Gilbert Upcott*.) If you gave the net result only, you might conceal very big differences. It is a question of pluses and minuses.

2274. Under sub-head A, is most of the additional staff permanent or temporary?—(Mr. *Craig*.) The majority are temporary.

2275. So, when the pressure falls, the staff will be reduced?—It has already been reduced.

2276. Was it not possible to anticipate, at the time this estimate was prepared, that there would be a big rush on you?—I do not think so. It depends on factors out of our control, such as the demand of the community for currency, and it does not seem possible to determine that any very long time ahead.

2277. I know what becomes of the money, as Mr. *Brittain* has just explained: the £2,000,000 goes into the Treasury; but what I do not quite appreciate is this: You estimate £2,440,000 and you realise £4,313,000: do I understand you to say that the whole of this money has been realised, or a large portion of it has been

realised, by the fact that, for instance, the face value of new silver in replacement of coin withdrawn for recoinage shows you a considerable sum of money?—Yes; that was it.

2278. One shows you a loss and the other shows you a considerable surplus. Under item O.2 (a), there is a difference between the estimated figure and the realised figure of approximately half a million pounds, whereas, on the other hand, under item O.3 there is an estimated figure of £629,000 but a realised figure of £1,742,000—If you add the two realised figures together (£2,700,000), that is produced by the new coin that we have issued during the year, but of that new coin some goes out in replacement of coin brought in. That is the first figure of £1,000,000. We expected more old coin to be brought in than actually was brought in. If it had been brought in as we expected, the £1,000,000 would be so much the higher and the other figure would be so much the lower.

2279. I understood you to say you gave out certain work for the Dominion and Colonial and Foreign coinage to firms in Birmingham?—Yes.

2280. Who pays your commission to you—the firms or the Governments?—The Governments.

Mr. *Pethick-Lawrence*.

2281. What is the exact reason why you put it out? Have you got more work than you can do?—Yes.

2282. Is the Treasury satisfied with the financial arrangements connected with that?—Yes.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed*.)

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

THE MINT.

Mr. *Pethick-Lawrence*.

2283. Turn now to the Trading Accounts, pages 88-91. At the top of page 89, I notice that there is £271,000 this year as against £178,000 last year for all those items. What are the items in particular that came to more?—(Mr. *Craig*.) The largest item is on receipts from medals and specimen sets of coins: £77,500, in round figures, was received on that head.

2284. Does this small item you get for supervisory fees for putting out the work appear on page 89: if so, what

items does it come under—"Miscellaneous Services"?—It is included in the third item: "Colonial and foreign coinages, £170,024."

2285. On page 91, what exactly is included in the £400,000? What is the exact reason for the £400,000 given to the Exchequer? Is that on account?—Yes.

Mr. *Benson*.

2286. I should like to ask where all those farthings go; there are some 14,000,000 farthings issued?—We do not know. The Banks come to us and ask

28 March, 1939.]

Mr. J. H. McC. CRAIG, C.B.

[Continued.]

for so much bronze of different kinds, including so many farthings.

2287. You never see farthings up in the North?—You sometimes see them in London, but I confess I do not know where they go.

Sir Isidore Salmon.

2288. On page 89, you show the percentage of output, 76.10?—Yes.

2289. Would it be possible for the future to put the percentage of the year previous, so that one can see what it means? It does not help us very much to see that percentage.—So far as the Mint is concerned, it is quite easy.

Mr. Pethick-Lawrence.

2290. Perhaps the Treasury and the Comptroller and Auditor General would look into it and see whether it is possible to do it?—(Sir Gilbert Upcott.) It is rather a question of room on the page.

Sir Isidore Salmon.

2291. Will you look into it?—(Mr. Brittain.) Certainly. (Sir Gilbert Upcott.) Perhaps I may make a demurrer, in case there is any serious difficulty, Sir Isidore.

Mr. Pethick-Lawrence.] May I take it that this Account is approved? (Agreed.)

(The witnesses withdrew.)

(Adjourned till Thursday at 2.30 p.m.)

THURSDAY, 30TH MARCH, 1939.

Members Present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Benson.
Mr. Culverwell.
Major Sir George Davies.
Mr. Lathan.

Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN, and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS V.

VOTE 16.

COMMISSIONER FOR SPECIAL AREAS (SCOTLAND).

Mr. P. J. G. ROSE, C.B., and Mr. A. B. VALENTINE, called in and examined.

Mr. Pethick-Lawrence:

2292. Please turn to the Civil Appropriation Accounts, page xx, Class V, Vote 16: "Commissioner for Special Areas (Scotland)", paragraph 34 of the Comptroller and Auditor General's Report. I do not think anything arises on that paragraph. On paragraph 35: "Trading Estates", I notice it says here that special difficulties arose in Scotland. Can you tell us what those difficulties were?—(Mr. Rose): They are of the same kind as arose in England, as referred to in the previous paragraph. The Commissioner had approved in 1937

a certain amount of expenditure on the industrial estate. The thing developed pretty fast, the situation had to be reviewed again, and the Commissioner granted approval of an additional amount, briefly as stated in the second sentence.

2293. What are the commitments today: are they in excess of the £600,000?—The commitments are slightly in excess of that. Beyond the figure that is there mentioned of £600,000, a further approval has been given by the Commissioner, making a total of about £925,000. That is the approval.

15417

K

30 March, 1939.]

Mr. P. J. G. ROSE, C.B., and
Mr. A. B. VALENTINE.

[Continued.]

2294. That is the total approved?—
Yes.

Sir *Isidore Salmon*.

2295. I should like to ask Mr. Rose: What does the Scottish Office have to do in the way of supervising the trading estates, or is it left entirely to the Commissioner of Special Areas to deal with the whole of the running of them?—That control is exercised by the Commissioner, and the Assistant Commissioner is here with me.

2296. Therefore, the Scottish Office itself has no supervision over that?—No direct supervision over the industrial estates.

Mr. *Pethick-Lawrence*.

2297. Now paragraph 36: this relates to physical training and recreation. Can you explain the difference between the English and the Scottish practice?—I do not think there is one of real substance. May I leave that to Mr. Valentine? (Mr. *Valentine*): It is really only a difference in practice, and it arises in this way: The English Commissioner has been in the habit of making his offers of grant stated as a percentage of the cost to be subsequently ascertained. The Scottish Commissioner, on the other hand, has throughout tried to get as firm an estimate as possible of the cost, and has stated his offer as a percentage of that estimated cost. The effect of that was that, when this new physical training and recreation legislation was passed, we had to get legal advice as to whether an offer made in that particular shape could be modified after the passing of the Physical Training Act. We got legal advice and were told that the offer could be amended in that way. That is really the only difference.

Sir *Isidore Salmon*.

2298. When you speak of "in that way", do you mean, to follow the English system?—Yes; the effect was that our legal advisers told us that, by modifying our offers in this way, we were simply removing this special difficulty, and the effect is to bring us into line with the position in England and Wales.

Sir *Assheton Pownall*.

2299. There is a difference (I do not think it is covered by your answer) that in Scotland a maximum amount of

grant is also fixed?—That was what I tried to explain, Sir *Assheton*; I am sorry.

2300. I did not quite see the relation between the two?—May I just try to explain it a little more clearly?

2301. Yes?—The English Commissioner, when he is asked to make an offer, usually offers x per cent. of the cost to be subsequently ascertained. The Scottish Commissioner, on the other hand, tries to get the best estimate possible of the cost at the time, and says: "I will offer x per cent. of y pounds".

Mr. *Lathan*.

2302. Is there any standard or basis for these offers, or are they arbitrarily determined by the person responsible for the offer?—We do try to maintain a certain standard, as far as the percentage of the total cost is concerned.

2303. What has that relation to: has it relation to the circumstances of the particular case?—In part. It has also relation to the particular area from which the application has come. If it were a very severely hit area, we should be inclined to give a higher percentage than we should if it came from an area where unemployment was not so severe.

2304. May it be assumed that, if unemployment were not severe, the local authorities or the authority which would have to meet part of the charge would be in a better position to meet that responsibility?—That, I think, would be a fair assumption.

2305. It has been found in practice to be a fair assumption?—That is our experience.

2306. The arrangement, I hope, does not operate against the efficacy of the system?—I am not quite sure that I follow what you mean, Sir.

2307. That is to say, any such bargaining or bartering does not tend to operate against the effectiveness of the arrangement that it is desired to make?—No; that is a point which it has been necessary to keep in mind, in this way, that sometimes the Commissioner might feel inclined to offer a very small percentage, like 15 or 20 per cent., or something of that kind, but, when that sort of thing is in contemplation, one has to bear in mind the burden in the locality as well, so that the effect of making the offer should not be that, once the scheme has been started, the

30 March, 1939.]

Mr. P. J. G. ROSE, C.B., and
Mr. A. B. VALENTINE.

[Continued.]

burden has been increased instead of being lightened. That danger is sometimes present, and we have to watch it.

Mr. Culverwell.

2308. Perhaps I should ask the Treasury: Which is found to be the best system of basing your grant in practice—the Scottish method or the English method?—(Mr. Brittain): I think probably the Departments who administer this are in a better position to judge than the Treasury are.

2309. But we have not the English Department here.—(Mr. Valentine): As far as the Scottish Commissioner is concerned, if I may say this, Sir, we have come round to the view that the English method is the better of the two. The first Scottish Commissioner started in the other way, but our conclusion is that the English way of doing it is freer from difficulty in practice.

2310. Have you adopted the English method?—We changed over, broadly speaking, about six months ago to the English method, and, where we make grants, we are doing it in the English way, if there is any prospect that we may have to modify the grant at a later date. You appreciate, Sir, I am talking about a much wider question than is raised in relation to physical training. What I say covers the whole gamut of our public works grants.

2311. Why I raised the question was because I should have thought experience must have shown that one method is either better or worse than the other, and I was wondering why a different procedure should be adopted in England from that in Scotland. Either the English method is better or the Scottish method is better. I should have thought it was hardly a question for the Departments, but for the Treasury to lay down a uniform practice in such a case?—The practice, as far as Scotland was concerned, was agreed, at the time when the Special Areas Acts began to operate, both with the Scottish Office and with the Treasury. The Scottish Commissioner, the late Sir Arthur Rose, wanted to do it in that way, because, I think, he wanted to have a definite top limit beyond which he would not offer assistance, and I think I am right in saying that very largely in deference to his wishes the Scottish Office and the Treasury agreed that the grants in Scotland should be offered in that way.

15417

2312. So that it was rather an exception made to satisfy his personal wishes than a normal practice that is followed in Scotland?—(Mr. Rose.) The whole system of these grants, of course, is rather exceptional.

Mr. Pethick-Lawrence.

2313. I think the witness has said as much as you can expect him to say. If there are no other questions on these paragraphs, we will turn to the Accounts, pages 241-243. I have several questions on page 243. First of all, take the second sub-head: "Agriculture: Farming experiments". I think last year there was some discussion on this point as to an experimental farm at Calderwood. What is the situation today, and how much is the total that has been dropped on this experiment?—(Mr. Valentine.) I ought to say, first of all, Sir, that that item to which you have referred does not in the main refer to Calderwood, but there is a small element of Calderwood in it. The next item (2) (b): "Scottish Land Development Company" is Calderwood, so perhaps I may answer on Calderwood!

2314. Yes?—Since last year the review which I mentioned at that time has taken place. It has now been agreed with the Department of Agriculture, the Scottish Office and the Treasury, that this experiment should be discontinued and that the Calderwood Estate should be put up for disposal. The cost since it started has been just under £50,000. That will be offset by what we get for it when it is disposed of. You probably would not wish me to name a figure in the present circumstances, as it is about to be put on the market.

Mr. Pethick-Lawrence.

2315. Perhaps we had better dispose of this item first. Are there any other questions? We now go on to an item a little lower down, "Sewage and Sewerage Works, £170,000". I believe I am right in saying that that figure is nearly equal to the whole amount of the English figure. Why is so very much more spent in proportion in Scotland on that than there is in England?—I cannot say why so comparatively little has been spent in England, Sir. You will appreciate that.

2316. Of course not?—But the main reason why successive Scottish Commissioners have thought it desirable to spend a comparatively large sum of

K 2

30 March, 1939.]

Mr. P. J. G. ROSE, C.B., and
Mr. A. B. VALENTINE.

[Continued.]

money on this sort of public work is to secure the purification of the Clyde and its tributaries to the east of Glasgow. The sewage and sewerage arrangements for the river were found to be in a very unsatisfactory state, and a whole network of schemes has been devised by the various county and burgh authorities which in the very near future will ensure that no untreated sewage finds its way into the Clyde east of Glasgow. That is the main explanation of the size of that figure.

2317. The next item I wanted to raise with you was Housing. Here on the other hand I notice that the Scottish Special Areas Housing Association spent a total amount of only £1,000, and item (b) accounts for only £3,000. That is very small compared with the English figures for housing. What is the reason why so little has been spent in Scotland on this very important matter?—That is because in the period covered by this Account the Scottish Special Areas Housing Association had only just started. It was considerably later in starting than the corresponding English body. There will be a larger sum than this in next year's Account.

2318. Finally, on the "Grants in Aid, the Scottish Council for Community Service", could you just explain how that arises?—Yes, Sir. That item is partly in respect of a series of community centres for the unemployed and employed as well, known as Model Occupational Centres. They are, in fact, a large form of club or community centre. The Scottish Commissioners have provided the capital for the establishment of fifteen of these centres in all, as an experiment throughout the Special Areas. The other big item which is included there is Holiday Camps. There are two camps, run by the Scottish Council, to which unemployed men and their families go for a short holiday in the summer—one at Rothesay and the other on the Firth of Forth at Butlaw. Those are the two main items. There are other minor things.

Mr. Pethick-Lawrence.] I will put the whole of the pages 242 and 243, and ask for questions upon them.

Sir Isidore Salmon.

2319. Of the total payments of £576,000, is it likely that under these agreed payments and grants, by your new formulae, you may be asked to pay more under any of these different

heads?—There may in certain cases be an increase as a result of the estimates being revised. We have reached a method of working on that with the Scottish Office and with the Treasury, and above a certain percentage we seek Treasury authority. There are a good many cases in which the cost has gone up, because it is generally known that there has been a very heavy rise in building costs in many cases.

2320. Are your commitments that you referred to earlier on of £900,000 odd in addition to these payments?—The £900,000 odd are the commitment for the trading estate.

2321. As separate from this grant?—They have nothing to do with these public works at all.

2322. As regards the money for trading estates, are you finding that you are getting large factories or large orders in these Special Areas from Government Departments?—So far as the trading estates are concerned, the tenants are not in any way Government Department tenants. They are ordinary private enterprise. There are, of course, throughout the area a number of cases, particularly at the present time, of Government factories of various kinds being set up in connection with the rearmament programme.

2323. Do you find that because those factories are being set up within that area it is an inducement for private industry to start other factories?—I think there is some evidence of that, particularly I should say in North-East Ayrshire, where you have the big I.C.I. development. That area, I think, is benefiting generally in the sense which you mean, because of those Government developments.

Sir Irving Albery.

2324. Might I ask the witness: Is Scottish Industrial Estates, Limited, what is described as a non-profit earning company?—Yes.

2325. Would the same apply to the Scottish Land Development Company, Limited?—Yes.

2326. I take it that does not mean that those companies cannot make losses; or, rather, they may not be shown as losses. Can a non-profit earning company make a loss, or does it merely mean that there is no loss because whatever money is required is forthcoming?—I think that is a fair way to put it. If you take the industrial

30 March, 1939.]

Mr. P. J. G. ROSE, C.B., and
Mr. A. B. VALENTINE.

[Continued.]

estate at Hillington, if they had a deficit which they could not make good from their revenue or from their reserves, they would have to come back to the Commissioner for more money. For several years to come in the case of all those trading estates, it looks as if the Government may have to provide capital for development. The only effect of that would be to make that capital a little bigger than it would otherwise be at any stage.

2327. May I ask the Treasury what control has this Committee or Parliament over the Accounts of these so-called non-profit-earning companies? I do not see any Accounts presented. It is public money which is spent. I think we set up another one in the House of Commons yesterday?—(Mr. *Brittain*): In the case of these particular ones, I do not think the House or this Committee has any control over them at all.

2328. If I may, I should like to draw attention to that?—Of course, the Accounts are published, and I think the Comptroller and Auditor General sees them.

Mr. *Pethick-Lawrence*.

2329. Have you anything to say, Sir Gilbert, on this point?—(Sir *Gilbert Upcott*): I do not audit the Accounts of these undertakings, which of course, have their own auditors who, normally speaking, I think, are chartered accountants. But Parliament has placed these large sums of money at the disposal of the Commissioners for certain purposes defined by statute, and he is empowered by statute to make grants in this way. (Mr. *Brittain*). There are other cases, I think I am right in saying, where grants are made by the Commissioners to ordinary industrial companies, who after all are trading concerns. Certain concessions are made by way of contributions towards rates and income tax and that kind of thing.

Sir *Isidore Salmon*.

2330. As inducements?—As inducements.

Sir *Irving Albery*.

2331. In those cases, I take it the public purse is not available to the same extent for what might be losses?—I agree there is a difference.

2332. I do not know how they work out their losses in a case of this kind, except that I understand they do not work for profit but so far as I can see, whatever losses are made have to be made good by the public Exchequer?—(Mr. *Valentine*): When the interest-bearing period begins, they have to pay 4 per cent., unless they can show to the satisfaction of the Commissioner (and that in practice will also mean to the satisfaction of the Treasury, I have no doubt) that they cannot pay 4 per cent. Then they may, in such a case, pay what the Commissioner considers is a reasonable sum.

Mr. *Pethick-Lawrence*.

2333. But is it a fact that the Exchequer is responsible for losses of these bodies over and above the grants that are definitely sanctioned to be made to them?—It is a little difficult to say what would happen in such a case. There is a fairly complete control over them. The development takes place in a series of stages, and if they want to develop an extra area they put a scheme up to the Commissioner and that is thoroughly examined, and the Commissioner in practice consults the Scottish Office and the Treasury about it. It is only when these authorities are fully satisfied that the scheme is a proper one as an additional part of the development that the estate company is authorised to proceed with it. So it is controlled pretty tightly in that way.

Mr. *Mabane*.

2334. May I ask precisely who "they" are?—(Sir *Gilbert Upcott*): Might I mention one point on which I think, from what was said just now, there may be some misunderstanding. A company like the Scottish Industrial Estates, Limited, keeps its accounts in the manner prescribed by the Companies Acts. It must do so. It is not guaranteed. It may be, as the witness has said, that they may go to the Commissioner and ask for some more money, but I do not understand that they are guaranteed.

Sir *Irving Albery*.

2335. I take it that they will be guaranteed at any rate to the extent that a large part of the money would be spent on property, and at any rate that property would be security for anything

30 March, 1939.]

Mr. P. J. G. ROSE, C.B., and
Mr. A. B. VALENTINE.

[Continued.]

they owed. That property has been purchased with public funds. But perhaps that is rather an academic point. I would rather like to ask, is there any reason why these accounts should not be included as trading accounts in the Trading Accounts that we already have presented to us, except for the fact, apparently, that they are not audited by the Comptroller and Auditor General. Could they be presented as trading accounts?—I do not think they are trading accounts (the Treasury will correct me if I am wrong) within the meaning of the Exchequer and Audit Departments Act of 1921.—(Mr. *Brittain*.) I suppose we could always arrange for the Accounts to be available to the Committee, but we have no means of giving directions to the Companies that their Accounts shall be prepared on a certain basis such as that on which we have other accounts prepared.

Sir *Irving Albery*.] May we call attention to that?

Mr. *Pethick-Lawrence*.] We will consider it when we come to our Report, and you can raise it then. *

Mr. *Mabane*.

2336. You say the companies do this. Who are "they" who decide to do it?—(Mr. *Valentine*.) They are a Chairman and Board of Directors who were appointed for this purpose by the Commissioner at the time when the Company came into being. They include also one director appointed by the Treasury.

2337. These directors are voluntary directors. There are no directors' fees?—There are no directors' fees whatsoever.

2338. That is to say they have no financial inducement to make a profit or to avoid a loss?—No personal financial inducement in that way.

2339. That is to say they are not directors who are disposing of their own money at risk or disposing of anything that concerns them at risk?—That is so. The Chairman of the Scottish company is Sir Steven Bilsland.

2340. I take it these companies have certain administrative expenses?—Yes.

2341. Who determines the rates of remuneration of the administrative officers?—So far as that is concerned, they cannot appoint anyone except purely subordinate staff (that is to say, the £3 a week typists and that kind of thing) without coming to the Commissioner.

2342. But the Commissioner can authorise them to make senior appointments?—The Commissioner has delegated authority to authorise appointments up to salaries of £500 a year, but not beyond that.

2343. Above that?—Above that Treasury authority is obtained for each appointment.

2344. But over none of those appointments has Parliament any control whatsoever?—That is a question that I find a little difficult to answer. It is rather outside my scope.

2345. May I ask Mr. *Brittain*?—(Mr. *Brittain*.) That is so.

2346. The Treasury is acting as a complete bureaucrat with absolute powers?—It is acting as far as it can to safeguard moneys which Parliament has handed out without very precise direction.

2347. It is acting without any control by Parliament?—(Sir *Gilbert Upcott*.) The same kind of control as Parliament has over large sums of money which Parliament places at the disposal of the Admiralty, for example, for the purposes of supplies. Parliament votes very large sums of money for services of a very broad description, and places them at the disposal of a Department.

2348. But it has year to year control?—It has year to year control of this money. It can stop voting money if it cares.

2349. Precisely, but it is not appropriated, I understand?—It does not ask for a detailed account of expenditure.

2350. Are you suggesting there is no difference between money that is appropriated and money that is not appropriated?—This is appropriated. (Mr. *Brittain*): This is appropriated to be spent by the Commissioner on these purposes.

2351. But not in detail?—I think it is a question of degree. (Sir *Gilbert Upcott*): The variations in detail are infinite throughout the Accounts. (Mr. *Brittain*): You may get a sub-head in a defence estimate for £20 millions or £30 millions and no detail at all.

2352. But it is finally taken down to very great detail?—Not in the Accounts of the Department. Some of the Defence sub-heads are £20 millions or £30 millions. (Sir *Gilbert Upcott*.) The appropriation in this Account is far more detailed than the appropriation in a big Navy Vote, for instance. I said I did not think the Accounts of these

30 March, 1939.]

Mr. P. J. G. ROSE, C.B., and
Mr. A. B. VALENTINE.

[Continued.]

undertakings would be trading accounts within the meaning of the Exchequer and Audit Departments Act, 1921. That is so because they are not conducted by the Department.

Sir *Assheton Pownall*.

2353. You mentioned increased expenditure on the Industrial Estate in note D.I. on page 241. Could you tell us how much that increased expenditure was?—(Mr. *Valentine*.) What that means, Sir *Assheton*, is that the estate developed much more rapidly than was foreseen at the time when the estimate was drawn up, and to that extent the final sum is bigger than it would otherwise have been.

2354. But you still spent nearly £250,000 less than was granted, notwithstanding that increase?—That is so.

2355. If one of your factors increases and you are still £230,000 out it seems such a very big difference?—Yes.

2356. Is it not possible to get closer than that?—It is a very common experience. It is the result of slow progress, mainly on the part of the local authorities, in the various public works schemes. We have pressed them, and I think the English Commissioner has pressed the authorities with whom he is concerned, to expedite their expenditure and get on with the development of these schemes, but it is very difficult to make rapid progress. They tell us that the difficulties are of various kinds. Land acquisition in Scotland is a thing that very often produces very serious delays. Another difficulty that a good many of the comparatively small local authorities in Scotland have to face is shortage of staff. The Lanarkshire County Council, when they had a great number of schemes in hand, particularly those sewage schemes I mentioned, have told us it is almost impossible to get trained staff for a sudden increase in work of this kind; and they cannot

(Mr. *Valentine* withdrew.)

CLASS VI.

VOTE 24.

HERRING INDUSTRY.

Mr. *Pethick-Lawrence*.] We take now paragraph 60 of the Comptroller and Auditor General's Report on pages XXXIV and XXXV. That I think is narrative, and I do not imagine there will be any questions on that.

15417

get accommodation for the additional staff that is needed, even if they could get the staff. The result is that the permanent staff have got to tackle it piecemeal, just as they can manage to overtake it, and very often those delays lead to other delays, because it is a common experience in recent years that building costs have been rising all the time. As a result of the delay, the original estimate for something may have been up by as much as 20 per cent. That very often changes the rating burden that they contemplated, and they have to go back and look at the whole thing again. The thing is cumulative in that way.

Sir *Isidore Salmon*.

2357. There is one point I should like to clear up on these Trading Accounts. I suppose the only further liability the State would have would be the question of remitting interest if they did not take sufficient money for the properties they built—if they did not get sufficient income to pay the interest. That would be the only further liability the State would have?—Yes, the ultimate liability that they have under those Industrial Estates is the possible loss if and when the whole concern had to be disposed of.

2358. But in the interim period where they have to pay interest on money, the only thing that they would come to the Commissioner and suggest would be that the interest should be remitted, because they had not earned the interest?—Yes, that is so. That is what would happen.

Mr. *Pethick-Lawrence*.] I take it there are no more questions on pages 241, 242 and 243? May I take it the Account is approved? (*Agreed*.) I ought to draw Members' attention to the paper which has been put in our hands to-day, the statement with regard to the Special Areas. (*On this statement no questions were asked*.)

Sir *Irving Albery*.

2359. I did want to ask, if I might, Mr. Chairman, whether we could have very briefly some rough guidance as to where the dividing line as regards administrative expenses is. I notice in

K 4

30 March, 1939.]

Mr. P. J. G. ROSE, C.B.

[Continued.]

several of these cases that a certain amount of money is provided, of which, not more than a certain amount shall be used for administrative expenses. Could we have just a rough idea of what the division is?—(Mr. Rose.) Yes, the division is into administrative expenses and certain other expenses, which are specified in the Section of the Act which authorises them. The other expenses are for promotion of sales, for research, for experiment. That falls into the head of "other purposes". The staff, the office accommodation and the expenses of certain area committees that the Board have would fall into the first head, "administrative expenses".

Mr. Pethick-Lawrence.

2360. Turn, please, to pages 341 and 342. I notice on page 341, item C, that you took powers for £100,000 and that in fact you only spent £16,591. How did it come about that there was such a considerable amount of under-spending?—The explanation of that was mostly that a scheme was put forward for loans for the construction of boats, and the terms of the scheme were not apparently regarded as satisfactory by the fishermen, and the scheme did not operate in any case. If there had been any substantial number of cases, of course, of boats costing perhaps three or four thousand pounds, it would soon have mounted up to a considerable figure, accounting for the difference.

2361. In fact, the scheme was rather still-born?—That particular scheme.

2362. There has been no change since the year under review on that particular point?—Parliament has altered the situation, because it has authorised the grants that are provided in addition to the loans.

2363. On page 342, there are certain totals of £46,000 which are on loan. Do you expect to recover the bulk of that money?—Yes, the loans have been well repaid. The Herring Board, I think, are ahead of their obligations of repayment. There may be some slight losses through men dying when they are insolvent and that sort of thing.

2364. In the main they are repaying very well?—Yes.

Sir Irving Albery.

2365. Arising from your question under sub-head C, I understand that this scheme was practically non-effective. Could we know in those circumstances what in fact was the £16,500

expenditure mainly incurred for?—Mostly on nets.

Mr. Benson.

2366. With regard to the £16,591, I am rather puzzled. That seems to be, according to the Appropriation Accounts, paid out of an appropriation of £100,000 under sub-head C. If we referred to the Herring Fund Account, it appears there in payments out of a balance of £509,000. I am not quite clear how this item is paid out of a balance in one Account but appears to be paid out of an appropriation in another Account?—The Herring Fund Advances Account, I think you are referring to.

2367. Yes?—That is a Treasury Account from which issues are made, in the first place to the Ministers. (Mr. Brittain): Yes, Parliament decided that for the purposes of the loans, £600,000 should be paid into this Herring Fund Advances Account when the legislation was first passed, and that subsequently, in order that Parliament might retain control over the extent to which that money was applied for the purposes of the loans, whenever loans were made they should be paid out of a Vote Account, but that that Vote Account should be fed by money from the Advances Account. So that the procedure has been that you started off with £600,000 in the Advances Account. As, say, this £16,000 was needed in 1937 to make these loans, money was taken out of the Advances Account, put into the Vote Account and from the Vote Account handed over to the Herring Board for them to make the loans to the fishermen.

2368. Then it must come back into your Herring Industry Appropriation Account as an Appropriation in Aid somewhere?—It is taken out of the Advances Account and appropriated in aid. (Sir Gilbert Upcott.) Sub-head E.

Mr. Benson.] Thank you very much.

Mr. Lathan.

2369. Do I understand the explanation you gave in respect of sub-head C on page 341 also applies to sub-head D, on which there appears to have been no expenditure at all?—(Mr. Rose.) Substantially so, though the purposes are rather different. Under sub-head D, the chances are that you will either require a very large sum or nothing at all, because the main purpose for which it may be needed is in connection with the financing, perhaps, of a large sale to a foreign country on a block contract, as

30 March, 1939.]

Mr. P. J. G. ROSE, C.B.

[Continued.]

they call it, and, if such a contract is effected and requires the assistance of finance from this source, the amount is likely to be large. In this particular year, as a matter of fact, there was no such transaction.

2370. Was payment from the fund limited to transactions of the kind you have mentioned?—That was the main purpose. The other purposes, I think, are undertakings requiring working capital and of those there were none established by the Board in that year.

Sir George Davies.

2371. With regard to page 342, outstanding loans to the Board—£46,061, you tell us that those repayments have been made very satisfactorily. Could you say what form of security there is behind the unpaid liability? Is there security in the form of nets?—There is a deed signed by the Herring Industry Board and by the Ministers concerned, under which all the assets of the Herring Industry Board are security for the repayment; that is as between the Board and the Ministers.

2372. Are those assets including gear, nets, boats, and what not?—No. In turn, of course, the Herring Industry Board, having received this money from the Ministers, lend it to fishermen. The Board's right to recover on their loans would be part of the assets which are pledged to Ministers in security for their advance.

2373. I really was thinking of the Board's security in the final long-run, that is to say, the person to whom the advance is made gives some form of

security, I presume?—In the case of boats, the Board would get a mortgage. In the case of nets and gear, which are moveable things, it is not possible to get a mortgage, but in the case of the boats, there is a mortgage.

Sir Assheton Pownall.

2374. How large a staff have you? I see your expenditure on administration was over £15,000, Mr. Rose?—Yes. It is the Herring Industry Board staff, of course, of which we are speaking. Their permanent staff at the end of this year was 15.

2375. How many offices do they have altogether?—Two. At this date, they had one; at the present date, they have two.

2376. Where are they?—The two are in London and Edinburgh.

2377. You do not have one at Lowestoft or Aberdeen or where the herrings do congregate?—Not an actual office. The Board have operated at those places very largely through what are called Area Committees, that is to say, committees of members of the trade, who advise them. I should have added that the Board go down and visit these places during the progress of the season, and they may have, as it were, a temporary office at Lowestoft during the autumn fishing in East Anglia.

2378. I thought you said the Board was unpaid?—No; I was misunderstood if I conveyed that impression.

Mr. Pethick-Lawrence.] Are there any further questions on pages 341-342? May I take it that this Account is approved? (Agreed.)

(Herring Industry Board: Third Annual Report.)

(Herring Industry Board: Third Annual Report.)

Mr. Pethick-Lawrence.] Now we come to the White Paper: "Herring Industry Act, 1935, Account, 1937." With that is presented the Herring Industry Board Third Annual Report. The items are on pages 2 and 3 of the Account. I have nothing to ask on page 2. Are there any questions?

Mr. Mabane.] May we ask questions on the Report?

Mr. Pethick-Lawrence.

2379. If they affect the Accounts. You cannot discuss the Report. We will, first of all, put the Account, and

then you can ask questions afterwards on the Report. Are there any questions on page 2? May I take it that this Account is approved? (Agreed.)

On page 3 of the Account, with regard to note (b), I would like to ask this: It speaks in note (b), which refers to column (7), of "provision for bad and doubtful debts". Can you tell us what is the provision for bad and doubtful debts?—(Mr. Rose.) That is a Board figure, and I have not got exact information from the Board. I think their "bad and doubtful debts" amount to a few thousands of pounds in England and a somewhat smaller

30 March, 1939.]

Mr. P. J. G. ROSE, C.B.

[Continued.]

sum in Scotland. The precise figures I would have to put in afterwards, if it were desired to have them. (Sir Gilbert Upcott.) The Balance Sheet which they publish in their Third Annual Report has a provision for doubtful debts: purchase of nets, £7,000, reconditioning of boats, £3,000. (Mr. Rose.) The figures I gave relate, I think, to the losses which have already arisen through bankruptcies and the like. I think the figure that the Comptroller and Auditor General mentions is a provision which the Herring Board have made to cover the whole of the outstanding loans.

Mr. Pethick-Lawrence.] Are there any further questions on page 3 of the Account? May I take it that this Account is approved? (Agreed.)

Now we will take the Report. Are there any questions?

Mr. Mabane.

2380. I have no doubt the explanation is quite simple, but how is it that the Board has for the year beginning, I take it, the 1st April, 1938, no money, or no comparable sum of money, available to spend on advertising?—The Act of 1935 authorised such grants for a period of three years, which ended on the 31st March, 1938.

2381. It authorised specific grants for advertising purposes?—It authorised a certain sum, of which part might be applied for advertising purposes, and that grant ceased to be available at the 31st March, 1938. A further grant was made available under an Act passed later, but there was a gap between its commencement and this date.

2382. So the advertising did continue?—Yes, the advertising continued to a limited extent in the summer of 1938, at the Board's own expense.

2383. As indicated in their Report?—Yes.

2384. The matter of advertising is entirely within the discretion of the Board, is it?—It was, certainly, in the period in which they were wholly responsible for the payment for it, but, in the case where it is grant-aided, of course, they have to come forward with some sort of a scheme.

2385. That is to say that you have to approve their request for additional funds?—Yes, an allocation for this purpose.

2386. Perhaps I may ask this, because it has been bothering me: The advertising was deemed to be of value?—Yes.

2387. I found it somewhat difficult to follow; perhaps you will explain it. In paragraph 51 of the Report, there is a statement that there has been "a material increase in the home consumption of British caught herrings in the two years of advertising"; I make it that, quite contrary to that, there has been a decrease of 18,000 crans in the home consumption in 1936, as against 1935. It seems to me to be somewhat of an error of arithmetical fact?—I am not entirely responsible for the Board's actual figures.

2388. But I think on these figures you judge the value of the advertising?—Yes.

2389. Am I correct or is there some explanation that is not particularly obvious?—I think the explanation is that one has to look at a rather longer period than a single year.

2390. They say: "There has undoubtedly been a material increase in the home consumption of British caught herrings in the two years of advertising compared with previous years", which is not a fact?—They have got it up from the figure of 458,000 crans, as shown here, in 1934, to 502,000 crans in 1937. There may be seasonal differences which, of course, diminish the supply and the consumption in a given year, but the tendency, I think is their meaning, is upwards.

2391. It does mean in effect, even if you take it that way from your figure of 458,000 crans, that they are spending about £1 in advertising to get about 30s. of revenue?—I would agree that it is an uphill struggle.

2392. It is, from a commercial point of view a rather high proportion of turnover—66 per cent.?—It is a difficult trade in which to push the goods, admittedly, and the Board are putting some of their own money into it now, as well as the Government money.

2393. With no effect?—That system begins under the new Act, we hope with good effect.

Mr. Pethick-Lawrence.] Are you satisfied, Mr. Mabane?

Mr. Mabane.] There were various things I had in mind, but the Report is not for us to discuss.

30 March, 1939.]

Mr. P. J. G. ROSE, C.B.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS I.

VOTE 27.

SCOTTISH OFFICE.

Mr. *Pethick-Lawrence*.

2394. Now we turn again to the Civil Appropriation Accounts, pages 50-52, Class I, Vote 27: "Scottish Office". I notice, on page 50 under sub-head K, the grant was £37,000 and the expenditure was under £1,000. Can you tell us a little about that?—(Mr. *Rose*): Yes, Sir.

2395. It is the Fire Brigade Service?—The Fire Brigade Service. That arose from the fact that in that particular year progress with A.R.P. schemes was slow, largely because the local authorities were reluctant to submit their schemes, first, until the matter was put upon a statutory basis, and secondly, pending a financial settlement as to the terms of grant. It was also contributed to, to some extent, by a slow delivery from the manufacturers of the emergency appliances and equipment. The Act, you will remember, was passed in December, 1937, after very considerable negotiations between local authorities and the Government as to the terms.

2396. This service does not come under your control now; it has been

changed by Parliament to the Home Office?—The finance of it is on the Home Office Vote. The actual work of issuing the emergency fire equipment is still done by the Scottish Department, but the money will not appear on our Vote in future.

2397. On page 51, under sub-head M.5: "Grants", somewhat the same remarks apply; apparently you spent practically nothing of what you estimated for?—No; there was actually only one grant paid before the end of that financial year. That has been a very common feature in the case of these physical training and recreation schemes. I think the same thing probably happened towards the end of the present year, but now the local authorities are getting on with their schemes, and the applications have been dealt with in much greater numbers. Offers have been made in very considerable numbers, and payments of grants may be expected to a very large extent in the coming financial year.

Mr. *Pethick-Lawrence*.] Are there any further questions on pages 50-52? May I take it that this Account is approved? (*Agreed.*)

CLASS III.

VOTE 12.

POLICE, SCOTLAND.

(On this Account no questions were asked.)

CLASS V.

VOTE 17.

GRANTS TO PUBLIC ASSISTANCE AUTHORITIES (SCOTLAND).

Mr. *Pethick-Lawrence*.

2398. Page 244, Class V, Vote 17: "Grants to Public Assistance Authorities (Scotland)". I think this is a sort of remanet Account, is it not?—(Mr. *Rose*.) Yes; Public Assistance.

Sir *Assheton Pownall*.

2399. It closes up altogether?—Yes; this is the final payment.

Mr. *Pethick-Lawrence*.] Are there any further questions? May I take it that this Account is approved? (*Agreed.*)

CLASS IX.

VOTE 2.

EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, SCOTLAND.

(On this Account no questions were asked.)

Mr. *Pethick-Lawrence*.

2400. That concludes the Accounts we are taking with witnesses, but I think Mr. *Rose* is generally kind enough to

wait while we take Accounts without witnesses. Although he is not in charge of these Accounts, he will help us, I am sure, if he can do so.—(Mr. *Rose*.) I will do anything I can to help you.

30 March, 1939.]

Mr. P. J. G. ROSE, C.B.

[Continued.]

CLASS III

VOTE 13.

PRISONS DEPARTMENT FOR SCOTLAND.

Mr. *Pethick-Lawrence*.

2401. We will now turn to pages 137-140, Class III, Vote 13: "Prisons Department for Scotland". I do not know whether Mr. Rose can tell us this: New buildings and alterations do not seem to have been proceeded with: I think they are mentioned on page 137 and given in detail on page 139. I do not know whether you can help us with what the position is now? I think it is mainly with reference to the new criminal lunatic asylum?—(Mr. *Rose*.) Yes, Sir. Do you mean bringing it down to the present date?

2402. Yes, please?—At the present date, or some recent approximation to it, that building is approaching completion. The part that is destined for the inmates and the administrative buildings are erected; the part required for the warders' quarters has been started, and I think the expenditure to the end of this financial year, that is to say to-morrow, is something over £100,000 which will have been spent.

Mr. *Benson*.

2403. On page 139, under item No. 3: "New Prison for Females", there are no figures in the column giving the estimate for 1937, and, on referring to the Civil Estimates, the list of new buildings and alterations, I cannot find any reference at all to a new female prison. How does it come to be missed out of the Estimates?—Because the erection of that building, for reasons of economy, was postponed.

2404. But you spent £4,000 up to 1938?—That was for the site. The site has been purchased, but the erection of the building has been postponed.

2405. The site was purchased previously?—Yes.

2406. On page 138, under sub-head Q: "Gratuities to Prisoners, etc.", does that include payments under wages system?—There, I think, I am not quite fully informed.

2407. Do you know if they have introduced the wages system into Scotland?—I should not like to be categorical on the point; I think they have, but I am not certain.

2408. It has proved very economical in England?—Perhaps I might get a note on that. I am informed that the wages system is just about to start.

Sir *Irving Albery*.

2409. Can Mr. Rose tell us approximately the accommodation for prisoners, the total number that can be accommodated?—The maximum number?

2410. Yes?—It is considerably in excess of the actual number.

2411. Probably three or four times as many?—I should think not.

2412. Is any consideration being given to the possibility of reducing the number of prisons that are in operation?—General schemes of reorganisation and reclassification are being considered.

2413. With a view to economy?—With a view to economy and, of course, the betterment of the classification in the interests of prisoners.

[Sir *Irving Albery*.] If I could have the number, I should like to have it.

Mr. *Pethick-Lawrence*.

2414. Perhaps you will have the number supplied?—The total number that can be accommodated, certainly.

Mr. *Culverwell*.

2415. What does note M., on page 137, mean: "More tobacco and cigarettes for criminal lunatics got from King's warehouse, obviating purchase": what is the King's warehouse?—The King's warehouse is the warehouse that stores the tobacco forfeited to the Customs, and that is given to the Prisons Department gratuitously, I think.

[Mr. *Pethick-Lawrence*.] Are there any further questions? May I take it that this Account is approved? (*Agreed*).

VOTE 15.

SCOTTISH LAND COURT.

VOTE 16.

LAW CHARGES AND COURTS OF LAW, SCOTLAND.

30 March, 1939.]

Mr. P. J. G. Rose, C.B.

[Continued.]

VOTE 17.

REGISTER HOUSE, EDINBURGH.

CLASS IV.

VOTE 14.

NATIONAL GALLERIES, SCOTLAND.

VOTE 15.

NATIONAL LIBRARY, SCOTLAND.

CLASS V.

VOTE 14.

BOARD OF CONTROL FOR SCOTLAND.

VOTE 15.

REGISTRAR GENERAL'S OFFICE.

(On these Accounts no questions were asked.)

CLASS VI.

VOTE 23.

FISHERY BOARD FOR SCOTLAND.

Mr. Pethick-Lawrence.] We will now take pages 338-340 of the Civil Appropriation Accounts. Are there any questions?

Mr. Culverwell.

2416. Could I ask a question on note C. on page 338: "Saving due to the dredger 'Dragon' receiving only a partial overhaul in view of proposal to con-

struct a new dredger"? I should like to know why the overhaul had to be carried out at all?—(Mr. Rose.) She had to be kept serviceable until a certain date.

2417. It was only a minor thing?—Yes.

Mr. Pethick-Lawrence.] May I take it that this Account is approved?—*(Agreed.)*

TREASURY MINUTE ON PARAGRAPH 12 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

(On this paragraph no questions were asked.)

(The witnesses withdrew.)

(Adjourned till Tuesday next at 2.30 p.m.)

TUESDAY, 4TH APRIL, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Benson.
Sir Edmund Brocklebank.
Mr. Culverwell.
Mr. Lathan.

Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 5.

EXPORT CREDITS.

Mr. F. H. NIXON, C.B., called in and examined.

Mr. *Pethick-Lawrence*.

2418. Mr. Nixon, I think you have a confidential Statement that you are going to give us to distribute? I will ask Mr. Drennan to distribute that, so that the Members of the Committee can have that in their hands, and you can collect it at the end?—(Mr. *Nixon*.) Thank you.

2419. We will take first the Civil Appropriation Accounts, pages 265 and 266. With regard to page 265, I notice, with reference to item C, that, though £338,000 was the grant, in fact the expenditure was only £35,000. The Committee is generally rather distressed about under-spending, but I think in this case it is a matter on which you should be congratulated, because this represents the liability which you have had to make good. Can you tell us, with regard to Spain, what is the total loss now with regard to the Spanish export credits?—I cannot tell you the total loss, Sir, because the affair is not concluded, but up to date, up to the end of the year 1937, to which these Accounts relate, we have paid out about £57,000, or a little more. Perhaps I might add that during this last year up to 31st March, 1939, we have paid out another two or three thousand pounds only, and we anticipate that we have practically finished up to date. What we shall recover from that depends upon the cleaning up of the Anglo-Spanish Clearing Agreement, and so on.

2420. With regard to sub-heads A and B, I notice those also have been less than the grant was. Can you explain, in particular on sub-head B which is referred to on the following page under note B, why was there this saving on commission? What exactly is the occasion of that? It is at the top of page 266: Saving on commission and other expenses, £5,070?—I think the saving was not on commission, but on the whole of that item, which includes "commission, legal and other expenses." The commission paid was a little more, but very little more than the previous year. The savings were chiefly on legal and miscellaneous recovery and inquiry expenses.

2421. Still on page 266, with reference to Appropriations in Aid, I notice the large item of "Premiums, etc." realised a great deal more than was estimated, and in fact was something like double the previous year. What has that mainly been due to?—One of the difficulties is that there is no regularity about a great part of our business. A good deal of it comes along quite regularly, but from time to time we get big transactions which may result in big amounts of premium coming in over a short period, and that was the case here.

2422. That represents a larger amount of business?—That represents a larger amount of business.

Mr. *Pethick-Lawrence*.] We will deal with the confidential Paper, which has

4 April, 1939.]

Mr. F. H. NIXON, C.B.

been handed in, together with the Trading Accounts. Are there any questions on pages 265-266 of the Appropriation Accounts?

Sir Assheton Pownall.

2423. This big increase in premiums, on page 266, represents, of course, large extra risks taken?—Yes.

2424. Was it the magnitude of the risks, or the magnitude of the premium paid for each risk?—It was very much the magnitude of the risks. It is not that the rate of premium had altered very much.

2425. In view of the fact that some years have passed now since these premiums were received, most of those risks have run off?—No; by no means; they are long risks which run for many years.

2426. How many years have you taken risks for?—We have taken risks up to 10 years.

2427. What is the normal time—two or three years?—There is no normal time for this sort of business. We try to keep them to about five years, but we have to negotiate in each case.

Mr. Culverwell.

2428. With regard to Spain, are you giving credits now, or extending them?—No; we are not giving any credits at the moment.

2429. I cannot very well ask why, I suppose?—I could perfectly well say. We only give guarantees under our normal arrangements where we are satisfied, after discussion with our committee of business men, that the risk is a reasonable business risk, and in the present state of financial and commercial relations between England and Spain we have not yet been able to satisfy ourselves that that is the case.

Mr. Benson.

2430. You say you take risks up to 10 years; that is not trade; it must be capital?—Trading on capital account for heavy plant and equipment.

2431. Where the payment for the export is an annual payment over a period of years?—An annual payment, or it may be it has to wait two or three years before any payment is made.

Mr. Lewis.

2432. I should like to ask a question on the Spanish business. I understood the witness to say that the loss on the

Spanish business was in the neighbourhood of £60,000. Could he tell us in respect of what volume of trade that loss was incurred? What would be the amount of credits, roughly, on which the £60,000 was lost?—I do not know whether I have that figure here.

2433. Could you give us any idea whether the amount was mainly on one particular contract?—It was not. The cause of the loss here was the inability of the Spanish buyers to transfer money into sterling, and a whole range of buyers were involved.

2434. All caught at the same time?—Yes.

2435. Are those regarded now as entirely bad debts?—No; in all of those cases we have a claim on the Anglo-Spanish clearing.

2436. And you hope to get something?—We hope to get something.

Sir Irving Albery.

2437. On page 265, might I ask, on the bottom line: "Paid separately to Exchequer—£586,500": What actually was the nature of that transaction? What was that money?—We had in fact realised, as you will see from that figure, £684,000 of income, but I understand that we can only pay to the Exchequer through the Vote the amount that was actually applied here (£98,000) and that under standing Treasury arrangements the remainder has to go to the Exchequer direct.

2438. May I ask the Treasury: How does that come in?—(Mr. *Brittain.*) That comes into the Budget as "Miscellaneous Revenue." There are quite a number of Departments in the same position, where the receipts from their business exceed the amount charged to their Vote. They appropriate just enough to cover the expenses charged to their Vote, and the surplus is brought in separately.

2439. Is that regarded completely as a clear trading profit?—It is brought in as revenue during the year. It is not earmarked in any sense for any future purpose. (Sir *Gilbert Upcott.*) Appropriations in Aid are limited to the sum voted as Appropriations in Aid or the amount of the Vote, whichever is less, and any excess receipts must be paid into the Exchequer as extra revenue.

2440. If under this heading we had a serious loss one year, I take it the Exchequer would have to refund?—(Mr.

4 April, 1939.]

Mr. F. H. NIXON, C.B.

[Continued.]

Brittain.) That would be met by the Vote, if it was within the total of the Vote. This particular Vote provided £300,000 odd to meet losses. If you had had to spend £300,000 under that head, you would have appropriated enough of these extra receipts to cover that in this year.

Sir *Isidore Salmon.*

2441. I notice, Mr. Nixon, under sub-head A, that salaries have gone up £8,000 on last year. Is that attributable to increments or to more staff?—(Mr. *Nixon.*) It was primarily due to the fact that we had representation in China. We were trying at that time before the Chinese trouble to develop business there. The rest was due to increments and additional staff.

2442. I also notice that on page 266, note (a) in the middle of the page, you say: "A sum of £217 14s. 11d., received in addition to these premiums,

was paid to a bank abroad for assuming a share of the risk on a transaction, and for safeguarding the Department's interests therein": Is this the same bank as you referred to last year?—The same bank and the same transaction.

2443. The only other point I should like to ask you about is in connection with the notes. In the middle of page 266 you say: "The following amounts have been written off as irrecoverable by the Executive Committee:—Guarantees, £12,855 15s. 4d.; Recovery Charges, £107 2s. 3d. These losses related to 86 policies, spread over 40 countries, in respect of 132 individual cases." In looking at last year's writing off, which was £34,000, in that case it is spread over 37 countries. I suppose it is simply accidental?—It was quite fortuitous.

Mr. *Pethick-Lawrence.*] I will put those two pages. May I take it that this Account is approved? (*Agreed.*)

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

EXPORT CREDITS GUARANTEE DEPARTMENT.

Mr. *Pethick-Lawrence.*

2444. Now we come to the Trading Accounts, pages 67-71: "Export Credits Guarantee Department," and together with that we are taking a Paper that, as I explained before, we are treating as a confidential Paper, that is, given to this Committee under confidence; the actual piece of paper will be collected from us, in the same way as the Exchange Equalisation Fund Account paper is collected, at the end. The shorthand writer will take down the statement, but, if there is anything which Mr. Nixon does not wish to go in, perhaps he will arrange with me afterwards about it; if there is anything which it is undesirable should appear, we can discuss that afterwards?—(Mr. *Nixon.*) Thank you very much.

2445. Taking this Paper here, I notice that there are three years which are finished, and then come the next three years. I notice the balance of income in 1935 was only £111,000 as against the figure shown for 1934. Can you explain just why there is that large drop?—I think it is, from recollection, that either we did a much larger amount of business in 1934 that brought in a larger amount of income, or the same amount of business brought in that larger income for other reasons. As you

will see, for the year 1934 there is outstanding even now a very big liability. I think the real explanation is that in 1934 we did not only a larger business, but a business involving credits running over many years; that produces a larger amount of premium and takes longer to run off.

2446. Taking the pages together with this Account, if you will turn to page 69 of the Trading Accounts, in reference to note (b), at the bottom of the page, I think that form was adopted after a suggestion that I myself made last year?—Yes.

2447. I should like to ask on that: That is to say, the premium of £362,000 for 1937 corresponds to these amounts which are referred to in that footnote; that is correct, is it not?—Yes.

2448. Turning back to the Paper, the surplus is £2,300,000 down to the end of 1935 and is £2,900,000 at the present moment. What are the total liabilities on which this surplus (I think we had better confine ourselves to the first figure, £2,300,000) has been obtained?—I could only tell you that by going back and calculating them for each year. As they run off, they have been wiped out of our Accounts, but we have given in the footnote to the Account each year the new liabilities taken on in that year,

4 April, 1939.]

Mr. F. H. NIXON, C.B.

[Continued.]

but, of course, as they are always running off one after the other, we have not just aggregated them.

2449. I follow?—I could give you some idea.

2450. Or perhaps you could put a figure in for the use of the Committee alone. If you gave us a rough figure, I think it would meet the Committee's wishes?—I could give you a rough figure. From the year 1930-1 to the year 1935-6 we had covered exports of about £65,000,000, and on that we had taken a liability of about £30,000,000.

Mr. Benson.

2451. Could you give us the million figures year by year?—Yes. They are regularly given here in the notes. This is the capital value of the goods exported, the invoice value of the goods exported: For the year 1930-1 £8 millions; for 1931-2 £11 millions; for 1932-3 £7 millions; for 1933-4 £7 millions; for 1934-5 £14 millions; and for 1935-6 £20 millions. That is up to 1935-6, and, if you like to go on, it is £35 millions in 1936-7; £43 millions in 1937-8; and this year, 1938-9 (this figure has not yet been published) it is just on £50 millions. It will be published in the course of a few days.

Mr. Pethick-Lawrence.

2452. Can you give us any figures relating to the respective outstanding liabilities of the items that are still to run? I think you said some of them run to 10 years, but that would be an abnormally long case, I take it?—I can only give it you in very general terms: In the years 1933, 1934 and 1935, I should expect, broadly speaking, those liabilities to have run off by about 1941 or 1942. There may be some small bits still left. That is, of course, assuming that everything goes well. If the European situation were to get worse, we might have to extend that a little longer, and so on, but I should think by 1942 most of that would have run off. The business underwritten in 1936 and 1937 would mostly run on to at least 1944.

Mr. Pethick-Lawrence.] Are there any further questions on the Trading Accounts, pages 67-71, and on this confidential Paper?

Sir Assheton Pownall.

2453. On the typewritten sheet, Mr. Nixon, in 1937 you show a balance of

income not much more than the year before, but the maximum liability has increased by all but £6,000,000?—Yes.

2454. How does that come about?—The liability which we have undertaken in 1937, in so far as it is spread over a number of years, does not always involve a payment of the premium in that year. We have to take the premium also by instalments, and we should expect to receive premiums in the next three or four years, but the liability has to go in there as a possible claim on us.

2455. It was not that you were taking an appreciably lower rate of premium during the year 1937?—No.

2456. That would also partly account for it?—There are such a large number of transactions and such a variety of rates of premium that one could not say that, but, of course, there might be a very big expansion of business that is at a very low rate of premium, and there has been in fact a very steady increase in the business which brings in a very low rate of premium. That accounts for part of it, and I think the rest of it is partly accounted for by the bigish business which we have done on long terms of credit on which we expect to get the premium in the next few years.

2457. Have you any idea of the fluctuations in the rates charged?—I am afraid it would take a very long time to describe them.

2458. Does the premium you charge vary between, say, $\frac{1}{2}$ and 5 per cent.? I want to get the normal minimum and maximum figures for the risks you normally take?—It is hardly possible to do that without giving a normal indication of the kind of risk. Of all the factors that affect premium, the length of the credit is the most important. A great deal of our business is done on comparatively short terms of credit: for instance, for three months (90 days) it runs at something which may be anything up to 1 or $1\frac{1}{2}$ per cent. When you get your much longer credits, you get a totally different kind of reckoning and different rates.

2459. Running up to 5 per cent.?—It might easily.

Mr. Culverwell.

2460. Could you say at all, Mr. Nixon, what proportion you have for credits granted to the enquiries that you receive; how many people do you turn down?—We used to try to keep statistics of that, but we gave it up because we

4 April, 1939.]

Mr. F. H. NIXON, C.B.

[Continued.]

never knew what was meant by an enquiry. Perhaps here or in any Government office, people come and talk to us or talk to the Minister and to officials; we do not know whether to regard that as an enquiry or not.

2461. You do not know whether it is a firm enquiry or not?—Putting it again very broadly, on the ordinary short-term business in consumable commodities, I should say we accept a very large proportion; I would not like to say what proportion exactly, but about 75-80 per cent. of the business that is put to us; on the other hand, in the business in long terms of credit (five years of credit, for example) we reject an enormous lot.

Mr. Lathan.

2462. There is nothing shown outstanding for the years 1930 and 1932. That means, I assume, that either the liability has been met by payment or written off?—Yes. The payments have not been very large, and most of the liability has run off in the ordinary course of events.

2463. Judging from the statement you have just made, you expect that these items will be cleared within the next two or three years?—The items of 1933, 1934 and 1935 I should hope to see cleared off in the next two or three years.

2464. The fund appears to be in a very healthy condition, and, assuming (as I hope we may take it is the case) that the liabilities for 1936 and 1937 are to be compared for soundness with those of the preceding years, we may congratulate ourselves, I think, on this fund?—I think they were to be compared for soundness at the time they were taken, but unfortunately the world situation has got worse. I am not sure that we should feel quite so happy about some of them now as we did four or five years ago.

2465. That is owing to the geographical position of the liability, I suppose?—Yes; very much.

2466. And the change in the situation?—Yes.

Mr. Benson.

2467. You gave us a moment ago the amount of business covered year by year. In the figures published here in the footnote, apparently you have covered about 30 per cent. of the actual transactions: is that a normal cover?—It is very difficult to describe all this succinctly.

The great distinction is that the position is quite different, according to whether there is short-term business that is running off, turning over very quickly, or whether there is long-term business. On the long-term business you must take a large responsibility, and it must remain on your books practically the whole time. On the short-term business, perhaps I could just give the technical explanation on that, if it interests Mr. Benson. For instance, we have an enormous number of traders in Lancashire who are exporting and who come to us to insure the whole of their business. One of them may have an annual turnover of, say, £100,000. Generally speaking, his terms of credit will be something like 90 days, so that he has about £25,000 outstanding at any one time; he does that about four times a year to make up the £100,000. We offer him a policy which covers him on 75 per cent. of whatever is outstanding. We put in here as the capital value of the goods exported in the year £100,000, but our liability at any particular moment (this is the point which Mr. Pethick-Lawrence took up last year) is 75 per cent. of £25,000, which is about £17,000.

2468. What are premiums repaid, exactly?—That is just the difficulty anybody has in estimating what his business is going to be. The trader says his business is £100,000 and he pays a premium on that; but it may turn out to be smaller, and then we repay the difference.

2469. In 1931 you had a surplus of approximately £850,000, which is far and away the largest surplus you ever had: is there any particular reason for that?—I suppose it was the nature of the business we did in the year 1931.

Mr. Lewis.

2470. On the confidential document, is the figure for balance of income gross or net: is it the income received or the income received less expenses?—No account is taken of expenses here.

2471. I take it that, under the head of liabilities outstanding, no account is taken of moneys that have actually been paid under guarantee? Those are liabilities that have not yet been met?—Liabilities outstanding; the liabilities are not yet met.

2472. I wonder whether you think it would be possible or desirable another year, Mr. Chairman, for us to have a

4 April, 1939.]

Mr. F. H. NIXON, C.B.

[Continued.]

few brief figures before us which would really show us what the result of the trading of this Department over a series of years was: the total income received, the expenses incurred, the amount paid out under liability, and outstanding amount under liability at the end of the period under review. I find it, on the figures before us, extremely hard to see whether over a period of years the Department has been carried on at a loss or a profit?—I think all those figures are given in our annual Accounts.

Mr. Lewis.] Would you take that view?

Mr. Pethick-Lawrence.] I do not think I would at the moment.

Mr. Lewis.] Perhaps I might raise it on some other occasion.

Mr. Pethick-Lawrence.] Yes; when we meet to discuss our Report.

Sir Irving Albery.

2473. On page 71 of the Trading Accounts, I see: "By interest—£78,000 odd": is that the interest on the "Balance of Underwriting Account" and "Underwriting Reserve Suspense Account", shown in the Balance Sheet below?—Yes.

2474. Is that money actually in the hands of the Exchequer?—The money is in the hands of the Exchequer, and the item for interest is a notional figure. It is as if we had had the money and invested it, but we have not had it back.

2475. That is apart altogether from the amount transferred to the Exchequer in the Appropriation Account on page 265?—Year by year, yes.

2476. What I meant was that the amount that goes into the Budget is quite outside that?—(Mr. Brittain.) The two things arise from two different angles: the transfer to the Exchequer is the cash transfer in respect of the receipts of any particular year. This Account is on a trading basis and that figure represents the interest on the accumulated balances from year to year, as determined by this Account.

2477. Does that mean that any available cash goes to the Exchequer and is brought into the Budget of the year, and that these Accounts merely represent a book-keeping Account outside that?—They are quite separate—the cash Account and Trading Account.

2478. It is merely a notional Account?—Yes.

Sir Isidore Salmon.

2479. Mr. Nixon, would you mind explaining this: On page 69 of the Trading Accounts you say: "the Department undertook during the year potential liabilities aggregating £14,436,401 on contracts?"—(Mr. Nixon.) Yes.

2480. On the confidential paper to which you referred, you made reference to the total liability of the Department under guarantee of £17,000,000. Is the £14,000,000 included in the £17,000,000 referred to on the typewritten paper?—In the year 1937 we undertook liability which amounted at the maximum, as we say there, to £14,000,000 odd.

2481. The figure right up to date is £17,000,000?—The figure up to March, 1938, is £17,000,000, and, of course, it has increased since.

Sir Assheton Pownall.

2482. On page 70, you show profit for the year of £1,638, but how do you arrive at what is profit, and what should be put to "Underwriting Reserve Suspense Account"?—It is done very simply, Sir. In our Profit and Loss Account we simply take in on the one side our receipts from interest, and on the other side our expenses. The whole of the underwriting profit, if any, is kept in the Underwriting Accounts, in the Underwriting Reserve Suspense Account, and is brought through that into the Balance Sheet.

2483. So credit for interest more than covers your ordinary overhead charges?—It runs the office and pays all the expenses.

2484. Everything else is put to what you might call reserve?—Yes.

Sir Irving Albery.

2485. I want to be clear about this point of the Underwriting Reserve Suspense Account: Am I right in understanding that none of that money has actually been transferred to the Exchequer and used for budgeting purposes?—(Mr. Brittain.) Yes, it has.

2486. It has been used for budgeting purposes?—Yes.

2487. If it has been used for budgeting purposes, that is to say if it has been brought into account in the annual revenue, then I do not understand how the Chancellor can pay interest on it?—(Mr. Nixon.) Perhaps I could explain that from our point of view. We have an institution which is run as a business.

4 April, 1939.]

Mr. F. H. NIXON, C.B.

[Continued.]

2488. I do not want to get fogged myself, and the point I am raising is a Treasury point?—I beg your pardon.

2489. I may get fogged?—(Sir *Gilbert Upcott.*) It is deemed to be on deposit in the Exchequer.

2490. Yes, I know, but I do not see how it can be deemed to be revenue and deemed to be on deposit at the same time. I do not see how you can bring an amount into the annual revenue and pay interest on it: if you are paying interest on it, it is obviously not revenue?—(Mr. *Brittain.*) We do not pay any interest on this money at all. It is taken into the Exchequer and used as revenue for the year.

2491. They credit themselves with interest?—But for the purposes of these Accounts, which are assimilated, as far as possible, to commercial practice, we assume the Department has invested those moneys instead of paying them over to the Exchequer, and that it invests them in such a way as to produce interest at the rate agreed from time to time, and in this year it is deemed to have produced £78,000. It is purely a notional proceeding.

Sir Irving Albery.] These are merely phantom Accounts made out to try to present to us what would have happened.

Mr. *Pethick-Lawrence.*

2492. Is not that so with all the Accounts? The whole book consists of notional Accounts. Am I not right in thinking that the Public Accounts of the

Exchequer are not profit and loss Accounts, but income and expenditure Accounts?—Yes.

2493. And in order that we may understand how our various undertakings are getting on, we keep notional accounts in this book of Trading Accounts?—Yes. (Mr. *Nixon.*) I would like to add that, from the point of view of the Committee who help us to run this Department, who are very eminent bankers and business men, although from the Treasury point of view these may be notional Accounts, they are matters of the most vital importance to the men who are helping us to run this business. They keep the most careful scrutiny on these Accounts, and they are exceptionally proud that they have been able to build up a reserve of £3,000,000 or so to meet our liabilities; they would be greatly distressed if they were not allowed to have interest on that money. From the national point of view, it is a matter of form, but, from the business man's point of view, it is a matter of vital moment.

Sir Irving Albery.

2494. I was only trying to get the Treasury view?—(Sir *Gilbert Upcott.*) Perhaps I might say, and I hope Mr. Nixon will agree with me, that these Accounts are framed to exhibit a true and correct view of the transactions and affairs of the undertaking.

Mr. *Pethick-Lawrence.*] May I take it that these Accounts are approved? (*Agreed.*)

(Mr. *Nixon withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 13.

FORESTRY COMMISSION.

Sir ROY ROBINSON, O.B.E., called in and examined.

Mr. *Pethick-Lawrence.*

2495. Now we turn again to the Civil Appropriation Accounts, pages 304-305, Class VI, Vote 13: "Forestry Commission." This is one of the Accounts where we do not surrender the balance at the end of each year, and it has not got to be re-voted; that is so, is it not, Sir Roy?—(Sir *Roy Robinson.*) Yes.

2496. I should like to ask a question on page 304 with regard to sub-heads D

and E. I notice that the actual expenditure under sub-head D is some £36,000 less than the estimate, and under sub-head E: "Forestry Operations," it is some £33,000 more than the estimate. Are those two figures connected in some way, and, if so, what is the connection?—They are not very intimately connected. There is some small connection. The under-spending on the acquisition of land is easily explained, in that the

4 April, 1939.]

Sir ROY ROBINSON, O.B.E.

[Continued.]

land did not come forward in the way that we thought it might. Consequently, not so large an area was purchased as we anticipated.

2497. What is the explanation with regard to sub-head E?—As to sub-head E, the over-spending under "Forestry Operations" is explained in part in note E on page 305: "Excess due to increases in wages of forest workers, abnormal expenditure on weeding owing to climatic conditions and increased expenditure on preparation of forest produce," against which, of course, there were offset increased receipts. I can have the figure looked up.

2498. Perhaps you will also comment on sub-head F while your assistant is looking up that point. I notice there that there is a note as to the under-spending on that item. Perhaps you could expand what you say on page 305 in note F a little more, where you say: "In addition, work on 50 holdings was suspended," and so on?—We did have great difficulty in getting tenders for the erection of buildings on holdings. I think we put out something like 250 inquiries and only got 37 replies. Naturally, under those circumstances, the prices were up, and we did not feel

that we ought to press that too hard, especially as one of the reasons was that so many of the contractors whom we would normally have gone to were engaged on Defence work of one sort or another.

2499. Have you got the figure you were looking for in regard to sub-head E?—May I put that in a little later?

Mr. *Pethick-Lawrence.*] Yes. (*The figure was subsequently handed in.*) Are there any questions on pages 304-305?

Mr. *Culverwell.*

2500. On sub-head F, which has just been referred to, do you still find that difficulty even worse to-day?—No, it is no worse. In fact, I think it is a little better than it was, if anything.

2501. Are you making progress in these holdings?—Yes, we are getting on with them. I cannot give you the exact figures, but my impression is that we are finding it easier to get small buildings of this sort put up than we have found it in the past. Also we have gone over, to a small extent, on to wood construction, and that is speedier.

Mr. *Pethick-Lawrence.*] Are there any further questions? May I take it that this Account is approved? (*Agreed.*)

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

FORESTRY COMMISSION.

Mr. *Pethick-Lawrence.*

2502. Turn, please, to the Trading Accounts and Balance Sheets, pages 73-77: "Forestry Operations." On page 74, there is an item of £946 for "National Forest Parks": I think it is the first time this item has appeared on the Accounts. Could you tell us a little more about the position to-day?—(Sir *Roy Robinson.*) That is the first time, Sir, that it has appeared on the Accounts.

2503. Is it progressing now?—Yes. The position is this, that the Argyll National Forest park was opened in 1936 and has been going quite well. We had some 13,000 people there for a night in 1936, 20,000 in 1937, and nearly 30,000 in 1938, so increasing use is being made of it. The Snowdonia park we hope to open in July or August of this year, and the Forest of Dean park, which is in a less advanced stage, is still under investigation, in the sense that estimates have been prepared for buildings and for the lay-out of camping places. That is roughly the position at the moment, Sir.

Mr. *Pethick-Lawrence.*] Are there any questions on pages 73-77?

Sir *Assheton Pownall.*

2504. Is there a charge made for these parks, or what are the arrangements?—Yes, there is a charge made for parking and for pitching a camp. There is a regular schedule of prices.

2505. Are they, roughly speaking, self-supporting?—We have only just started them. I find for example, that the revenue from Argyll park went up from £5 in 1936 to £170 in 1937 and to £175 in 1938. We have incurred expenditure altogether to the amount of £4,000. Of course it is early yet to say just what return we are going to get on that.

2506. Does that expenditure include Snowdonia?—No. That is one example I have given you.

Mr. *Culverwell.*

2507. Do you provide facilities for campers?—In these particular places we do, in the Argyll area. We propose to

4 April, 1939.]

Sir ROY ROBINSON, O.B.E.

[Continued.]

do the same in Snowdonia and also in the Forest of Dean.

2508. Do you provide water or huts?—We provide water and sanitation, as a minimum, and we give facilities for youth hostels.

Sir Irving Albery.

2509. I should like to know how insurance stands now. There is still a debit on the Insurance Account. You carry your own insurance?—The insurance rate has been raised in this last year with the intention of providing a fund approximately equal to one year's loss. It is raised now to 5s. 6d. from 4s. As soon as we have got that reserve in hand, we shall re-adjust the rate. It is extremely difficult, as I have pointed out to this Committee before, to determine what is the true rate, because the damage from fire from year to year varies by several hundred per cent. from the average.

2510. The present debit is £23,000, on page 77?—The provision is approximately £17,000, I think, at the end of that year. (Sir Gilbert Upcott.) The outstanding debit is reduced to £6,400 from £20,000.

Sir Isidore Salmon.

2511. What is the position about the holdings in South Wales? Have you been buying more land?—(Sir Roy Robinson.) Yes; we have been going on making them down there steadily.

2512. What is the acreage you have purchased since last year?—In South Wales?

2513. In the area where you had a special request from the Government to purchase?—We had acquired at the end of this year 43,000 acres, and we have gone up now to 53,000 acres. It is only 10,000 acres of plantable land in the special areas.

2514. Has the price been as high as previously, or have you bought at a lower figure?—No; the price has run at about the same figure as heretofore.

2515. The amount planted during the year ending March, 1937, was 20,000 odd acres: is that the average planting?—It has been running roughly at 20,000 acres for the last five years.

2516. Could you tell me what is the position with regard to the Air Ministry land at Tring?—At Halton Camp?

2517. Yes?—It is in this position, that the Order in Council has been agreed, and it is only a question, I think, of days before the area is finally transferred to the Commission; at least, that is what I am assured.

Mr. Culverwell.

2518. You were assured of that last year?—I did not say "days" last year.

Mr. Pethick-Lawrence.

2519. Are there any further questions on these pages 73-77? May I take it that these Accounts are approved? (Agreed.) Now we will take pages 78 and 79, which deal with forestry operations in the New and Dean Forests. I notice that the balance on this Account, at the foot of page 78, is only £9,698, and that that figure is less than it was last year; and even that figure would not arise but for the amount received on the mining royalties, so that the purely forest side of the business you run at a loss at the present time: is that correct?—That is correct. Those forests are largely being cut and replanted. They are for the most part very inferior timber which has been felled and replaced by more remunerative timber.

2520. So it will be better in years to come?—Yes; one hopes so.

2521. Are there any questions on these pages? May I take it that this Account is approved? (Agreed.) Now we come to the third Account in this group, pages 80-83: "Forest Workers' Holdings"; there is a note on page 73. I notice that the loss given on page 81 of £31,323 is slightly in excess of the interest charge, so that there is an actual loss in addition to the charge for interest. Is that correct?—That is correct. That is the first time on record that the expenditure has exceeded the receipts.

2522. To what do you attribute that?—It is due mainly to the large expenditure during that year on building repairs, which amounted to over £5,000-£5,300.

Sir Isidore Salmon.

2523. Sir Roy, the object of these forest holdings is to find accommodation for the men?—For the workmen.

2524. For the workmen in connection with the afforestation?—Yes.

4 April, 1939.]

Sir ROY ROBINSON, O.B.E.

[Continued.]

2525. That presumably is a part of their salary?—They pay a rent for their holdings.

2526. But not an economic rent?—No, not an economic rent.

2527. Do you realise that the subsidy that you are really giving them is equivalent, judging by these losses, to over £30 a year per house?—Per holding. Yes, I think I have that in mind, that it is a subsidy of something of that order.

2528. Would it not be then fair to say that really, whatever your salary bill comes to, you are, in other words, paying £30 a year per man more than it looks like when you say what your total wages come to?—Yes; I think that would be a reasonable way of looking at it. It is perhaps open to argument if we proceeded to investigate it further.

2529. The only reason I mentioned it is that the whole object of these houses is to find accommodation for your workers for so many days' work a year, and it occurred to me that, when we say it cost so much to do the work of afforestation, that surely ought to be a real charge against current expenses?—It is brought into the Account.

2530. It is treated, do not you see, as a separate Account?—Yes.

2531. It is a little difficult to link up the two. I would suggest to the Treasury that it might be worth while to look at it from that angle?—I have had to do that for the Estimates Committee on one occasion, in which account was taken of all these things which are not openly brought in in that way. Perhaps you will recollect the occasion?

Sir *Isidore Salmon*.] I have some recollection.

Mr. *Lathan*.] Are we dealing now with page 73 too?

Mr. *Pethick-Lawrence*.] We are dealing with note II on page 73: "Forest Workers' Holdings."

Mr. *Lathan*.

2532. My question has been anticipated. The point I wanted to put was whether the work of the Forestry Commission has been hindered by inability to provide facilities for the forest workers: that is to say, contrary to the reply which has been since given, I had imagined that the Commissioners had believed it to be in the interest of their

undertaking that these facilities should be provided for forest workers?—I think that is undoubtedly the case, but, if you have not got them, you have to get on with what labour you can get, and, to a certain extent, you accommodate your spending programme to the labour which is otherwise available.

2533. If, therefore, through your inability to provide holdings you have not attracted labour, the work of the Commission must have been hindered, to some extent?—Yes, but not necessarily to a serious extent.

2534. It would follow, I take it?—Not necessarily serious.

2535. But it would be a measure of displacement?—Yes.

2536. Are the men concerned suffering a disability?—Do you mean the workmen in the holdings?

2537. The workmen who would otherwise have the holdings which you have not been able to provide for them?—They are not there if there are not holdings, and we have had to rely upon people in the neighbourhood.

2538. Your policy is not to take and provide holdings for those who are now employed?—Yes, so far as we can and so far as the provision of funds allows. We should prefer definitely to have most of our people in holdings, but the present position is that we are employing something just under 5,000 workers and we have got about 1,300 holdings, which provide us with perhaps 3,000 workers.

2539. You would prefer to have them in holdings, believing that it is to the mutual advantage of all concerned?—I think it is, with a limit, with some free labour to come and go.

Sir *Isidore Salmon*.

2540. Are the men you provide holdings for more skilled men than the men you take on promiscuously or seasonally?—No; I would not say that necessarily.

2541. Are the majority of men who are occupying holdings more skilled?—They have been longer with us and longer on the job.

2542. And, therefore, presumably they ought to know more about it?—They ought to, but they do not always.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed.*)

(*Sir Roy Robinson withdrew.*)

4 April, 1939.]

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 12.

SURVEYS OF GREAT BRITAIN.

Major-General M. N. MACLEOD, D.S.O., M.C., called in and examined.

Mr. *Pethick-Lawrence*.

2543. Will you take the Civil Appropriation Accounts and turn to pages 302-303, Class VI, Vote 12: "Surveys of Great Britain." I notice that the estimate was £110,000 more than in 1936 and that you actually expended about £80,000 more. Can you explain to us the expansion scheme that you are now going in for and the grounds for its falling short of your expectation when the estimates were got out?—(Major-General *MacLeod*.) The expansion scheme originated in a recommendation from Lord Davidson's committee. There was a Departmental Committee appointed in 1935 by the Minister under the chairmanship of Lord Davidson to examine and report on the programme of the Ordnance Survey as a whole, and in particular in their Interim Report they dealt with the requirements in connection with the Town and Country Planning Act, revised maps for the purposes of that, and recommended an increase in the staff of the Department at the maximum practicable rate. That recommendation was put into effect at once, and accounts for the increase that you refer to. We have, in point of fact, during that year and since then been expanding our staff really at the maximum practicable rate; that again is on the recommendations of that committee.

2544. On page 302 there is a note C that refers to certain difficulties. Have you now got over those difficulties?—I cannot say we have, Sir. We are still very, very short of accommodation. We have had to overflow out of our buildings, and we have to get accommodation where we can in the town. It has been a constant (shall I say?) brake on our activities. We have always the anxiety that, if we recruit beyond a certain rate, the accommodation may not be available in time, but, on the whole, we are managing to provide for the people we are taking on. The other source of wastage, of course, we have not been able to foresee. We have had a

large number of resignations by people who very often have completed their training, and, having done so, they have had an opportunity of better paid employment elsewhere, and they leave us. We cannot stop them, nor can we foresee that sort of wastage taking place.

2545. At the top of page 303 there is a note F with regard to this question of air photography. Could you explain a little what your practice is in that matter?—Yes; this is an experimental technique which, with the concurrence of the Departmental Committee, I suggested should be tried soon after their appointment. On the advice of the Air Ministry, a contract was put out to tender for a relatively small area, about 400 square miles, and after that was completed (there was considerable delay in completing that owing to bad weather) we placed a second contract, again with the same firm. But in that case, owing partly to delay in their previous contract, they did not really start at all, and that accounts, you will see, for our failure to expend the money under that particular sub-head. But, so far as the general matter is concerned, I am anxious to make more use of air photography than we do now. The contract method of securing the photographs has not proved very satisfactory and, in point of fact, the Departmental Committee, after considering the results of these two experimental contracts, made a recommendation that short-term contracts should not be continued as a matter of general policy; so, for the moment, the Director of Civil Aviation is considering some other arrangements; that is really what it amounts to.

2546. Do I gather from the footnote that what actually happens is that independent people go up on their own and take a photograph and that if you like the photograph you buy it and if you do not like it you do not buy it?—It is not quite as simple as that. We specify a particular area which we ask them to photograph and we prepare a

4 April, 1939.]

Major-General M. N. MACLEOD,
D.S.O., M.C.

[Continued.]

specification of the scale of the photographs and the character, and as much as we can about them, and it is then open to anybody who is able to take photographs to put in a tender to be completed by a certain time. Actually, there are not a great many firms who are prepared to tender. I think there are only two or three at the very most, and one of the difficulties is that, the technique being new, it is rather an uncertain business to award a contract to a firm that you are not satisfied really knows what is wanted or is competent to do it; and yet if you award such a contract and the contractor does not produce the photographs, as in this case, we are left stranded with personnel trained to use the photographs with nothing for them to do.

2547. With regard to the sale of maps, I notice that the first item on page 303 in that list of figures is for the sale of maps, but later on there is an item "Stationery Office." Do I gather that will also be a sale of maps, but in the one case they are sales of maps direct from your Office and in the other they are sales through the Stationery Office? Is that the point?—£1,750?

2548. £1,750 estimated and £1,848 realised?—That is actually work done for the Stationery Office on repayment.

2549. What sort of work is that?—They ask us to print maps for them occasionally.

2550. It is nothing to do with the sale of maps?—It is mostly for the Committee of Imperial Defence, "History of the War." They print the letterpress and we do the maps.

2551. I notice that the royalty payments were estimated at £6,000 and realised £10,000. I think there has been an alteration in the charges there?—No, Sir, it is not an alteration actually in the charges, but, again on the recommendation of the Departmental Committee, a good many concessions that had previously been given were withdrawn and that has enabled us really to obtain royalties from a good many people who had escaped payment on the grounds that concessions had been made to similar people elsewhere. In fact, we have had what you might call a drive, and our royalty revenue is going up very rapidly in consequence of that recommendation.

Sir Edmund Brocklebank.

2552. Is not the accurate projection of those air photographs to a pre-determined scale practically impossible?—No, I do not think so. They have to be taken in a proper way. You have to take them with a properly calibrated camera.

2553. At a special height?—Yes, at a special height.

2554. And at a special angle?—But you do not determine the scale directly by measuring the height of the aircraft. You find a number of points on the ground which have already been fixed, owing to the fact that England has been surveyed pretty well; this process is only adding new detail. We can find sufficient points to enable us to do it with sufficient accuracy.

2555. How do you overcome ordinary photographic distortion?—We cannot overcome it completely, but by localising the work within points fixed on the ground, within small areas, we can get it right to the required degree of accuracy.

2556. You have to work in small areas?—We have to work in small areas, although by using a more complicated technique we can get the accuracy sufficient for our purpose.

2557. Is there not a new system being suggested, that the scale should be in metres and kilometres?—No; I think you are thinking of the recommendation of the Committee that a grid should be placed on the maps. That does not involve any change in the maps themselves. It is a system of reference placed on the existing maps, but it does not mean any change in the maps. It is entirely an addition to the existing maps. It does not imply any alteration in the maps themselves, except the ruling of a number of squares in fine lines over the map.

2558. Like the map you did produce for the Ministry of Transport a few years ago; there was a grid on it?—I do not remember one for the Ministry of Transport. We have published military maps with a grid for a long time past.

Mr. Benson.

2559. With regard to your sales organisation, what steps do you take to push your maps in competition with the privately produced Ordnance maps, the $\frac{1}{2}$ -inch and the 1-inch?—There is no

4 April, 1939.]

Major-General M. N. MACLEOD,
D.S.O., M.C.

[Continued.]

privately produced 1-inch map. Bartholomew produces a very good $\frac{1}{2}$ -inch map. We do a certain amount of advertising, but we rely on retailers who sell our maps to push them locally.

2560. How do you sell them to the retailers?—On the usual trade terms—33 $\frac{1}{3}$ per cent. discount.

2561. Do you sell them through wholesalers?—The only wholesalers we deal with are W. H. Smith in England and Menzies in Scotland.

2562. You sell direct to retailers?—We sell direct to retailers.

2563. What steps have you for bringing your maps to the notice of retailers?—We have three persons whom we call travellers, but they are really liaison officers (that would be the more correct term), who travel round the country visiting retailers, and I have an officer in charge who constantly travels round the country dealing with our agents. We have agents in most of the big towns.

2564. Your agents are concerned primarily with the sale of maps themselves, not with retailers?—An agent is concerned principally with large scale maps, 25-inch and 6-inch, and he maintains a small stock of each sheet of his own district. That is a rather specialised market.

2565. I was not thinking of those maps, because he must have yours. There is no other?—That is so.

2566. I was thinking of the question of the motoring map and the walking map. Surely it would be worth while putting on more than three commercial travellers, would it not?—I do not know. Perhaps we do not advertise enough. We only spend about £1,000 a year on advertising, which is not a very large sum. That is an arrangement with the Treasury.

2567. It is worth while looking into, because once you have got your maps there, as every printer knows, it does not cost much to produce copies?—We have long-standing connections with most of these agents, and most of the retailers have served us for a great many years, and I do not think the contacts are very bad.

2568. If one goes into a shop in a small town for a map, they may or may not have yours, but they certainly have Bartholomew's and those semi-advertising maps like Michelin's and Dunlop's?—I quite agree we have very keen competition to meet there.

2569. Three commercial travellers are not likely to be able to push your stuff very effectively. With regard to infringement of copyright, some time ago you were complaining that there was a good deal of infringement going on. Have you managed to stop that?—I would not like to say we have stopped it all, but we have stopped a good deal of it. Our revenue from royalties has gone up in the last four years from £3,000 to close on £15,000. It was £13,000 last year, so we are catching a good many of them.

2570. You should not have much difficulty, should you?—There are difficulties, I assure you. We cannot always find out who is doing the reproducing. We do not very often hear that a map is being copied until perhaps some time later.

2571. Then do you go for them?—We go for them, yes.

2572. Reverting to your staff, I see that practically the whole of your staff are military: the Director (yourself), Colonel, Lieutenant-Colonel, Majors, Captains, Lieutenants?—All the technical staff.

2573. They cost you on an average three times as much per man as your technical superintendents. Why are the whole of the chief staff military?—That is, I think one might say, an historical accident. It arises from the fact that the Ordnance Survey was originally founded in order to prepare a map for the defence of this country, and that, being a military duty, was entrusted to a military detachment. Later, civil work has been added to that detachment, but the old semi-military organisation has remained unchanged.

2574. I am sure that is a matter the Treasury ought to look into, is it not? You have staff heré; I suppose these gentlemen must have some technical knowledge; but are they any more skilled than your technical superintendents whose maximum salary is £456, whereas on the military side there are several salaries over £1,000 and a number running to £900 and £700?—I would explain that in this way, that the technical superintendent is nearly always a specialist in one process, whereas the officer is a man who has wider experience and is supposed to have, or should have, some knowledge of all branches of the Department. The superintendent is more correctly described as a craftsman.

4 April, 1939.]

Major-General M. N. MACLEOD,
D.S.O., M.C.

[Continued.]

2575. I assume that these military gentlemen do their training first in the Army?—Yes, they go through the ordinary training of a Royal Engineer officer, which includes a considerable course of surveying, and then they come to the Department in the first instance for a tour of duty of five years. Then they may remain or may go back to regimental duty and rejoin the Department later.

2576. They themselves are certainly not specialists. They have an enormous amount of other training which has no relationship to surveying. Surely the matter has now got far outside the scope of the original accident?—It is quite true, so much so that in point of fact the Ministry have been carrying on negotiations with the War Office quite recently with the object of allowing a proportion of these officers to specialise in survey. I myself have spent the whole of my service, practically, except for a short interval during the War, in doing survey work.

2577. The question is: Is it necessary that we should have military officers almost entirely at the head of this Department, to the exclusion of civilians who possibly from their youth upwards have been trained and have spent their time as surveyors?—It is not for me to say whether it is necessary, but the War Office does require a very large number of officers trained in surveying for its field Army, and a large number of these officers are earmarked on mobilisation to return to military duty.

2578. One could understand if the officers were here for three or five years and were drafted back for training, but if they are here permanently that rather defeats the object?—They are required to do survey work on service by the Army. They do not go back to do infantry work.

Mr. Mabane.

2579. Have you anyone in your Department studying the matter of consumer-demand in connection with maps?—I have one officer who deals practically exclusively with map sales. He is my sales officer.

2580. Has he any knowledge of retail shopkeeping?—I should think only what he has acquired in contact with our agents.

2581. There is a large demand for the sale of maps which, as it would appear

to me, is not being met by the Ordnance Survey Department. Motoring maps and walking maps are published at moderate prices. It seems to me you are to an extent commercial?—Yes.

2582. And you want to sell your maps. I wondered if you had or would consider having someone in your Department to study what the consumer wants?—As far as we are able, we have that already. We have a maps branch devoted exclusively to the sale of maps.

2583. Is there anyone in that department with a knowledge of market investigation?—Yes. I should say my sales officer has a very good knowledge of it. He happens to have a flair for that type of work.

2584. Then how is it that the Ordnance Department do not sell maps which meet a very popular demand? Is it a matter of policy not to do it?—To what maps do you refer particularly?

2585. There are a tremendous number of maps sold to motorists?—Yes.

2586. Maps which are printed on inexpensive paper and perhaps bound in volumes at say a cost of 10s. for the whole country. The Ordnance Survey do not meet any demand of that character?—We do not as a rule try to cater very much for specialised markets of that kind. The trade as a whole, if we entered that market, I think, would take the view that the Ordnance Survey, which is paid for to some extent out of public Votes, would form subsidised competition. Their view is that that sort of market is their pigeon and should be left to them.

2587. I thought that might be the reason; but does it not appear that that is really depriving the public of a very valuable service, because so many maps that they are compelled to buy may well be considered to be much inferior to your maps?—Not necessarily.

2588. Therefore the public are deprived of the opportunity of using the best maps?—I see your point. Our view rather would be that our purpose as laid down by the Treasury (and everything we do has to be authorised by the Treasury and the Government) is to produce general and not specialised maps. If a private firm wishes to produce those maps, the private firm is entitled to produce them if they pay us a royalty, and it saves us from the fluctuations of

4 April, 1939.]

Major-General M. N. MACLEOD,
D.S.O., M.C.

[Continued.]

staff which we should have to have if there was any fluctuating demand.

2589. You are naturally fearful of entering specialised trading markets?—Yes. They are very speculative and we should bump into the trade, who would consider that it was their market and that we should keep out of it.

2590. How is the Ordnance Survey going to benefit by the work done by Oslo University on place names in Scotland?—We try to get the correct spelling of names as it is. When our surveyor finds the name of a place, he has to go to the best authority he can and have the spelling authenticated. Very often the authorities disagree, and the unfortunate Director General has to decide what is to go on the map. If I can get a society like the Scottish Place Names Society to argue with all the different authorities and get the name settled, it saves me trouble.

2591. Where is Oslo University coming in?—They have a Professor Marstrander who is an authority on Celtic, Scandinavian and Gothic place names. It was on the recommendation of appropriate bodies that we gave him some maps on which to study this particular question.

2592. He is going to settle the Scottish place names?—He is going to argue, I hope, with the Scottish and other local authorities.

Sir *Irving Albery*.

2593. Your largest item of salary expenditure comes under sub-head C. Are those civil assistants in the main temporary employees?—They are engaged in the first instance on a temporary basis, that is to say, they are not established until they have completed 15 years' service. Normally they would, I think, expect to serve for good in the Department.

2594. I was only wondering, in view of the footnote, in which it says that recruitment is difficult and a lot of them have to be discharged, whether you would not have got better service if a larger number were established?—This arrangement is rather, shall I say, an *ad hoc* arrangement. The Committee recommended that the increase should be as rapid as possible and consequently we have had to make what you might call emergency arrangements. The question of recruitment is actually under

consideration by the Ministry now, with the idea of introducing as soon as possible a long-term arrangement, which will give us better opportunity and more time to select our personnel with care.

Mr. *Pethick-Lawrence*.

2595. Arising out of the questions that have been put, you say that this Department is one which costs a certain amount of public money which falls on the general Exchequer and the public, and that it would not be considered quite fair by the trade if in the use of that you entered into competition with them in their business; but am I not right in thinking that the work that is done at the public expense is the original survey?—That is right.

2596. And that the work with which you would be competing with them, would be on the reproduction of the maps?—That is so.

2597. And when you are making them a royalty charge you do not charge them for the original survey but only for the reproduction?—That is so.

2598. It might be competition and you might or might not desire to have that competition, but it would not be unfair competition in the sense that you were dependent on public money for a service for which they were having to depend on private enterprise?—I did not mean to imply that I agreed with that statement. I only say that is what our competitors would probably say if we took that line. I do not think, in point of fact, there is unfair competition, because our prices are based actually on the cost of printing and we maintain cost accounts to find out what that cost is.

Mr. *Mabane*.

2599. With regard to the cost of printing, your maps are all printed extremely well and on expensive fabric?—Yes.

2600. Would it be against your view of proper policy to print those maps on a less expensive fabric, or even on paper, because that seems to me the root of the trouble?—We do print our maps on paper and then the paper is afterwards backed with cloth.

2601. But if it were not backed with cloth, if it were cut into small pieces and bound in a book, would that be a vital difference of policy in your view?—Not necessarily, no. We have tried that on one or two occasions. We produced a $\frac{1}{4}$ -inch atlas of England in that way and

4 April, 1939.]

Major-General M. N. MACLEOD,
D.S.O., M.C.

[Continued.]

it was not at all a success. I do not know why. Perhaps it was premature.

2602. What was the price?—Thirty shillings. When we had a large supply getting rapidly out of date, we reduced the price to 10s. and they sold like hot cakes, but that price did not pay us.

2603. Nowadays such a map could be made to sell at 10s. or 12s.?—I rather doubt whether it could be made to sell at that price.

2604. It would not seem to you to be in violent conflict with your established policy to do it?—No, but at the same time it would introduce a new line and I think on the whole one which we would not enter without careful consideration.

2605. I think it would supply a long-felt want?—I have considered that, but it is a very speculative market.

Mr. Culverwell.

2606. Arising out of what Mr. Benson was discussing, have I understood you correctly when I say that you state that the reason soldiers were employed was an historical accident?—It originated in that.

2607. Am I correct in saying that the reason you have soldiers employed is that they get a course of training in survey here, or do they come to you already skilled?—No, the reason we employ a certain number of soldiers on the staff now is that the Army requires them in war. The technical direction of the department is in the hands of Royal Engineers officers, almost exclusively, with the exception of one or two experts like archaeologists; but in addition to that we employ 450 soldiers. They are employed on the Ordnance Survey in peace time and are paid by the Ministry of Agriculture.

2608. Actually doing survey work?—All varieties of survey work. On mobilisation they would be withdrawn from the Ordnance Survey. The work

(Major-General Macleod withdrew.)

CLASS VII.

VOTE 13.

STATIONERY AND PRINTING.

Sir WILLIAM CODLING, C.B., C.V.O., C.B.E., called in and examined.

Mr. Pethick-Lawrence.

2614. Now we come to page 435. With regard to the item "E," Supplementary Estimate for paper, what is

of the Department would be slowed up and perhaps stopped altogether. They would be withdrawn and go into what are called Field Survey Units in the Army. We have been asked recently by the War Office to increase the number to 750. They are recruited under special arrangements. They are recruited as boys in the first instance. They are taught their trade. A sapper has to have a trade before he can enlist as a sapper. We teach them as boys; we teach them sufficient to enable them to enlist as surveyors (ordnance). They go to Chatham, where they are put through the ordinary training of a Royal Engineer, and they come back from Chatham and serve for the rest of their ordinary working life in the Ordnance Survey.

Mr. Pethick-Lawrence.

2609. Are their salaries borne on your vote or on the Army vote?—Under sub-head B on our vote. They enlist as ordinary Royal Engineers in the first instance.

Mr. Mabane.

2610. Do they have an opportunity to re-engage?—Yes, most of them serve for twenty-one years. They are given that as of right.

Mr. Culverwell.

2611. Are they shifted round or do they stay with you for life?—They stay with us for life.

2612. But you never get an opportunity of teaching newcomers to the Army; of training men in Ordnance Survey?—How do you mean, "newcomers to the Army?"

2613. There is no system whereby, when you have trained a man, he goes into reserve?—No, they are long-service soldiers. They remain the whole of their service, whether military or civilian, with the Ordnance Survey.

the reason why there had to be that large supplementary estimate? Was it an increase in quantity or an increase in price?—(Sir William Codling.) It was

4 April, 1939.] Sir WILLIAM CODLING, C.B. C.V.O., C.B.E. [Continued.]

mainly or very largely an increase in price. Paper prices soared during that period. There were great difficulties in the paper market at that time.

2615. Are you satisfied that you have adequate competition or price control or what do you consider the position?—I think it was mainly the disturbing effects of the Scandinavian pulp market.

2616. Have you got over that now?—Very largely.

2617. On sub-head I, what precisely is the Press advertisement that you had and what was the total expenditure on advertising? How does it compare with the previous year?—The Press advertisements are the ordinary newspapers advertisements for Government Departments which are brought together in one contract by the Stationery Office. The Departments pay the Stationery Office bill for their advertisements.

2618. The Department is going to advertise in a newspaper and instead of putting it direct it puts it through your Office. Is that the position?—Yes.

2619. I notice that on page 438 there was an extra-contractual concession in reference to the 45-hour week. Can you explain the circumstances which you thought justified you in paying that?—The reduction in hours in the printing trade affected the whole of the trade, and affected all Stationery Office contractors. In the ordinary way the Stationery Office would not make a variation in the contractual price, but where the whole of a sub-head like printing is affected, it is impossible for us to close all the contracts and put them all up again at the same time, and with Treasury authority we negotiated with the Master Printers' Association and agreed on a percentage addition to all the contracts.

Mr. Pethick-Lawrence.] Pages 435 to 438. Are there any questions?

Mr. Culverwell.

2620. On the Details of Receipts, page 437, "Advertisements," you have a footnote to say "Receipts from advertisements in the Telephone Directories were greater than estimated." Do you take those?—Yes, the Stationery Office prints the telephone directories and administers the contract for advertisements in the telephone directories. It has done so for nearly 20 years.

2621. Do the directories pay for themselves by advertisements?—No; they did at one point, soon after I took them over about 1921, but the directories increased in bulk so enormously that they very soon reached the saturation point so far as advertisements are concerned. There is a saturation point in regard to circulation and its value from the point of view of advertisement revenue. When you go above a certain point, your revenue lags behind.

2622. Is the Post Office debited with the net loss?—It is not a net loss, of course.

2623. I mean the difference between the cost of the book and the advertisements?—Only as a book entry for the purposes of their own accounts. The cost of producing the telephone directories is charged on the Stationery Office vote and the revenue from advertisements in the telephone directories is appropriated in aid of the Stationery Office vote.

Mr. Benson.

2624. What is the actual cost of Press advertisements? You did not give us the figure?—I think it runs to about £100,000 a year.

2625. You deal with the whole of the Press advertisements for the Government?—All the ordinary advertising.

2626. The Post Office telephones?—No. They are advertisements in Government publications.

2627. I mean in the Press. Occasionally you see telephone advertisements in the Press?—No, that is all under the Post Office.

2628. The military recruiting advertisements?—The ordinary recruiting advertisements are done partially through the Stationery Office.

2629. What are the advertisements you do mainly for the Departments?—All the ordinary common day-to-day notices, such as advertising contracts about to be placed, advertising for charwomen and so on. (Sir Gilbert Upcott.) Vacancies. Their biggest expenditure in 1937 was the Air Ministry.

2630. I see in sub-head H, "Due to excesses on devotional books." What kind of devotional books do you print?—(Sir William Codling.) I do not print them. They are published books which are supplied by the Stationery Office to prisons and to the Defence Services—Bibles, hymn books and so on.

4 April, 1939.] Sir WILLIAM CODLING, C.B. C.V.O., C.B.E. [Continued.]

2631. With regard to the foreign books and maps in sub-head H, the Stationery Office were the purchasing department for the whole of the Government Departments, of all forms of stationery, printing and periodicals?—Yes.

Sir Irving Albery.

2632. I should like to ask Sir William this: on page 437, he has paper at rates current on 31st March, 1938, and then apparently that is the same paper also valued at 31st March, 1937?—Yes.

2633. Going back a column, you have paper on 31st March, 1937, valued as at 31st March, 1937?—Yes.

2634. Can you say what the value of that paper was at March, 1936?—No, I am afraid I cannot.

2635. In other words, the similar figure to that which you have given on the others?—I cannot give it off-hand. (Mr. *Brittain*.) It is in the previous year's Appropriation Account, £146,000. (Sir *William Codling*.) That would not be the same amount of paper. (Mr. *Brittain*.) In the previous year's Appropriation Accounts the amount of stock at 31st March, 1937, at rates current on the 31st March, 1936, was £146,000.

2636. The purchases of 1936 depreciated about £50,000 in value afterwards?—£89,000 for paper was the figure I ought to have given.

2637. Then it was about the same. The figures given are informative, but if one wants it to be really informative one might as well add one more figure?—(Sir *William Codling*.) I think this is only in regard to the actual stock in hand on the 31st March, 1937, and the 31st March, 1938. That is the beginning and end of the year under review.

2638. If I have understood it properly, the figures appear to have been given to show that the paper on 31st March, 1938, had increased in value, unless it was not the same quantity of paper?—Yes; as I explained to the Chairman earlier on, a large proportion of the increased expenditure on paper in that year is due to increase in prices, and that is borne out by this statement.

Mr. *Pethick-Lawrence*.] It is an increase in price during that particular year for the same quantity of paper.

Sir Irving Albery.

2639. The paper held on 31st March, 1938, is valued a good deal higher than it would have been on

the prices of March, 1937?—(Sir *Gilbert Upcott*.) There was a 30 per cent. increase of price during the year.

2640. "On 31st March, 1937": I take it that was the paper held at March, 1937, as compared with March, 1938?—(Mr. *Brittain*.) The corresponding figures and any change during 1936-7 were given in last year's Appropriation Accounts.

Sir *Irving Albery*.] I will not go into it any further.

Mr. *Lathan*.

2641. The statements before us show receipts and expenditure but nowhere can I see anything relating to the supply of publications to this House or to Parliament. Is that provided for anywhere?—(Sir *William Codling*.) Yes. That would be brought to account under Printing and Paper. There is no separate sub-head for publications.

2642. Do you mean on page 435?—Yes.

2643. Under sub-head F?—Under sub-heads E and F. (Sir *Gilbert Upcott*.) You would see it if you examined the Gross and Net Cost Return.

2644. That is in the accounts we are to take later?—No, it is in a return which is published and is continually before the Committee: the Gross and Net Cost Return of the Public Departments. The cost of the services rendered by the Stationery Office to the House of Commons was £81,000. (Sir *William Codling*.) That includes other things besides publications. (Sir *Gilbert Upcott*.) Yes, that is the total services rendered by the Stationery Office to the House of Commons. (Sir *William Codling*.) Including Debates as well as printing.

2645. I should regard that as in the nature of a publication, if Hansard is what you mean?—Yes, it is produced for the use of the House. What the Comptroller and Auditor General just then gave is the total cost of Stationery Office supplies of every kind to the Houses of Parliament. (Sir *Gilbert Upcott*.) To the House of Commons.

2646. It would include a variety of other things besides publications?—(Sir *William Codling*.) Yes, note-paper, blotting paper, pens, pencils—everything.

2647. There are certain publications sent automatically to every Member of Parliament. Are you satisfied that that is necessary or desirable? To make it

4 April, 1939.] Sir WILLIAM CODLING, C.B. C.V.O., C.B.E. [Continued.]

more precise, every now and again, once a month, I think, there is a publication showing a list of your publications?—(Sir *Gilbert Upcott*.) There is a good deal of detail given in the Estimate.

2648. I observe a considerable number of those in the wastepaper baskets, almost immediately after their delivery?—(Sir *William Codling*.) I am afraid I have no control over that.

2649. I wondered if any steps were taken to ascertain the necessity or otherwise for the distribution of publications of that kind. Waste is something that none of us likes, I think?—Every Member of Parliament is entitled to a copy of a Parliamentary paper and he is also entitled to ask for certain classes of non-Parliamentary papers published during the Session.

2650. I am not referring now to papers for which a request is made by a Member of Parliament, but papers which are sent automatically and unasked for to Members of Parliament?—Certain Parliamentary papers, on the instructions of a Minister, are circulated to every Member. I have no control over that.

2651. There are no steps taken to ascertain whether or not they are really

servicing a useful purpose?—That is the responsibility of the Minister who asks for it to be circulated.

Mr. *Pethick-Lawrence*.] I think you are getting on to questions of policy.

Mr. *Lathan*.] Who is the Minister responsible for that?

Mr. *Pethick-Lawrence*.] It is a Parliamentary decision that these papers shall be sent, and I do not think you can expect the witness to discuss that with you.

Mr. *Lathan*.] The witness has already been good enough to give me replies.

Mr. *Pethick-Lawrence*.] I do not think you should press it any further.

Mr. *Lathan*.] Who is the Minister responsible for distributing them?

Mr. *Pethick-Lawrence*.] The Stationery Office is itself under the Treasury, and in the second place in any particular case of some White Paper or some paper issued by any particular Ministry, it is a question for the Ministry. You could discuss it on the Treasury Vote some time in the House, but I do not think you can take it further now. You have got the points from the witness. I will put those pages, 435 to 438. May I take it the Accounts are approved (*Agreed*.)

TRADING ACCOUNTS AND BALANCE SHEETS, 1937.

STATIONERY OFFICE.

Mr. *Pethick-Lawrence*.

2652. Now we come to the Trading Accounts. At the beginning of the Trading Accounts, page iv, paragraph 3, I should like in reference to that to ask you, Sir William, when were the last extensions to plant made and whether the financing arrangement is in accordance with trade practice in that matter?—(Sir *William Codling*.) Yes, I think the note by the Comptroller and Auditor General shows that the Stationery Office practice in regard to these purchases of plant is in line with trade practice.

2653. Are there any other questions on the note? Turn, then, to page 98. About two-thirds down I notice you have two items in succession: one is Repairs and Renewals and the other is Depreciation. What is the basis of the distinction that you draw between renewals that come under the one head and what you would naturally charge against depreciation?—Repairs and Renewals comprise all repairs and replacements of broken and worn parts of tools

and machinery. It also includes the Office of Works charges for repair and maintenance of furniture and buildings. The depreciation of plant and machinery is calculated at the rate of 10 per cent. per annum of a diminishing value on the purchase value of the plant—the printing machinery.

2654. Certain large renewals you would charge against depreciation, would you not?—Yes; those repairs and renewals are small things.

2655. Petty renewals?—The sorts of things that are happening every day.

Mr. *Pethick-Lawrence*.] I am going to put the whole of those pages from 98 to 113. Are there any questions?

Mr. *Lathan*.

2656. You said that the depreciation was on the diminishing value and then went on to say: "on original cost." It must be either one or the other?—It starts on the original cost and then is taken at 10 per cent. on the diminishing value year by year.

4 April, 1939.] Sir WILLIAM CODLING, C.B. C.V.O., C.B.E. [Continued.]

2657. It would never be wiped out on that basis?—Theoretically, I suppose not. That is the method adopted in the printing trade, so we adopt it too, because we conform to the practice of the printing trade.

Sir Irving Albery.

2658. On page 101, Current Account is given at £170,000. Could I just know what that exactly means—"H.M.S.O. Headquarters:—Current Account"?—That £170,021 was formerly shown as two items, that is, Current Account and Renewals Account. The provision for renewals is now included in the one item. It now represents the accumulated differences, since the Accounts were started in 1921 between the value of the work executed by the presses for which credit has been passed and the expenditure incurred.

2659. It is a book-keeping entry?—(Sir Gilbert Upcott.) It still includes the depreciation reserve. (Sir William Codling.) Yes, it includes it.

2660. It really represents money in the hands of the Exchequer?—It is what I should call working capital. (Sir Gilbert Upcott.) Money left in the business.

2661. In the business?—(Sir William Codling.) Yes.

2662. If it is in the business, I do not see how it can be called "Current Account." I may be wrong. Would the Treasury regard that as a proper name for it? If it is in keeping with all your other practices, it is obviously right?—(Mr. Brittain.) That figure is largely a balancing figure. On the left-hand side of the Balance Sheet you will see a total for the profits up to date less the amounts which have been surrendered to the Exchequer. A certain amount of those profits are left in the business and the Current Account item on the right-hand side represents partly the accrued depreciation and a certain amount of cash left in the business.

2663. Do you consider it to be a suitable description for that item?—I think I would agree it is perhaps a little open to doubt, but it represents both the accrued depreciation and the cash left in the business.

Mr. Pethick-Lawrence.

2664. Perhaps you will consider that and see whether some other word might be appropriate?—(Sir Gilbert Upcott.)

15471

I think it is a point which will come up for consideration when the Trading Accounts are reviewed.

Mr. Pethick-Lawrence.

2665. May I take it that the Accounts are approved? (Agreed.) We shall now take pages 114 to 133. On page 115 I notice there has been an increase on all the first three items since the previous year. Is that due to a special cause or a general increase in trade?—(Sir William Codling.) It is a general increase with just one or two special items that came into the year.

Mr. Pethick-Lawrence.] Are there any questions?

Mr. Lathan.

2666. With regard to the Amalgamated Account which appears on pages 114 and 115, is there included in that the charge for supplies of the character to which I have made earlier reference?—No, this is purely a Trading Account with regard to the sale of Government publications by the Stationery Office.

2667. Are the whole of the expenses of the Stationery Office borne in this Account?—Yes, as far as they relate to the business.

2668. Part of your business is the distribution of printed matter of the character to which I referred earlier and the cost of distributing that is included in this Account?—No, not in regard to Government publications sent to Members of this House as Members of Parliament. That is a free distribution. This is the Account in regard to the sale of publications to the public. (Sir Gilbert Upcott.) Through the sales offices. (Sir William Codling.) Through the sales offices.

Chairman.

2669. Do you take credit in this account for the services you render to Members of Parliament?—No.

Sir Gilbert Upcott.] These Accounts relate only to sales made through the sales offices.

Mr. Lathan.

2670. That is what I thought. Therefore, if we judge the Stationery Office on the basis of the information before us here, it would be an unfair judgment, because they are rendering services in respect of which no record of the value is kept?—(Sir William Codling.) No, this is only one item in the Stationery Office activities.

L

4 April, 1939.] Sir WILLIAM CODLING, C.B. C.V.O., C.B.E. [Continued.]

Mr. Pethick-Lawrence.

2671. Is not this the wholesale and retail business? This is not the printing business?—No. This is the wholesale and retail business. Therefore, the expenses are confined to those items which are for sale and the receipts to those items which are sold; therefore, the other services rendered do not come into this Account but into the Account we have had earlier.

Mr. Lathan.] Which Account?

Mr. Pethick-Lawrence.

2672. The ones which finished on page 113?—(Sir Gilbert Upcott.) And the Appropriation Account.

Mr. Lathan.] I do not think I am missing the point.

Mr. Pethick-Lawrence.] I was trying to elicit the point you were trying to get.

Mr. Lathan.] The Account on page 113 is headed "British Museum Binding Works."

Mr. Pethick-Lawrence.] We have done with that.

Mr. Lathan.] I am asking which Account made some allowance for the services to which I made reference?

Mr. Pethick-Lawrence.

2673. The Accounts began on page 98. The Accounts we are now taking, beginning on page 114, are not the Amalgamated Accounts? They are the Wholesale and Retail Trading Accounts?—(Sir William Codling.) With due respect this is a different set of Accounts. Before, we were on the Printing Works Accounts. Now we are on the Sale Accounts.

Mr. Lathan.

2674. I ask the pardon of the Committee. I thought we should have the complete combined Account at the end. As a matter of fact, it is at the beginning, and I failed to notice it. Therefore, I cannot return to that, but the point I wished to ascertain was whether anywhere a credit was taken for services of the kind to which I have made earlier

reference?—(Sir Gilbert Upcott.) That is in the Gross and Net Cost Return. (Mr. Brittain.) In the Printing Accounts, as I understand it, these Printing and Binding Accounts get credit for the value of work done, whether it goes to the House of Commons as a free service or whether it goes to the retail sale office.

Mr. Lathan.

2675. That appears in the Account on pages 98 and 99?—Yes.

Mr. Benson.

2676. With regard to your Amalgamated Sale Offices Account, I see you show a profit of approximately £6,000. How do you calculate that profit? Your blue book, or whatever it may be, has a price on it which does not represent, except approximately, the cost of it. What do you calculate your sales margin on?—(Sir William Codling.) The sales margin is 25 per cent. of the selling price. That 25 per cent. sales margin is allowed in fixing the selling price.

2677. This Amalgamated Account is purely the retail account of your various activities?—No, this is retail and wholesale.

2678. It rather puzzles me how you make a profit on your wholesale transactions?—The wholesale department is allowed $8\frac{1}{3}$ per cent.

2679. Those, of course, are purely fictitious figures, are not they? They are merely calculation figures?—No, they are allowed in the selling price for that purpose.

2680. Is it the printing side which allows the wholesale department that?—No.

2681. Who allows it?—It is a book entry in here to arrive at those figures.

2682. That is what I mean; it is notional. If you sell, say, £1,000 worth of blue books you credit yourself automatically with £83?—It depends whether it is sold wholesale or retail.

2683. I mean wholesale?—Yes.

Mr. Pethick-Lawrence.] May I take it the Accounts are approved? (Agreed.)

(The witnesses withdrew.)

(Adjourned till Thursday, 20th April, at 2.30 p.m.)

THURSDAY, 20TH APRIL, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Sir Edmund Brocklebank.
Mr. Culverwell.
Major Sir George Davies.

Mr. Lewis.
Sir Isidore Salmon.
Sir Robert Smith.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS II.

VOTE 4.

DOMINIONS OFFICE.

Sir EDWARD HARDING, K.C.B., K.C.M.G., and Mr. W. G. IVES, M.B.E., called in and examined.

Mr. *Pethick-Lawrence*.] Will you turn to page 70 of the Civil Appropriation Accounts, Class II, Vote 4: "Dominions Office." We start with that general summary page. On that I have no questions to ask.

Sir *Isidore Salmon*.

2684. I wonder if it is possible, Sir Edward, to explain how it is that your expenditure under sub-head A: "Salaries," is now reduced by £4,975; does that mean that permanently you are going to have a reduction in the Dominions Office?—(Sir *Edward Harding*.) We have reduced the staff by one Assistant Under-Secretary of State, but I do not anticipate that we shall have any further reductions at the moment.

2685. How is it then that you have spent nearly £5,000 less than £51,557, the expenditure that you provided for? The salary of one Under-Secretary of State would not make all the difference, would it?—No. I have the details of

the reductions here, if you would like to have them.

Mr. *Pethick-Lawrence*.

2686. Could you tell us briefly what the principal ones are?—I will give them as stated here. The first is reduction of posts, which I have already mentioned. The second is staff changes; the third is a. saving on provision for additional assistance. That is counter-balanced, to some slight extent, by increases in salary scales. (Sir *Gilbert Upcott*.) Staff changes really amount to promotions and transfers, and they always produce a temporary saving, because a man goes, you put a man up and a man comes in at the bottom. The difference is one between the highest and lowest salary for the time being.

2687. It does not mean a permanent reduction?—Not necessarily.

Mr. *Pethick-Lawrence*.] May I take it that this Account is approved? (*Agreed.*)

VOTE 5.

DOMINION SERVICES.

Mr. *Pethick-Lawrence*.

2688. Now we turn to pages ix and x, paragraphs 15 and 16 of the Comptroller and Auditor General's Report: "Dominion Services." Paragraph 15, I think, is merely formal. On para-

graph 16 I should like some further information with regard to the position in Newfoundland. First of all, generally on the paragraph on page ix coupled with the statement in the Accounts on page 71, can you give us an explanation,

20 April, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G., [Continued.
and Mr. W. G. IVES, M.B.E.

for instance, why the grant of £450,000 on page 71 under sub-head G.2 was entirely unexpended: what exactly was the position on that matter?—(Sir *Edward Harding*.) The arrangement used to be that the Grant in Aid for Newfoundland was related to the Newfoundland financial year, which began on the 1st July, whereas the United Kingdom financial year, of course, begins in April. Therefore, it was always very difficult to estimate quite so far in advance. We have since altered that system, but that is irrelevant to the present situation. In this particular year, there was a considerable increase of revenue in the last three months of the Newfoundland financial year, that is to say, the months from April to June, and there was also a considerable increase in revenue in the earlier part of the next year. That meant that the Exchequer balances at the beginning of the Newfoundland financial year got very considerably higher than was usual and also, as I said before, the revenue increased. The effect of that was that in that particular United Kingdom financial year no part of the Grant in Aid was required, but a certain amount was required, as explained in paragraph 16, before the end of the Newfoundland financial year. I hope I have made myself clear.

2689. Yes?—It is not a very easy position to explain.

2690. And since that time, of course, money has been required again?—Yes.

2691. Perhaps we can take that general point before we go on to the paragraph over the page. If there are no questions on that, I will go over the page to sub-paragraph (ii) on page x. It says at the end of that sub-paragraph "I understand that the observations of the Newfoundland Government on a number of questions raised in his report are now under the consideration of the Dominions Office." Has active consideration been given to these matters in the Dominions Office, and how is the matter progressing?—All these matters are under review. I do not think it would be fair to say that they refer to matters of principle; they refer rather to matters of current administration. They relate, for instance, to the question whether there should be a renewal fund for the Newfoundland railways, which is a difficult problem, because the railways have never paid their way so far. Another point is a question connected with money

orders, but I think the Committee can be sure that they are all being adequately examined, and that, if anything can be done, it will be done.

2692. When we are downstairs there is a good deal of difference between a subject being under review and a subject the review of which is rapidly coming to a point when a decision will be taken. What I am anxious to enquire from you is whether the review is more than a technical review or whether some active result is likely shortly to emerge?—It is not very easy to answer that question, Sir, because, as I said, in one or two of the cases, for instance, the question of the railways renewals fund, it is not really practicable to take any action because there is not any surplus which could be applied for the purpose.

2693. Can you tell us any matters that have already been decided: I will put it that way?—(Sir *Gilbert Upcott*.) Perhaps I may interrupt at this stage. These matters are not matters of principle; they are matters of administration, and they are being actively pursued. The Report of the Comptroller and Auditor General of Newfoundland, which I said in my earlier paragraph had not been received, is now available, and it makes clear that on a number of these matters improvements in administration have been and are being effected, and I think the Committee may be satisfied that the points which have been raised by the Comptroller and Auditor General of Newfoundland are being actively pursued by the Dominions Office and the Treasury in consultation with the Commission of Government of Newfoundland and that, wherever possible, improvements in administration are being actually put into effect. Perhaps I may take the opportunity of mentioning to the Committee that the officer of my Department who was originally appointed to be Comptroller and Auditor General of Newfoundland on the change of system there has now returned to my Department on promotion at the end of his tour of service, and the Commission of Government have expressed their appreciation of the services he rendered in Newfoundland; he has been replaced by another senior officer of my Department. (Sir *Edward Harding*.) I should like to endorse that, if I may, Sir.

Mr. *Pethick-Lawrence*.] Are there any questions on the whole of this paragraph?

20 April, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G.,
and Mr. W. G. IVES, M.B.E.

[Continued.]

Sir *Isidore Salmon*.

2694. Does it take more than 12 months to come to a conclusion on a Report from the Comptroller and Auditor General of Newfoundland?—No; it does not take more than 12 months to come to a conclusion, but sometimes a good deal of, shall I say, further consideration has to be given on the conclusion.

2695. One would have thought that, when you were giving it consideration, a conclusion could be arrived at within a reasonable limit of time?—I agree.

2696. What would you consider a reasonable limit of time?—It would depend on the case under consideration.

2697. Because there seems to be always a lapse between the time you receive the observations from your Comptroller and the Auditor General in any part of the Dominions and the time when the Dominions Office come to a conclusion?—I would not quite like to endorse that, Sir. I think the Committee can be sure that there is not any undue delay in sorting out the questions and dealing with them.

2698. No, but it would have been much more satisfactory, when we met 12 months afterwards, to have heard from you the action that had actually been taken, so as to clear the subject?—I could give you the various further details, if they would be of interest to the Committee, as to what has been happening.

2699. If I may say so, all we should like to know is: Are you in a position to say that all the matters that have been raised have been dealt with?—Yes.

2700. You can say that definitely?—Whether they have been finally dealt with I cannot say, because, as I think I explained before, it is sometimes not possible to take the action suggested, but that they have been dealt with I can say, yes.

2701. I can quite understand that you cannot always take the action that has been suggested, but you have come to a conclusion on that suggestion?—Yes.

Sir *Robert Smilh*.

2702. Perhaps I ought to have asked this question on the paragraph before, but with regard to this surplus in revenue, was it entirely due to revenue and not to any administrative changes that there had been a saving? It seems to have been a special sort of windfall?—It was due to the fact, as I think I explained, that the revenue came in during a particular period much better

than was anticipated. Unfortunately, it has not kept at that high level.

2703. It was ordinary revenue; it was not due to any sort of alteration in administration?—No.

2704. These suggestions which we are talking about now on paragraph 16, I presume, would be administrative suggestions?—Yes.

2705. Are they likely to cause an increase in revenue if you have come to decisions on them, or are likely to come to decisions on them?—No.

2706. They will not make any difference?—No.

2707. So there is no reason to suppose that there will be an increase of revenue again shortly?—I wish I could anticipate that, but I am afraid at the moment there is no sign of it. (Sir *Gilbert Upcott*.) The out-turn of expenditure for 1937 was very close to the estimate. What was unexpected was the receipt of revenue.

Mr. *Pethick-Lawrence*.

2708. We will turn to page 71. With regard to the note to sub-head E, can you tell us what progress is being made with the review of the question of repayment of this loan and the general view with regard to colonial loans?—(Sir *Edward Harding*.) I think that is now with the Treasury. I think the Treasury representative would be able to answer.

2709. Will you tell us, Mr. Brittain?—(Mr. *Brittain*.) Last year, as we suggested in the minute which we laid before Parliament three years ago, we did review all the cases referred to in that minute, but certain other cases also arose which we thought we ought to take into account at the same time. It is a very difficult question, because the loans are of different kinds for different purposes, and at the moment there is also the question how, if there was any question of remitting any of these loans, we should get the necessary authority to do that, which is also not an easy question. I am afraid we have not yet arrived at a decision on either of those two points.

2710. Do you propose to inform this Committee when you have come to any decision on the matter, or what step do you contemplate taking?—That is one of the questions which it is a little difficult to answer. It is rather a novel proposition to get due Parliamentary authority for this sort of proceeding and we are not actually in a

20 April, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G.,
and Mr. W. G. IVES, M.B.E.

[Continued.]

position to make proposals either to the Committee or to Parliament, but I think you can rest assured, Sir, that we shall keep the Committee in touch with what is proposed.

Mr. *Pethick-Lawrence*.] Let us now take pages 71 to 73.

Sir *Robert Smith*.

2711. On sub-head D I notice that the grant and the expenditure are exactly the same, not even id. difference. How does one manage to get it quite so exact as that?—(Sir *Edward Harding*.) The explanation is this, Sir, that this is a method of bringing to the notice of Parliament the fact that there were a certain amount of surplus profits on the undertaking. You will see that there is an item of expenditure of £9,000 and exactly the same amount is given on page 72. That was put back into the business.

2712. I see. It seems to me so strange that you should have estimated so exactly, because I notice that on page 72 the share of the balance of surplus profits for the period to 30th June, 1936 comes in.—(Sir *Gilbert Upcott*.) It is not a question of estimating. (Mr. *Brittain*.) The figure was exactly known before these estimates were presented. (Sir *Gilbert Upcott*.) It is rather more

than a question of bringing it to the notice of Parliament. It is obtaining the authority of Parliament to put the surplus profits back into the business.

Sir *Isidore Salmon*.

2713. In taking your sub-head A on page 71 "Representation in the Dominions," the expenditure has been £11,677 less than the grant. The explanation that you give is: "The sum provided for additional representation in the Dominions was not required (£7,500)." Does that mean that for the future your budgeted figure will be a lesser figure than £37,000 in total?—(Sir *Edward Harding*.) No, the position is that when the estimates were prepared we made provision in case it should be decided in the course of the financial year to appoint a High Commissioner in New Zealand and possibly a High Commissioner in Eire. The High Commissioner in New Zealand has since been appointed, but the High Commissioner in Eire so far has not.

2714. Therefore this apparent saving will have no effect on the 1939 Budget?—No.

Mr. *Pethick-Lawrence*.] I will put the Accounts up to page 73. May I take it that the Accounts are approved? (Agreed.)

VOTE 6.

IRISH FREE STATE SERVICES.

Mr. *Pethick-Lawrence*.

2715. We now come to page 74, Irish Free State Services. I take it that with the Eire Agreement this will shortly come to an end, will it not? Is that so?—(Sir *Edward Harding*.) Yes.

Mr. *Pethick-Lawrence*.] Are there any questions on page 74?

Sir *Robert Smith*.

2716. Are these Irish Local Loans

just the same as our local ones here?—Yes, except that they were made for services in Ireland.

2717. But they are worked on exactly the same style?—Yes. (Sir *Gilbert Upcott*.) This particular provision is a payment into our Local Loans Fund.

Mr. *Pethick-Lawrence*.] May I take it that the Account is approved? (Agreed.)

VOTE 7.

OVERSEA SETTLEMENT.

Mr. *Pethick-Lawrence*.

2718. Page 75, Oversea Settlement. I notice that the Assisted Passages in particular only spent £4,000 out of nearly £20,000 grant. The next item, sub-head E, is also considerably down. Can you give us a little explanation of that?—(Sir *Edward Harding*.) Yes, when the estimate was framed it was hoped that

the system of assisted migration, particularly to Australia, would revive, but it did not revive at that time. I am glad to say it has revived to a certain extent since. That, I think, meets the point about Assisted Passages. As to the Settlement of Migrants the under-spending was mainly due to the fact that certain new settlements for

20 April, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G.,
and Mr. W. G. IVES, M.B.E.

[Continued.]

children were not completed within the year of account.

Mr. *Pethick-Lawrence*.] Are there any questions on page 75?

Sir *Isidore Salmon*.

2719. You said last year that you contributed to four voluntary societies?—Yes.

2720. Have you added to the number of societies in receipt of contributions this year?—Yes, there have been three additional ones, the Y.M.C.A., the Salvation Army, and a body known as the Big Brother Movement.

2721. Is this the first time you have contributed to the Big Brother Movement?—No; it was given some time ago and discontinued, but it has been revived.

Sir *Irving Albery*.

2722. Can you give us any idea of what emigration has resulted in the year under review from the assistance of the voluntary societies?—I am afraid I could not give the figures off-hand.

2723. Have you any rough idea at all?—I do not think I have. I am not sure whether it applies to this particular year, but broadly speaking, the outward movement to Australia has begun again to exceed the inward movement. For some years, as I think the Committee knows, the balance inward was larger.

2724. These voluntary societies, of course, have other activities. The contribution they receive is only in relation to that part of their activity which assists emigration. Is that so?—Yes.

2725. Do you get a regular return? I take it your contribution is not based on the people who go abroad?—No.

2726. It seems to be based on their administrative expenses?—Yes.

2727. Do you get any check as to what the result is as to whether you are getting value for money?—May the Accountant answer that?

Mr. *Pethick-Lawrence*.

2728. Yes, certainly?—(Mr. *Ives*.) There were four societies engaged solely in migration activities that do nothing other than migration, and in connection with those we get the audited Accounts. For contributions to the migration departments of other societies like the Salvation Army and the Y.M.C.A. we get separate audited Accounts annually, and the grants paid are based on the amounts determined against those

audited Accounts: issues are restricted according to the terms laid down for the grants.

Sir *Irving Albery*.

2729. Has your Accountant any figures of the number of persons who emigrated through the societies?—(Sir *Edward Harding*.) Perhaps it would be simplest if I were to get for the Committee any information we have and send it in in the form of a note.

Sir *Isidore Salmon*.

2730. Would you also say about the Canadian immigration? You said last year you were going to investigate the question and ask the Canadian Government?—This is about the Land Settlement Schemes?

2731. Yes?—I have a note here which I thought I might circulate to the Committee.*

Mr. *Lewis*.] I wanted to ask a question on something like the same lines as that which Sir *Irving* has asked. I was going to put it in this way: I understand that there are two methods of promoting Empire settlement, one through the voluntary societies and the other by direct assistance from the Dominions Office, and I wondered if we could have some figures which would give us an idea as to the numbers during the year under review that had, in fact, emigrated under the one system and under the other.

Mr. *Pethick-Lawrence*.

2732. Could you get us those figures?—Yes.

Mr. *Lewis*.] I think they would be interesting.

Mr. *Pethick-Lawrence*.

2733. None of your staff have then here at the moment?—No.

2734. But you could probably get them for us?—Yes, certainly.

Mr. *Pethick-Lawrence*.] I think the Committee would like to have them.

Sir *George Davies*.

2735. You gave us the names under sub-head A of three new organisations, the Y.M.C.A., Salvation Army and the Big Brother Movement. Would you say what the existing four were?—The Society for the Oversea Settlement of British Women; a Society known as the 1820 Memorial Settlers' Association,

* See Appendix No. 12.

20 April, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G.,
and Mr. W. G. IVES, M.B.E.

[Continued.]

the Scottish Immigrant Aid Society and the Anglo-Canadian Education Committee.

2736. Are not some of those overlapping in what they are doing? Those are not names that are very widely known to the public, are they?—I should not have thought there was any overlapping. The activities of the first one, the Society for the Oversea Settlement of British Women, are wholly related to women. The 1820 Memorial Settlers' Association is concerned with South Africa only, and as far as any women are concerned, I think it works in with the first society I have mentioned. The Scottish Immigrant Aid Society is concerned with a particular settlement at Vermilion, Alberta, and the fourth one was engaged in sending students to Canadian universities.

Sir *George Davies*.] The fourth is different. It only occurred to me that, especially with the prospect of emigration developing (as we were saying, the balance of trade has now swung the other way) there does seem to be a possibility of a great deal of overlapping in some of these organisations over the various foreign schools and all the movements for fostering emigration, because some of these started many years ago; but the development in time seemed to indicate, I should have thought, that one might very well reconsider whether some form of avoidance of possible overlapping would not be appropriate nowadays in order to concentrate effort.

Mr. *Pethick-Lawrence*.

2737. What does Sir Edward say about that? Does he think anything can be done?—I think you may take it the Dominions Office Oversea Settlement Department would always have a very close watch on that so as to prevent overlapping. We should quite agree with the view that overlapping ought certainly to be avoided.

Mr. *Culverwell*.

2738. I wanted to ask a question on note E about the Farm School in New South Wales. Is that completed? I was not quite sure whether you meant that the farm had not been completed and therefore the payment had not been made, or, as the note says, that the agreement had not been completed and therefore the payment had not been made?—It had not been completed in the year of these Accounts.

2739. The farm or the agreement?—Neither, I think, but the agreement has since been completed.

Sir *Irving Albery*.

2740. The 1820 Memorial Settlers' Association was mentioned. Is that the Society that has somewhat enticing advertisements in the personal column of the "Times," inviting persons to go out to South Africa, but they have to have at least £500, I think?—Yes.

2741. Have you seen those advertisements?—I have.

2742. Are they approved of by the Dominions Office?—We have every reason to think that the Association does excellent work.

Mr. *Pethick-Lawrence*.

2743. Now I come to pages 76 and 77. With regard to the note *b* on page 76, you have already said that you are putting in a statement with regard to the Canadian position?—Yes, we reviewed the whole position (in accordance with a suggestion made by the Committee last year) in consultation with the Canadian authorities.

2744. And you are putting in a written statement with regard to it, are you?—Yes.

2745. With regard to page 77, these loans and the amounts outstanding: the difference between the amount of the loan and that outstanding is not, I presume, entirely due to the amounts having been actually paid off, but in certain cases amounts have been written off?—Yes.

2746. Can you tell us, of the (a) total and the (b) total, what is the amount that has actually been paid off as part of the reduction which is shown in those two figures?—I think I am right in saying that the amount which is stated as outstanding is in both cases the amount which we hope to be able to achieve, but whether that will in fact be possible of course I cannot say.

2747. I am afraid you have not made quite clear to the Committee what you mean by that. I thought an amount outstanding meant an amount standing in the books. When you say you hope to achieve it, I should not have thought that that was correctly described as an outstanding amount?—There have been great difficulties, as I think the Committee knows, over some of these settlement schemes, and it has been necessary

20 April, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G.,
and Mr. W. G. IVES, M.B.E.

[Continued.]

to write off altogether very considerable sums.

2748. That is just what I wanted to enquire about. How much has been actually written off? Put it the other way round, if you like. I asked you how much had been actually paid off so that I could see how much had been written off, but if you could tell us the other way round, that would meet the case?—I am sorry. I thought you were directing your attention to how much of the £510,000 mentioned here had been written off.

2749. No, that is not what I was driving at. The total amount taking the two together, was £892,000, and that is now outstanding at £510,000, showing a reduction of £382,000, roughly?—Yes.

2750. What I want to get at is how much of the £382,000 represents actually what has been paid off and how much represents what has been written off?—I beg your pardon. I do not think I could tell you that offhand. (Mr. Ives.) Of the Assisted Passages Loans, 14 per cent. has been written off or £76,382; of the Land Settlement Loans, as regards Canada, 22·1 per cent. written off, £191,669; Southern Rhodesia scheme, 3 per cent., £743 up to 31st March, 1938.

2751. How much had been written off of the Canada scheme?—Canada Land Settlement Schemes, 22·1 per cent.

2752. 22·1 per cent. of what?—Of the £866,000: that is £192,000 approximately. (Sir Gilbert Upcott.) I think it might be put roughly in this way, that nearly four-fifths of the money advanced for assisted passages has been repaid, but only about one-fifth of the money advanced for land settlement has been repaid.

Sir Isidore Salmon.

2753. Do I understand on page 77 that the outstanding amount on the 31st March is the amount of money that you hope to get in due course or have not yet received? Which does it mean?—(Sir Edward Harding.) It is the amount which we have not yet received.

Mr. Pethick-Lawrence.

2754. Have not yet received or written off?—Yes.

Sir Isidore Salmon.

2755. Is there a fair chance, in your view, taking first of all the Assisted

Passages money, that you are likely to realise this £59,000 odd?—I am afraid we shall not realise the whole of it, but we should certainly hope to realise a fairly good proportion.

2756. How many years has it been outstanding?—That I do not know. Of course, the amounts have been advanced at various times—ever since the War.

2757. As regards the Land Settlement, of this £510,000 that is outstanding, is there a chance of getting a certain percentage of that realised?—A percentage, yes, but how much I am afraid I could not say. (Sir Gilbert Upcott.) Judging from the reports which I have seen from the Auditor General of Canada, who audits these Accounts, a very considerable amount of the money outstanding on land settlement will have to be written off.

Mr. Lewis.

2758. I would like to ask a question with regard to note 6. I understand this was a case where land purchased for the purpose of land settlement at a given figure has subsequently been sold at half that price. The explanation given is its proximity to the tsetse fly belt. Is the suggestion that the tsetse fly has been spreading since the land has been held by the Dominions Office, so that the tsetse fly belt is now nearer to the property than it was at the time it was purchased, or is it merely that an error has been made in the purchase price of the land?—(Sir Edward Harding.) I think the former.

Sir George Davies.

2759. As to the possibility of recovering the amounts outstanding at 31st March, would the recovery be dependent on organisations, individuals or Government Departments?—It would depend on the state of affluence or otherwise of individuals.

2760. It ultimately comes down to individuals, although the channel might be an organisation or a Government Department?—Yes.

Mr. Pethick-Lawrence.] I think that is all, except that I was going to remind you that the Trading Accounts will be considered later. We shall be taking those another time. May I take it the Account is approved? (Agreed.)

(Sir Edward Harding and Mr. Ives withdrew.)

20 April, 1939.]

[Continued.]

VOTE 8.

COLONIAL OFFICE.

Sir JOHN SHUCKBURGH, K.C.M.G., C.B., and Mr. H. PALMER, called in, and examined.

Mr. *Pethick-Lawrence*.] We will now take Colonial Office, pages 78 and 79. Are there any questions?

Sir *Isidore Salmon*.

2761. Have you increased the number of posts in your Department, Sir John?—(Sir *John Shuckburgh*.) Yes, there has been some slight increase. With regard to higher posts, there were two prin-

cipals, one in the Appointments and one in the Economics department, and there were also two new posts of clerk, higher grade, four new posts of clerical assistants and five new posts of typists.

2762. I suppose the work has justified this increased staff?—I think so, undoubtedly.

Mr. *Pethick-Lawrence*.] May I take it the accounts are approved? (*Agreed*.)

VOTE 9.

COLONIAL AND MIDDLE EASTERN SERVICES.

Mr. *Pethick-Lawrence*.

2763. Page x, the first sub-paragraph of paragraph 17. With regard to the final sentence, I should like to ask the Comptroller and Auditor General what the present position is with regard to this matter?—(Sir *Gilbert Upcott*.) The examination has been completed. I have no observations to make.

2764. Are there any other questions? With regard to sub-paragraph (ii), at the end the question is mentioned of the audit for 1937, 1938 and 1939. What has been decided finally with regard to that matter?—(Sir *John Shuckburgh*.) For 1937 to 1939 inclusive the audit is to be conducted by French auditors; for the three following years by the Director of Colonial Audit, that is to say, a British official.

2765. That is in accordance with what we have done before?—Yes, that is in accordance with what has been done before. We take it in turns with the French.

2766. In sub-paragraph (iii) certain changes are referred to here. What precisely are the changes that have taken place in the form of Colonial Accounts?—We sent out a circular despatch in November, 1937, which recommended certain alterations in the form, the main effect of which was to give a truer picture of what the real assets were. I think they had been in the habit, for example, of showing, as assets, assets which existed in the form of stores rather than cash, and were not available for immediate purposes. It is that kind of thing.

2767. They were not liquid?—They were not liquid; exactly.

2768. Is the Treasury satisfied with the present position of this matter?—(Mr. *Brittain*.) Yes, it was all done in close touch with the Treasury.

Mr. *Pethick-Lawrence*.] I think the next sub-paragraph is purely formal. Are there any questions on that paragraph?

Sir *Isidore Salmon*.

2769. Have the French officials made any attempt up to now to deal with the audit for the year 1937?—(Mr. *Palmer*.) They are going to start it in 1940. They do the whole three years together.

Mr. *Pethick-Lawrence*.

2770. Paragraph 18, page xi. I think that is formal. Paragraph 19: Can you explain a little bit the nature of this Colonial Empire Marketing Board? I think this is the first year in which it has come before our notice in this Committee?—(Sir *John Shuckburgh*.) Yes.

2771. In particular, what do they mean in the third line where it says: "Estimate to meet the cost of the secretariat and other expenses"? Can you explain the general position and exactly what is meant by the words "and other expenses"?—The charge this year was really not much more than a token. It had been decided to set up this Marketing Board. It was thought desirable to inform Parliament at the earliest possible moment. Therefore an entry of, I think, £10,000 was entered in the Supplementary Estimate, but in point of fact we did not get the secretary appointed until January, and very little

20 April, 1939.]

Sir JOHN SHUCKBURGH, K.C.M.G., C.B.,
and Mr. H. PALMER.

[Continued.]

of that was spent. The main origin of the Colonial Empire Marketing Board was a desire to give the Colonial Empire, as such, some of the advantages which the Empire as a whole derived from the old Empire Marketing Board, which was brought to an end some years ago. The functions for which this Board has been set up were defined as follows: (1) to provide a service of marketing officers. (2) To provide an organised system of publicity, including participating in exhibitions and (3) research. The Board consists—perhaps the Committee know this?

2772. No?—I will be very brief. The Board consists of the Secretary of State as official Chairman, with the Parliamentary Under-Secretary for the Colonies as the official Deputy Chairman, and then it contains a number of Members

of the House of Commons, representative of the various Parties, Government and anti-Government; a certain number of business men, one or two officials, and certain assessors for particular purposes. It has its own secretariat, and runs its own affairs almost entirely. I think you would like to know something about its actual activities during the past year. I could not do better than ask Mr. Bull, the Secretary of the Board, who has been good enough to come with me today, to give you some account. Would you like to hear that?

2773. That will be subsequent to the year under review?—In the year under review there has been practically nothing.

Mr. *Pethick-Lawrence*.] Perhaps he will give a very broad sketch, as it is not within the exact year under review.

Mr. H. C. H. BULL, called in and examined.

Mr. *Pethick-Lawrence*.

2774. We are asking you to tell us very briefly what are the principal activities that you carry through at the present time?—(Mr. *Bull*.) The Board has been conducting investigations into some of the minor products of the Colonial Empire. We have not touched such things as rubber, tea and tin, which are very highly organised. We are concentrating on some of the more minor products which are obviously in need of help. The result of our detailed investigations, the full investigation of the product, has rather led the Board to believe that until some of these products are organised from the producers' end we shall have to concentrate most of our work on propaganda of an educational nature to get the City, the consumers and other people prepared for a publicity campaign on the actual product itself, when it is ready for actual marketing. We have found so many of the small colonial products so badly produced, graded and shipped that we are not going to spend any money on propagating them until they are in a fit state for the market. We hope to propagand in a small way West Indian limes, when they come over this year, but a lot of work has to be done in the country of production. We are setting out a programme of Exhibition work. We rather feel that a lot of money can be wasted on exhibitions unless carefully planned and followed up by other

forms of publicity. It must all be connected rather than disjointed publicity. That, I think, rather sums up the work of the Board for this period.

Sir *Isidore Salmon*.

2775. Would Sir John kindly tell us broadly what is the difference between this particular Marketing Board and the Empire Marketing Board?—(Sir *John Shuckburgh*.) The broad distinction is that this Colonial Empire Marketing Board is concerned only with what we call the Colonial Empire, that is to say, those territories which are under the jurisdiction of the Secretary of State for the Colonies. There is no question of the Dominions coming in at all.

2776. Quite, but were not they considered by the old Empire Marketing Board?—The Colonies were, but that has disappeared, you see.

2777. I agree, but did they do similar work for your branch of colonial work to what you are proposing to do afresh?—They did not do all the things that we are proposing to do now. I do not think they had marketing officers going about the Continent, and that kind of thing, trying to push colonial goods. They did one thing which we do not do and do not propose to do: as everybody will remember, they plastered the streets with pictures of oranges and bananas and overseas products generally. Very valuable it was, but we are not going

20 April, 1939.] Sir JOHN SHUCKBURGH, K.C.M.G., C.B.,
Mr. H. PALMER, and Mr. H. C. H. BULL.

[Continued.]

to do that kind of thing at all. (Mr. Bull.) No. (Sir John Shuckburgh.) There is no idea of doing that kind of thing. Our function in that direction is confined to exhibitions and a certain number of pamphlets. (Mr. Bull.) Educational.

2778. If I understand the position rightly, this Marketing Board is going to be a Colonial Marketing Board?—Yes.

2779. As separate from a Colonial and Dominions Marketing Board?—Yes.

2780. I do not know if the witness or the Treasury could answer this: The Empire Marketing Board was closed down on account of the want of funds being subscribed by the Dominions: was that so?—(Sir John Shuckburgh.) It is a long story. I think I do remember the facts, if it would be of interest to you to know them.

Mr. Pethick-Lawrence.

2781. Tell us quite briefly why it was closed down?—Politics come into it. Quite briefly, my recollection is that the Empire Marketing Board was set up, if I may put it so, because the Government had not been able to introduce Imperial preference. After the Ottawa Conference it came to an end. (Sir Gilbert Upcott.) There is a marked difference between this Marketing Board and the old Empire Marketing Board. The Empire Marketing Board had a Grant in Aid which was paid into a fund which was accumulated. This body has only annual grants. I am not quite sure what are considered to be its powers to enter into continuing liabilities. That is perhaps a matter which may come before the Committee at a future time.

Sir Irving Albery.

2782. Is there a trade between this country and West Africa?—(Mr. Bull.) Yes; but we have not investigated it yet. It is a well organised trade as compared with some of the others.

Sir Robert Smith.

2783. What period of time elapsed between the closing of the Empire Marketing Board and the setting up of the Colonial Empire Marketing Board?—(Sir John Shuckburgh.) It was about 1933, I think, that the old Empire

Marketing Board was closed down, and this Colonial Board was set up in January, 1938.

2784. You have not any of the staff of the old Empire Marketing Board?—We have engaged one or two of the people, but we did not take it over as a going concern.

2785. I wondered if you had taken on people who had already got information on the point?—(Mr. Bull.) Yes, and they are very useful.

Mr. Culverwell.

2786. I understood you to say you had not dealt with the producing side of the Colonial problem because you found it much too difficult and you were not spending any money on that side of it, but were confining your attention to advertising in this country. Who is looking after that side which you seem to have given up almost in despair?—I did not wish to convey that it was too difficult for us to tackle the producing side. I wished to convey that our investigation of the marketing this end showed us that the production side was badly organised in certain cases. In those sorts of cases, we recommend to the Colony concerned where we think they can improve their production, grading, packing, and so forth, and that is left to the Department of Agriculture in the Colony itself. We have no jurisdiction in the Colony itself.

2787. But you have not neglected that aspect of the problem?—No. We recommend where we think the packing and grading of products can be improved and compare them with products of the same kind from different sources.

2788. The old Empire Marketing Board did that side?—No, I do not think so. We do not overlap with the Imperial Institute, who do a good deal of that sort of work. They do what is called "doctoring" the product to bring it into a right state for marketing. (Sir John Shuckburgh.) The Director of the Imperial Institute is a Member of your Board. (Mr. Bull.) Yes, Sir John.

2789. You have not overlooked matters which ought to be dealt with on the producing side?—No; it is purely a question of time for the natives to be educated in a large number of cases.

(Mr. Bull withdrew.)

20 April, 1939.] Sir JOHN SHUCKBURGH, K.C.M.G., C.B.,
and Mr. H. PALMER.

[Continued.]

Mr. Pethick-Lawrence.

2790. Now we come to paragraph 20. I notice you only spent £1,000 out of a grant of £150,000, and further you are

preparing for a scheme of road construction in Trans-Jordan which may amount to over half a million pounds?—(Sir John Shuckburgh.) Perhaps the War Office representative can answer that question.

Mr. F. WHITTLE, called in and examined.

2791. Have you anything to say on this?—(Mr. Whittle.) The work is being undertaken by the War Office on an agency basis on behalf of the Trans-Jordan Government. It was not started until 1938, and we expect that in 1938 of the total of £600,000 some £150,000 will have been spent. We do not expect that the road will actually be completed until the end of 1940.

2792. How much do you think it will cost altogether when it is done?—We still think it will cost £600,000.

Sir Isidore Salmon.

2793. You have spent £150,000 up to now?—We think so, up to the end of the financial year, March, 1939.

2794. Therefore, you did a certain length of road for that amount of money up to date?—Yes.

2795. Is it fair to say, assuming that the balance is going to cost roughly the same amount per mile as that which you have already built, that you still think you will be within your estimate?—So far as I know, there is no indication that we shall exceed the estimate.

2796. But this is primarily a military road, is it not?—No; I would not say that.

2797. How do the War Office come on the scene?—The War Office are responsible for the works services in Palestine and, therefore, they are a convenient body to undertake the building of a

(Mr. Whittle withdrew.)

Mr. Pethick-Lawrence.

2804. Now we come to the pages of the Accounts, pages 80 and 81. Can you explain to us why there was this large number of plus supplementaries and minus supplementaries in this particular year? What was the occasion that gave rise to this rather peculiar budgeting?—It does look rather peculiar. The main feature is that a considerable number of the grants were not wanted, in fact. It is a bit complicated because there are certain other special emergencies that arose that necessitated further grants.

road. They have the Royal Engineer staff who are accustomed to this kind of work. We do carry out agency work of this kind.

2798. Is it being carried out by direct labour or is there a contract?—Mainly by direct labour.

Sir Robert Smith.

2799. What is the total length of mileage it will be: what is the estimate of the total length of mileage?—I am afraid I have not got that. (Sir John Shuckburgh.) It will be 210 miles, I am advised. (Sir Gilbert Upcott.) 210 miles is the Trans-Jordan portion. (Sir John Shuckburgh.) I was thinking only of that.

2800. It will be more than that really?—We are only concerned here with the Trans-Jordan portion of the road.

2801. How much of that 210 miles has been built already?—(Mr. Whittle.) I am afraid I cannot say it in terms of mileage. (Sir John Shuckburgh.) I can let the Committee have a note on that; I shall be very glad to. I am afraid I have not got the facts in my mind.

2802. It is the same question as Sir Isidore put in another form?—I think I might let the Committee have a brief note of the position.

Mr. Pethick-Lawrence.

2803. Yes, a brief note of the position?—I shall be very glad to do so.*

2805. Was it services that you contemplated originally and then abandoned and did you take up other services: was it a change of policy?—No, Sir; it was simply that the revenue turned out better than was anticipated. These were proposed grants or loans in aid of revenue; that is to say, if the Colony cannot balance its budget, you pay them a sum to make it balance, and rather unexpectedly they produced surpluses and so on and came out of it rather better than we expected. In the case of

Note not printed.

20 April, 1939.]

Sir JOHN SHUCKBURGH, K.C.M.G., C.B.,
and Mr. H. PALMER.

[Continued.]

some of these small places like the West Indies, it was due to Coronation stamps. It sounds rather trifling; it was only temporary, but that did save several small Governments.

Sir *Isidore Salmon*.

2806. Take sub-head A.3 on page 80. The original estimate was £38,000, and then you asked for a supplementary of £30,000?—Yes.

2807. Then again you go back and say "Less Supplementary, £38,000"?—Yes.

2808. And, in fact, you spent £30,000?—Yes.

2809. Could you tell us what made you ask for a supplementary?—I will tell you exactly. The original £38,000 was the usual Grant in Aid; we expected we should need that to balance the budget. In point of fact, owing to Italian-Abyssinian policy, there was a great deal of coming and going through the ports, and the revenue is derived from import and export duties. We got a good deal more than we expected. We did not need the Grant in Aid at all. On the other hand, we did need that supplementary, which was for the special purpose of looking after refugees who, as a different consequence of the same cause, had been descending on our hands.

Mr. *Lewis*.

2810. Under sub-head B.4: "Imperial College of Tropical Agriculture, Trinidad," could the witness tell us what progress has been made with the investigations which the College has been carrying on as to the incidence of Panama disease in bananas, and in particular whether there is any hope of producing a banana the fruit of which will be suitable for export and the plant of which will be either immune from or highly resistant to the disease?—I am afraid I should have to look into that.

2811. I think I am right in saying that that is one of the subjects where inquiries have been entrusted to the College?—Yes. (Mr. *Palmer*.) The College are pursuing that inquiry.

2812. If you cannot tell me definitely now, will you let me know?—(Sir *John Shuckburgh*.) We could let you have a note.

Sir *Irving Albery*.

2813. Under sub-head A.3, I understand the original vote was £38,000,

and, as it turned out afterwards, that money was not actually needed. Then a supplementary was taken for another purpose—for refugees: was it not apparent in any way when the supplementary for the refugees was taken that the original grant of £38,000 would not all be needed?—They were all in the same Vote. (Mr. *Palmer*.) The object of taking the £30,000 supplementary was to draw Parliament's attention to the fact that we wanted £30,000 for a special purpose.

2814. Which would not have been available?—It would not have been right for us to use the original provision for this totally new service. (Mr. *Brittain*.) They are both Grants in Aid.

2815. Under sub-head E: "Boundary Commissions," on page 82, in particular I want to refer to the British Guiana-Brazil boundary. Can you tell us how that is getting on: has the Commission come to an end or nearly to an end, and how much will be the total expenditure on that?—(Sir *John Shuckburgh*.) When Sir Cosmo appeared before you last year, one Honourable Member said it was like Tennyson's brook: it went on for ever. Now I am glad to say that, unlike Tennyson's brook, it has stopped. I cannot tell you exactly what the total cost will be. You were told last year that it might be £250,000 in all. I think £230,000 in all is probably about the figure now. It is a great deal more than was originally expected.

Mr. *Pethick-Lawrence*.

2816. Are there any questions on pages 82, 83, 84 and 85? Under note (c) on page 85, has the point yet been decided (it says here it "is under consideration") as to this item?—(Mr. *Palmer*.) Yes, the point has been decided. We had, when we were closing up the 1937-38 Accounts, £6,000 in hand from Palestine imprested to us which was not required that year, so with Treasury sanction, we retained that £6,000 and credited it to our Vote in final settlement.

Mr. *Pethick-Lawrence*.] Are there any questions on page 86? I have no questions. May I take it that this Account is approved? (*Agreed*.)

(*The witnesses withdrew.*)

(*Adjourned till Thursday next at 2.30 p.m.*)

THURSDAY, 27TH APRIL, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Sir Edmund Brocklebank.
Mr. Culverwell.
Mr. Lathan.

Mr. Lewis.
Mr. Mabane.
Sir Isidore Salmon.
Sir Robert Smith.

Sir GILBERT UPCOTT, K.C.B., Mr. B. W. GILBERT, C.B., Mr. H. BRITTAIN, and Sir HERBERT CREEDY, G.C.B., K.C.V.O., called in:

Mr. *Pethick-Lawrence*.] I have invited you gentlemen to be present at the preliminary few words that I am going to say and the resolution that I am going to move. I think you all know that, since the last meeting of the Committee, we have received the very sad news of the passing of our Chairman, Mr. Morgan Jones. We knew that he had been ill, but we were in hopes that he was advancing to recovery and that we might very soon have him back here as our Chairman. Unfortunately events have turned out differently, and we have to-day to mourn his loss. I need not say any words with regard to him; because I have already put them down in the terms of the resolution which I think most of you have seen but which I will

now proceed to read and to move: "That the Committee, having learnt with deep regret of the death of Mr. Morgan Jones, who has been Chairman of the Committee during the past eight years, desire to put on record their high appreciation of his services in that office, which he discharged with conspicuous dignity, ability and impartiality, at the same time inspiring the warmest feelings in all his colleagues; and they tender to Mrs. Morgan Jones and the other members of his family sincere sympathy on their untimely loss. That the Clerk to the Committee do communicate this resolution to Mrs. Morgan Jones." I move that formally. I do not know whether any Member of the Committee wishes to say anything with regard to it. If not, I will put it.

(*The Resolution was agreed to unanimously.*)

Mr. *Pethick-Lawrence*.

Perhaps the Comptroller and Auditor General who attends our meetings would like to say a few words?—(Sir *Gilbert Upcott*.) As I have been associated with Mr. Morgan Jones throughout the whole of his services as Chairman, I crave permission to say a few sentences. Mr. Morgan Jones was Chairman of this Committee for a longer period than any of his predecessors except Sir Robert Williams. I think I speak for the whole of the public service when I say that he made during that period a very notable contribution to public administration, and he did that by his intense devotion to his task as well as by his natural gifts. To those of us whose duty it was to assist him in the work of the Committee he showed unflinching kindness and consideration and he has left with us the memory of a very real friend.

Mr. *Brittain*, do you want to say anything?—(Mr. *Brittain*.) I think Sir Warren Fisher has already conveyed in a letter to the Committee, Sir, the feelings of the Civil Service as a whole on Mr. Morgan Jones' passing, but I am very grateful for the opportunity of adding a special word on behalf of the Treasury whose representatives have attended the Committee under his Chairmanship week in and week out for these eight years. During that time he drew from us all very high regard and sincere affection for himself personally, but beyond that I think his influence on the relations between the Committee and the Treasury lifted them to a much higher and freer level than a mere formal official plane, and it is part of our tribute to his memory to think that that influence will not cease with his death. (Sir *Herbert Creedy*.) Mr. Chairman,

27 April, 1939.]

[Continued.]

may I, as an Accounting Officer making my sixteenth and last appearance, and being perhaps now the doyen of Accounting Officers, be allowed to associate myself and my brother Accounting Officers, who, I am sure, would wish me to speak on their behalf, with the terms of the resolution which you, Sir, moved. None of us who have appeared before the Public Accounts Committee since Mr. Morgan Jones became Chairman, I think, in 1931, could have learnt of his death without a feeling of personal loss. Although we were only witnesses before, and he was Chairman of, a rather awe-inspiring Committee, he made us feel that he was a friend. If we had a difficult case to explain or even to defend, he probed the matter under consideration to ascertain the facts, but he did it with a kindly and patient courtesy which made us feel rather partners in the investigation than witnesses under examination. The inquisition might have been thorough, but it was always very gentle. He recognised, I think, that mistakes must occur in a large and far-flung organisation like the Army, for example, and, if we frankly admitted something had gone wrong, he always made due allowances for the shortcomings, and he sent us away determined to try to give less material to the Comptroller and Auditor General and to the Committee in another year. I thank you very much, Sir, for giving me an opportunity of saying with

(The Motion was agreed to unanimously.)

Chairman.] Thank you very much for the honour you have conferred upon me by appointing me Chairman of this very important—in fact, the most important—Committee in the House of Commons.

I consulted one or two Members of the Committee as to whether we should sit to-day for our ordinary business, and we came to the conclusion after considerable thought that we ought not to

(Mr. Brittain withdrew.)

Mr. D. F. C. BLUNT, called in and examined.

ARMY (ROYAL ORDNANCE FACTORIES) ACCOUNTS, 1937.

Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B., called in and examined.

Chairman.

2817 to 2819. We will now turn to the Army (Royal Ordnance Factories) Accounts, page 21, on which we get the be-

ginning of the Report of the Comptroller and Auditor General. Paragraph 1, I think, is purely formal, and we need not take up any time over that. With regard

all respect a few words about a man whose character and qualities will always be remembered by those who had the good fortune to be brought into relation with him either personally or officially.

Mr. Pethick-Lawrence.] I think I should also report to the Committee that I arranged with Sir Edmund Brocklebank, one of our Members, to represent this Committee at the funeral, which has been taking place in the course of this morning.

Sir Isidore Salmon.] Gentlemen, it is now our duty to propose a Chairman of this Committee. Mr. Pethick-Lawrence has for some time been taking the place of acting Chairman, and I cannot imagine any gentleman more capable, more courteous and more understanding than Mr. Pethick-Lawrence to have as the Chairman of this Committee. I have very much pleasure in formally moving that he be appointed Chairman of the Committee.

Sir Irving Albery.] I shall have much pleasure in seconding that, if I may. I believe, as a matter of fact, Mr. Pethick-Lawrence's past services in many respects entitled him to take that position long ago if he had wished to disturb a colleague who was already occupying it so well.

Sir Isidore Salmon.] I will put the motion that Mr. Pethick-Lawrence be appointed Chairman.

suspend the normal sitting. Mr. Morgan Jones himself was a man of great application to duty. The work that we have to do has got to be carried forward, and we thought we should be really recognising the wishes of our late Chairman if we did not desist from our duties this day but carried forward the business that we have to do in the ordinary course.

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

to the second paragraph, I should like to ask what was in fact the total outlay incurred with regard to these old factories in capital expenditure: that is, it is something in excess altogether of the £682,000?—(Mr. *Clamp*.) £822,300 approximately.

2820. Can you tell us how the liabilities which had to be met after 31st March were in fact actually discharged in view of the procedure which is mentioned in the last sub-paragraph of paragraph 2?—They matured for payment in the following year. They were temporarily taken from the balance in the Supplies Suspense Account, or rather they temporarily went into the Supplies Suspense Account and matured for payment in the following year.

2821. Are there any questions with regard to paragraph 2? If not, we pass to paragraph 3. I should like to ask what are the present total commitments on new factories and how far is any lag in the construction being made up?—The total commitments, as shown in the Royal Ordnance Factories Estimate, 1939, are some £38,000,000 and the lag in construction looked at from an expenditure point of view had been made up to the extent of something over £2,000,000 as against a deficit of £3,000,000 at the end of the year under consideration.

Sir Isidore Salmon.

2822. I do not quite follow the answer to the last question the Chairman put to you?—At the end of 1937-38 we had under-spent, according to the estimate, approximately £3,000,000. Some £2,000,000 odd of that had been made up by the end of 1938-39.

Chairman.

2823. Is that so? I thought you said there was a lag now of £2,000,000 so that we had made up £1,000,000?—No, Sir, the other way round.

Chairman.] I beg your pardon; I misunderstood you.

Sir Isidore Salmon.

2824. When you speak of a lag, do you mean to say you are now up to your programme?—I am only speaking, as I said, from an expenditure point of view. I am not speaking of the physical condition.

2825. Does not the physical condition have some respect to the capital expenditure?—Yes, Sir, except that the whole thing has varied somewhat as to the position of the factories since 1937-38. As I explained, the total commitment now is in the neighbourhood of over £38,000,000, but if we look at the account for 1937-38 the total commitment then was more in the nature of half that sum, so that the two things are hardly comparable to relate the physical position with the position of spend. But perhaps it would answer your question if I said that so far as these factories are concerned we still expect to have them completed by the date they were originally planned to be completed, or by an earlier date.

2826. Therefore, since the date of the Account under review enormous acceleration has been made?—That is so. (Mr. *McLaren*.) That is so. (Sir *Herbert Creedy*.) Yes.

Mr. Lewis.

2827. With regard to these new factories, have they all been put up on the basis that they are going to be permanent buildings, permanently used as ordnance factories by the Government, or are any of them buildings of a more temporary character?—(Mr. *McLaren*.) No, they are buildings of a permanent nature, Sir.

Sir Isidore Salmon.

2828. Arising out of the answer the witness gave, what is going to happen to some of the factories that you already have in existence where you are doing particular work and are transferring that work from say, London, to somewhere outside? What is going to happen? Are you going to give up the old factories, or use them for other purposes?—We are transferring the filling factories from Woolwich to Chorley and Bridgend. The factories in Woolwich, therefore, will be left. They will not be used.

2829. Will they not be used for any governmental purposes?—No.

2830. Will they be empty?—They are only suitable buildings for filling.

Chairman.

2831. Now we come to paragraph 4, and I should like to put to you, Sir Herbert, these three questions. In the

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

first place, can you, in order to assist the Committee, explain why these expenditures would normally be borne on the Army Vote and why on this occasion they are being borne by the Ordnance Factories Vote; and if that is a temporary position, do you expect to be able to sort it all out eventually?—(Sir Herbert Creedy.) Yes, we do hope to be able to sort it out eventually. Normally, it is not too difficult to draw a clear line between what should be charged to the Army Vote and what should be charged to the Ordnance Factories Vote, but in some of these new factories the two establishments are so intermingled that it is not very easy to disentangle the position. But we have Treasury authority to carry on as proposed here, in the hope that sooner or later we shall be able properly to appropriate the charges to the relative Votes. (Sir Gilbert Upcott.) Perhaps I should add to that, that the reason why expenditure on accommodation solely for the War Office ought not to be charged to the Ordnance Factories is that the Ordnance Factories are considered to be, or ought to be, a distinct Department. They supply equipment and munitions to a number of Departments, and consequently their charges ought not to include expenditure on behalf of a particular Department.

2832. Now we pass to paragraph 5, and, as this concerns the Office of Works, I understand that Mr. Leitch is present. I should like to ask in the first place who was responsible for the design of the factory?—(Sir Herbert Creedy.) Would it be for the convenience of the Committee if I made a short preamble?

2833. Certainly; I think that would be excellent?—After the War, there was a Committee under the late Mr. MacKinnon Wood to consider the possibility or desirability of moving some of the more vulnerable factories from Woolwich, but it was decided in those days to take no action. As the years went by, we became more apprehensive, because of the exposed position of Woolwich, and we appointed a Committee in 1934 under the then Financial Secretary, Mr. Douglas Hacking, now Sir Douglas Hacking, to go into the whole question of what we ought to remove from the Royal Ordnance Factories at Woolwich. This Committee recommended that we ought to move the filling factory away. It was a very large

proposition and it was not easy to satisfy all the conditions. We wanted a site of approximately two square miles; it had to be for choice in a depressed area, where use might be made of unemployed labour; it ought to be in a place relatively safe from air attacks; it must have adequate rail facilities; it must not be too much intersected with ordinary roads, and so forth. In due course, our choice fell on Chorley, which, as Honourable Members know, is about half way between Preston and Bolton. That site seemed to satisfy our requirements as far as we could foresee. Then came the question of proceeding with the construction of this factory; and here may I interpolate and ask the Committee not to think of a factory but to think of a little town, because, as I say, the site is two square miles, there are 800 odd buildings comprising 49 million cubic feet, 13 miles of roads, 18 miles of railway, and 43 miles of mains. If I may try to put that picture before the Committee, they will see what a very large thing it was. Then another factor was time. It was all important to get this factory into production as quickly as possible, and at the moment it is actually in some sort of production. The Ordnance Factories had designing staff, which prepared some preliminary plans which were handed over to the Office of Works. In the ordinary course of things, I think one might have expected to take 12 months over the preparation of plans for a factory of those dimensions. It was all done in three months, roughly. Then the contract was put out and was to take effect from January, 1937, with the hope that the factory might be completed as nearly as possible two years later. We rather hope it will be completed in June of this year, although, as I say, it has already produced a certain amount of munitions. The Office of Works put it out to contract and the firm of Parkinson received the contract. Then work was started. I do not know whether this is really for me or for the Office of Works to elaborate, but I might perhaps sketch some of the difficulties there were. There were the enormous engineering difficulties, the necessity of building the factory almost while we were preparing the plans, and then two most important factors: the two successive crises led to a demand for acceleration of the work. That, in very brief form, is an outline

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

of the position, which gives the Committee some idea of the magnitude of the task and some explanation of the reasons why the estimate of £6,000,000 has gone up considerably.

Mr. *Mabane*.

2834. Which two crises?—In the autumn of 1937 we felt that we were not getting on with our work.

2835. You referred to two crises. In order to guide us, I wondered which precise crises you meant?—The autumn of 1937.

2836. Which was that?—Perhaps "crises" is an overstatement. One was an appreciation that we were not getting on with the work as quickly as we should.

2837. It was not an international crisis?—No. The other was an international crisis. I should like to correct that.

Chairman.

2838. Thank you for that explanation, which will help the Committee to understand the position. Perhaps you will say one word as to how precisely it came about that very large changes were made in between the putting out of the contract and the decision to sign it? Was that when one of these crises to which you referred occurred and therefore the plans had to be considerably changed at that stage?—I think partly it was that, owing to the very short time we had to prepare the plans, the full scope and the detailed extension of the scheme could not properly be appreciated. There were various causes for the increased expenditure. For example, we wanted more production out of the factory. We had to put in air-raid protection of buildings. There were inevitable unforeseen difficulties in the site, wage increases and so forth.

2839. Thank you. Could you address yourself in particular to the last sentence in the first sub-paragraph of No. 5—"changes in the conditions"—as to precisely what is meant by what actually happened then?—May Mr. Leitch answer that?

2840. Yes?—(Mr. *Leitch*.) Perhaps I can deal with that section. That really arose through the changes which took place in the lay-out of the buildings on the site, and in the construction and in the detailed design of the buildings. The Office of Works were first entrusted with this commission in August, and in three

months they were able to design buildings—certain typical buildings only. It was quite impossible to attempt to design all the buildings in detail. During the time of the designing of those buildings and during the time when we were going to contract and considering tenders, constant changes were taking place in consultation between the War Office and the Office of Works designing staff. (Sir *Gilbert Upcott*.) This was in 1936. (Mr. *Leitch*.) The autumn of 1936. By the time the Parkinson's contract had been considered and it was decided to accept it, the firm came to us and said in effect: "This scheme is changing its character very considerably from what it was when I was first entrusted with the tender. The layout of the buildings has altered very largely. The construction of many buildings has altered. I cannot deal with the excavation works and various other classes of work in the manner I had contemplated when I sent in my tender, and the changes are so great in degree that really I cannot be held to my prices and I certainly could not have the revised buildings and the revised lay-out priced on the basis of the priced items in my bill of quantities." It was on that score that he asked for and was granted the alteration in the main clause dealing with variations where changed conditions were to be introduced as a factor in settling a negotiated price for the quantities.

2841. Thank you. Perhaps continuing your story you would explain a little bit the second sub-paragraph, and perhaps you could tell us (if you wish, in confidence, without it being put on the minutes) what the minimum and maximum prices referred to here actually were?—Yes. The contract was signed with Parkinsons on the basis of that variation clause allowing for altered conditions. Work went on until August, but during the period between the start of work in January and August it was found that considerable delays had taken place on the job. Weather conditions were to some extent a factor. Site difficulties were very serious. There were delays in getting supplies of steel and there were various other factors which had in total resulted in considerable extensions of time being due to the contractor under the terms of his contract. This was a very serious matter from the point of view of the War Office

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

and when they were consulted we were told that "by hook or by crook" we had to get that job carried out in the 24 months, which was the period fixed in Parkinson's contract. Consultations took place with Parkinson on that basis. His attitude was that with the allowances of extra time which he was entitled to under the contract he considered he would still be able to carry it out in the contract time of 24 months, plus the allowance for extra time, and he said, in effect: "If you want any special acceleration you must pay for it. I would run the job in an economical way and do it in my time, but if you want to do it in the original time it would mean a very large amount of special measures which I could not afford to take on the basis of payment embodied in the contract." Further, consultation took place in regard to that and it was finally agreed that whilst the scheme would continue to be measured on the basis of the contract conditions, he should be entitled at least to his prime cost plus a fixed sum for profit varying between two limits.

2842. To complete the story I should like to ask on the third paragraph: I notice the figure at the very end of £10,375,500 and it is said that that is for the total cost of the factory, including ancillary services, equipment, etc. If you omit the items which are included there, how much of that £10,375,500 is the amount for the actual contract?—The actual contract—you mean with Parkinson's for the building?

2843. As distinct from the etceteras?—(Sir Gilbert Upcott.) As distinct from the plant and machinery.

2844. Yes, the plant and machinery. That is what I intended to convey?—(Mr. Leitch.) I do not think I have that figure; I could supply it. Perhaps I can. I am not quite certain whether this will be accurate or not.

2845. If you have not got it, perhaps you can supply it?—Yes.

2846. And it will be, if necessary, treated in confidence?—(Sir Gilbert Upcott.) It would be in the order of six to seven millions, without attempting any precision. (Mr. Leitch.) It is nearer six millions than seven millions, I think.

Chairman.] I think that is near enough for our purpose. I do not think you need supply the exact figure.

Sir Isidore Salmon.

2847. Would you mind, Mr. Leitch, just trying to clarify the position, dealing with it from this angle: The Chairman just now asked you as regards the amount of money that the contractor was going to charge for the framework, as separate from the equipment from roads and from the land. Have you got those figures?—That is going to be difficult to break up, because so many of those buildings are surrounded by mounded earth. I think it would be difficult to give you the figure for buildings *qua* buildings entirely. I shall try to do that.

2848. The reason that I put that to you was that I understood from Sir Herbert Creedy that 49,000,000 cubic feet had been built for buildings, and therefore to arrive at your 49,000,000 cubic feet presumably there had to be a framework of buildings to be able to measure it up?—Yes.

2849. So I suppose it would not be an impossible proposition to supply that, as you supplied the 49,000,000 cubic feet?—I shall endeavour to do that.*

2850. The next point is this: the original schedule went by the board because you altered the whole lay-out?—Yes.

2851. Therefore, instead of paying on a schedule price you are to give the contractor a profit on the total bill varying, as you say, within two limits?—That was the result of the special acceleration measures in August, 1937.

2852. But did those measures take the place of the original contract, and is the original contract dead from the point of view of their having any other profit out of it?—The original contract applies, so far as the measurement basis of value goes, but there is the overriding consideration that in any case he gets the prime cost of the whole job.

2853. On condition that the profit shall not be less than the lower limit or exceed the higher limit?—That is so. (Sir Gilbert Upcott.) There are three stages: the original tender, the subsequent modifications due to the alteration of the lay-out, and there was thirdly the acceleration.

* *Note by Witness*:—The estimated cost of the buildings (including moundings and clearways), is approximately £4,980,000.

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

2854. The acceleration presumably meaning that he had to employ continuous shifts?—(Mr. *Leitch*.) Yes.

2855. And it was the fact that he had to pay higher wages for continuous shifts that would increase the bill at the end of the period?—Yes, and a very much greater amount of mechanical appliances and plant.

2856. In regard to the plant, is the plant that is used on this job entirely charged as an expense to the building on this site?—There are agreed allowances for depreciation on the plant.

2857. But who pays the capital sum of the plant that is necessary for erecting buildings of this magnitude?—The contractor.

2858. It is his responsibility?—Yes, his responsibility.

2859. And the only thing that he makes out of that is what is allowed for depreciation?—That is right.

2860. Because the selling price, the scrap price at the end, is only so much?—That is so, yes.

2861. And the balance is charged on the job?—Yes.

2862. Is that the position?—That is right.

2863. As regards the road work, was he responsible for road work?—Yes.

2864. Was he also responsible for any of the equipment that was erected?—Not for any of the engineering equipment. There were special contracts made for that.

2865. Therefore, so far as piping and the wastes going to pipes and things of that sort are concerned, it would be a separate contract?—Engineering contracts.

2866. Did he get anything out of that, or was that a separate thing altogether?—Separate entirely. He got no commissions at all on that. They were separate contracts.

Sir Irving Albery.

2867. I do not quite clearly understand as to how much of the original contract really remained. May I put the question this way: Supposing the contract had not been given to the firm it was given to but had been given to one of the other firms, and the subsequent modifications had taken place, would there have been (provided the other firm did its work equally well or similarly) any difference in the contract?

—The cost would have been very considerably greater.

2868. It would have been?—I think I can venture that, because the next contract was very substantially above the lowest, and then the changes which took place in the character of the building and the acceleration measures which we compelled him to adopt were so serious that no contractor, whatever his price, would undertake it at the price he had quoted in the first place.

2869. What prompted me to ask the question was that it seems to me that in these War Office contracts, and in other Departments, there almost inevitably are (and I am sure they cannot be avoided) so many modifications that one really asks oneself whether you are wise in starting with a tender and choosing a contractor solely because he has quoted you a lower price, which is in fact going to be modified afterwards?—Might I say on that that there was a tremendous amount of sifting done before we even selected the tenderers. We had 100 names to start with, and we sifted them down to 30, and we got from that down to nine, and then four of the nine refused to tender, so that by the time the sifting came we had really got down to all the firms of outstanding reputation who were prepared to carry out the job.

Sir Isidore Salmon.

2870. Even the original job?—Even the original job.

Mr. Mabane.

2871. The factory was moved largely on account of the danger of attack from the air?—(Sir *Herbert Creedy*.) Yes.

2872. That would seem to me to indicate the necessity for making some provision for defence from air attack in this factory?—Provision has been made.

2873. Was there any special reason for that being an afterthought? You indicated to us that one of the modifications that was necessary was to provide for defence against attack from the air, which seemed to me to be rather extraordinary if that was the reason for removal?—The air zone vulnerability in the last two years, and almost in the last two months, has moved a good deal west from what it was. Woolwich, of course, was always in the front line.

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

because it was on the river and nearest to possible continental attacks.

2874. Not since Charles II, surely?—No. I am talking of attack from the air. We moved as far west as we could. For purely safety reasons, we might have preferred to go further west, but the other conditions were not satisfied there.

2875. The point I was getting at was whether provision for defence against attack from the air was omitted because it was deemed that there was no likelihood of attack from the air at Chorley or whether it was omitted because nobody thought of it?—(Mr. Leitch.) Might I add an explanation on that point? At the time the original design plans for tendering were drawn up, there was not time to consider what measures of strengthening against air attack should be adopted, and there was no figure in the original estimate. There has, however, been spent some £90,000 in the strengthening of certain buildings, purely from the point of view of safety against air attack, and that is the point.

2876. What I was trying to get at was, why was there no provision made in the original plan? Was it because it was deemed to be unnecessary?—No. It was simply because there was not time really to consider what measures should be applied at all.

2877. On the matter of the contractors' profit, I did not quite understand what governed the minimum and the maximum.—It is the difference between the total cost of the scheme, based on valuation on the terms of the contract, and the prime cost of the job. If the prime cost is above the valuation of the job, the lower limit of profit applies. If the prime cost of the job is below the valuation figure, the upper limit is applied.

Mr. Lewis.

2878. In the event, would it not have been very much simpler and is it not probable that it would have been no more costly if the job had been done on a time and material basis without any tender at all?—No, I do not think so. We are running all the other contracts on a lump sum basis.

2879. It would certainly have been simpler?—And, if we had had the time to develop the plans, which would have meant at least a year or more, and had developed the plans in full and had got

a lump sum contract on that basis on proper quantities, the job should have gone through, except for the acceleration measures which were not anticipated. I think the acceleration measures which were adopted would have knocked the bottom out of any lump sum contract.

2880. I was not asking what would have happened if there had been time to get out complete plans and so on. I am directing my mind to what actually did happen, that there was not time to get out complete plans and so on, and I suggest to the witness, in fact, under those circumstances would it not have been, first of all, simpler and, secondly, no more costly if the work had been done on a time and material basis?—We do not think so. We prefer lump sum contracts, to start with, every time. If we cannot get that, we will take a measured schedule basis, and only in the last resort will we adopt a prime cost basis.

2881. Is your reason for that that it is cheaper?—Yes, it is much more easily controlled from the point of view of the building owner.

Chairman.] Thank you for that very full explanation.

Sir Irving Albery.

2882. I wanted to know whether the witness could tell us, in reference to the last sentence in paragraph 5 on page 22: "Owing to additions to the projected capacity of the factory," etc., whether he can give us, let us say, on a percentage basis what the increase in capacity was?—(Sir Herbert Creedy.) The cost of the increased productive capacity was in the order of £600,000.

2883. And the rest of the increase was all due to other causes?—Yes.

Chairman.

2884. Paragraph 6 is entirely formal. Paragraph 7 relates to the correspondence which is printed on pages 17 to 19. I should like to ask Sir Herbert to explain to us just what this new accounting procedure really is?—Honourable Members will have seen our correspondence with the Treasury on the pages referred to, pages 17 to 19 of the Account. We had two objects in view: One was not to charge the depreciation against Service customers for work done at the new factories, and the other was to maintain assets at cost provisionally until a review could be

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

made of the financial procedure for the new factories. The reasons for that are developed on those pages 17 to 19. If you would look at about the middle of page 18, it says: "it is difficult, if not impossible, to determine now what amount of money should be set aside each year, during the period in question, as depreciation income." (Sir *Gilbert Upcott*.) The last sentence of the second sub-paragraph on page 18 gives the gist of the reasons: "It is not possible to make any useful prediction as to what extent these factories will then be active or in reserve, nor is it possible to foresee, without some experience, what expenditure of new capital will on the average be needed on them."

2885. I should like to ask: Is it the view of the Treasury that this is a satisfactory position?—(Mr. *Blunt*.) Yes, entirely. We considered it very fully with the War Office, and were satisfied with the reasons they gave. (Sir *Gilbert Upcott*.) In practice, there would be great difficulty in fixing the true value of the various parts of the factory in order to determine the depreciation at this stage.

Sir *Isidore Salmon*.

2886. I suppose there will be a time when the depreciation figure will have to be fixed?—(Sir *Herbert Creedy*.) That depends so much on what is going to happen in the next few years that it is rather difficult to tell.

2887. I know, but assuming for a moment that we have not any war, the time will arrive presumably when you will say what the depreciation should be for the buildings which are used normally and for others which you have in reserve. That is really the true point, is it not: it boils itself down to that?—(Sir *Gilbert Upcott*.) Yes; I take it when we revert to normal conditions it will then be decided what factories shall be used, and the proper depreciation will be determined.

2888. What I am at a loss to understand is that your present practice for years has been to have certain factories in reserve and others in use so that you can meet the peak loads when you are called upon to do so?—(Sir *Herbert Creedy*.) Yes.

2889. And during that period and during the years that have passed, you have adopted a particular system. What has arisen to alter the whole of that

idea?—(Mr. *Clamp*.) Primarily the difficulty, if we consider Chorley where we have spent £10½ millions, is how much of that capital are we going to regard as active capital on a very low production in order to get the appropriate charge for depreciation on that low production. That is one of the problems we cannot settle, because we do not know the probable load of manufacture for the future.

2890. Your point is this, that the normal now is greater than the past normal?—Yes.

2891. You cannot tell its relationship to the potential output of the whole factory?—That is so. (Sir *Gilbert Upcott*.) It will be necessary, of course, to make some allowance for depreciation for the purpose of charging non-Exchequer customers. I take it the War Office contemplate that. (Mr. *Clamp*.) Action is being taken to meet that.

Chairman.

2892. Are there no further questions on these paragraphs? Will you turn to the Accounts themselves? Pages 3, 4 and 5 are explanatory of what follows, and we can take them in their place. On pages 6 and 7, there is no explanation of the over-spending in the case of sub-head F: "Miscellaneous": could you, Sir Herbert, or one of your colleagues explain that?—That follows in general on the normal increase in production, and, to some extent, it follows on the fact that we have had to put War Department constabulary in to protect our new factories before they come into operation. We have had to face up to that expense. (Sir *Gilbert Upcott*.) The component expenditure, I think, is for things like gas, water, electricity, stationery and telephones, as well as the cost of constabulary.

Sir *Robert Smith*.

2893. I notice on page 9, with regard to the Bishopton factory, that the out-goings amount to £221,000, and then, when one looks on page 16 at the "Statement showing Expenditure on the Construction, Equipment, etc., of New Factories," you get £231,000 as the figure for Bishopton?—(Mr. *Clamp*.) The difference was spent in the previous year. On page 16, we have the total cost of the expenditure on the factories up to the 31st March, 1938. On page 9, we are only looking at the expenditure during 1937-38.

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

2894. During 1937-38 you spent £221,000?—Yes.

2895. Then how is it that on page 11 the total expenditure to 31st March, 1938, is £136,000?—Because page 11 refers only to works and machinery, whereas page 9 refers to land also: it covers land. (Sir Herbert Creedy.) They are not strictly comparable.

2896. The total cost of the land is the difference between £221,000 and £136,000?—(Mr. Clamp.) Yes, that is so.

2897. Was extra land purchased that year? I thought the Bishopton land belonged to the State?—No. I think the explanation is that the £10,000, the difference between the £231,000 on page 16 and the £221,000 on page 9, is expenditure which accrued in 1936-37. The payment for land accrued in 1937-38, and is the difference between the £221,000 on page 9 and the figure of £126,000 on page 11.

2898. No; that figure of £126,000 is for the year 1937; it is £136,000, according to your statement, surely?—(Sir Gilbert Upcott.) The £136,000 includes the 1936 expenditure.

2899. Then what is the actual cost of the land at Bishopton?—(Mr. Clamp.) In round figures, £100,000; I do not know that I have the actual figure.

2900. There was originally a filling factory during the last War?—No; there was not a filling factory; it was virgin land.

2901. What about Georgetown?—(Mr. McLaren.) It is a different site. Georgetown was not suitable for an explosives factory.

2902. Referring to the note on page 9: "It did not prove possible to begin work as early as anticipated, but considerable expenditure was incurred at these factories which fell for payment in the following year," what was the expenditure that was incurred otherwise than in the way of the land purchased at Bishopton?—(Mr. Clamp.) There was a certain amount of civil engineering work done in this year on that land.

2903. There has been no construction there?—I could not say whether the construction had actually started. The first job to do, of course, is to prepare the roads and the ways of access to the factory.

2904. You have got it all arranged about your electric power and everything for this factory at Bishopton. So

far, what have you done in the way of work there?—(Mr. McLaren.) We have provided roads, rails and power stations, and a considerable portion of the production buildings has now been provided, but in this Account it was mainly road work and railway access. We had to do that to provide access to the site for the contractor to get on with the production buildings.

Sir Robert Smith.] At the new factory at Bishopton (which is one of those mentioned in the note on page 9) "it did not prove possible to begin work as early as anticipated, but considerable expenditure was incurred at these factories which fell for payment in the following year." The point I wanted to know was what that expenditure was on prior to the beginning of the factory.

Chairman.

2905. The witness has answered that?—(Sir Herbert Creedy.) It was expenditure on preparatory work. (Mr McLaren.) Preparing the site, roads and rail access.

Sir Robert Smith.

2906. They have started that factory?—Yes; considerable progress has been made with that factory.

Sir Edmund Brochlebank.

2907. Which Waltham is this one mentioned on page 9?—It is Waltham, Essex; Waltham was the old factory.

Sir Isidore Salmon.

2908. I do not know whether it comes under the heading: "Statement of Losses," on page 13, but I should like to ask what happens when you close down a factory like Woolwich. You have for years had a certain very small depreciation on freehold buildings and on machinery: now you scrap the machinery and buildings, what happens so far as the financial accounts are concerned?—(Mr. Clamp.) We have not yet reached that position at Woolwich. We have reached it in a very minor degree at such a factory as Hereford, where we are spending a considerable amount of money in reconstruction which involves the demolition in some cases of existing assets, and the residual book value at which they stand is written off without cash credit to the Ordnance Factories Vote; that is to say, the capital is written down without cash

27 April, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., [Continued.
Mr. C. N. McLAREN, Mr. G. H. CLAMP, I.S.O., and Mr. W. LEITCH, C.B.

recovery. We do not include the amount of the write-down in the cash that we recover from our customers for productions issued or services rendered, but the capital value is, in fact, written down by the difference in the residual book value. (Sir Gilbert Upcott.) You

will find an item of that nature in the "Statement of Liabilities and Assets" on page 15.

Chairman.] Are there any other questions on these pages? May I take it the Account is approved? (Agreed.)

(Mr. McLaren withdrew.)

TREASURY MINUTE ON PARAGRAPHS 25 AND 26 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

2909. Perhaps before we finish we might just take the Treasury Minute, paragraphs 25 and 26: "Sale of Army Mares." We had a very considerable discussion on this last year, and I only ask Sir Herbert whether the new procedure is, in his opinion, working satisfactorily?—(Sir Herbert Creedy.) Quite.

Mr. Culverwell.

2910. I understand that this was at the time when the War Office was reducing the number of horses?—Yes.

2911. But now I understand you are

buying more horses?—Yes.

2912. What procedure do you adopt in buying them: do you go to the recognised horse dealers?—We have officers who go round and buy them for us.

2913. You do not think that it would be more economical if you went to the big firms of horse dealers, recognised horse dealers?—No; I do not think it would be. We have purchasing officers who know exactly the type of horse we want, I think even better than the horse dealers know. We have found it works all right as far as that goes, I think.

TREASURY MINUTE ON PARAGRAPHS 32 AND 33 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

2914. On paragraphs 32 and 33, I should like to ask you, Sir Herbert, as the Accounting Officer, whether you feel that you are able to apply an effective examination?—(Sir Herbert Creedy.) Yes; I do not think I have heard of any difficulties arising. The Comptroller and Auditor General is satisfied, I believe.

2915. Is the Treasury satisfied on this point on paragraphs 32 and 33?—(Mr. Blunt.) Yes.

2916. And is the Comptroller and Auditor General satisfied?—(Sir Gilbert Upcott.) Yes. I am prepared to say, as

far as the War Office are concerned, that all information in connection with these Army contracts has readily been made available to my officers.

2917. We will postpone the whole of the Army Appropriation Accounts till next Tuesday?—(Sir Herbert Creedy.) Can the witness have some authority rather severely to expurgate the evidence? We are paying more attention to confidentiality than we did, and if I may I would like to go through the evidence in consultation with your Clerk and with your approval.

Chairman.] I think that is the general feeling of the Committee. (Agreed.)

(The witnesses withdrew.)

(Adjourned till Tuesday next at 2.30 p.m.)

TUESDAY, 2ND MAY, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Culverwell.
Mr. Lathan.
Mr. Oswald Lewis.

Sir Assheton Pownall.
Sir Isidore Salmon.
Sir Robert Smith.

Sir GILBERT UPCOTT, K.C.B., Mr. B. W. GILBERT, C.B., and Mr. D. F. C. BLUNT, called in and examined.

ARMY APPROPRIATION ACCOUNT, 1937.

Sir HERBERT CREEDY, G.C.B., K.C.V.O., and Mr. A. R. MCBAIN, O.B.E., called in and examined.

Chairman.

2918. We now come to the Army Appropriation Account. I will ask you to turn to the pages with Roman numbers, the Report of the Comptroller and Auditor General. The first paragraph is, I think, formal. With regard to the second paragraph, I should like to ask why no provision was made for redistribution when a Supplementary Estimate was actually taken?—(Sir *Herbert Creedy*.) The Supplementary Estimate was taken only for certain Works Services, and I think the amount was found by savings on the Works Vote.

2919. Yes, but is it not usual, when a Supplementary Estimate is taken, for the opportunity to be taken for a readjustment between the Votes to be made, and could not that have been done in this case?—We got Treasury sanction to take it on this rather narrow issue, and I do not know that the point really occurred to us.

2920. Have the Treasury any views on this matter?—(Mr. *Gilbert*.) I think the question whether one takes a Supplementary for a specific new item simply on that item, or whether the opportunity is taken to re-arrange the funds on all the Service Votes in the light of the anticipated savings and excesses, rather depends on the nature of the Supplementary; but I would rather like, if I may, to look into it and, if necessary, put in a paper.*

2921. I understand Sir Herbert's point is that the Supplementary was not of such a nature as would have made it, in his view, desirable to take that opportunity: is that your point?—(Sir

Herbert Creedy.) I think it was a narrow Supplementary, only covering fresh Works Services, and we thought that it would all be covered by a single Supplementary Estimate dealing with one specific Vote.

2922. I understand the Treasury to say that, though they are not satisfied that the facts are of such a character, they do agree that on a narrow Supplementary it would not be desirable: is that your point, Mr. Gilbert?—(Mr. *Gilbert*.) That is my point. (Sir *Gilbert Upcott*.) I may observe that in 1933 the Public Accounts Committee expressed agreement with the Treasury in the view that, in spring Supplementaries, provision for a redistribution of the funds should be made on the basis of major surpluses and deficits where they were foreseen, and in their Supplementary in the spring of the year in question the Air Ministry did take the opportunity to adjust their Votes, which gives Parliament the position as it stands.

2923. Does that cover the argument that Sir Herbert uses, that this Supplementary was of a very narrow character and that, therefore, it was not an appropriate occasion upon which to take this course? What is your view with regard to that?—I think the view of the Committee of 1933 was that, if there is an opportunity, as there was in this case, it should be taken to give Parliament the latest information as to the distribution of the intended expenditure.

2924. Does the Committee wish to ask any questions on this specific point?—In that particular case, I understand that the Air Ministry themselves had only a comparatively minor Supplementary to take, in substance, but they

*See Appendix No. 13

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and
Mr. A. R. McBAIN, O.B.E.

[Continued.]

did take the opportunity to redistribute their funds, and I understand (the Treasury may be able to confirm this later) that that is the view the Treasury have expressed on this particular occasion that in future the general rule should be to show Parliament the correct position.

2925. It is a matter which I think the Committee will have to consider at some future time. We pass on now to the second sub-paragraph of paragraph 2. I have no questions on that. On the third sub-paragraph of paragraph 2, perhaps Sir Herbert would explain how this matter arose?—(Sir *Herbert Creedy*.) Which particular point are you referring to?

2926. The rather peculiar point that the net expenditure exceeded the net grant, and I think the gross expenditure was otherwise?—I think the complication this year was the issue of Appropriations in Aid from the Consolidated Fund. Those are only issuable in respect of Votes 9 and 10. The Treasury will probably be able to explain that better. (Mr. *Gilbert*.) Perhaps I might explain that. This was, as Sir Herbert says, the first year in which the Service Estimates and Accounts were complicated by the position under the Defence Loans Act. When that Bill was before Parliament, it was explained that it was proposed to use the loan moneys only for one or two large Votes of each of the Services, those being the Votes which took the main capital expenditure. But when the end of the year was at hand, the Treasury thought it was right not to fix the issues solely by reference to the two Votes on which they were borrowed, but to look at the position of Army Votes as a whole, and only to issue to each Service such amount of money as was necessary to make their funds as a whole adequate. Consequently, a provisional shot was made at the position on the Votes; various surpluses and deficits were anticipated on the different items, and the loan moneys on Votes 9 and 10 were then restricted only to such amount as was necessary to make Army Votes as a whole adequately provided for. It makes rather a complication in the position, but it seemed to us that that was the right way in which to deal with these moneys to avoid the contingency of the Services possibly borrowing quite a large sum in the last day of March, paying interest on it and ultimately repaying it when they would in fact be

surrendering an equivalent sum to the Treasury only a few weeks later.

2927. Have you anything to say on that, Mr. Comptroller and Auditor General?—(Sir *Gilbert Upcott*.) Yes. The object of the Treasury is to get the actual out-turn over the Votes as a whole as near as possible to the net result, and the complicated difference between the gross and net result is really introduced by reason of what are described as excess receipts which are not appropriated in aid of the Votes, but are brought into the hotch-potch at the end. You will see that if you look at the table on page 7. There is a large surplus of receipts.

2928. But you are satisfied that under the circumstances it was a wise course?—Yes; in the result it avoids borrowing money, which was not required, merely for the purpose of paying it back into the Exchequer.

2929. The Treasury will probably take the same view. Are there any further questions on this paragraph? Now we come to paragraph 3. I should like to ask the Comptroller and Auditor General first whether he has any special remarks to make on this paragraph?—I brought this before the Committee because it has been the subject of a number of recommendations by the Public Accounts Committee in the past. These special advances are made in cases in which they are not due under the specific terms of the contract, but the money has been voted in the Estimates for the year for the purpose, and a proportionate amount of work has been done by the contractor and, therefore, it has been considered in the past desirable, in order to avoid the surrender of money voted in the year and its re-voting in the following year, to pay to the contractors advances on account of work which they have done and, where the actual delays are due to causes outside the control of the contractor, to make them without any charge of interest. The essential point about the practice in the past is that it has been adopted for the public financial convenience and not as a concession to the contractor. The situation which arises in the year under review is that, owing to the practice of the Treasury as regards the issue of the Defence Loan moneys, which was explained just now, the question of the surrender of money voted and its re-voting in the next year does not really arise, so that that argument that it was desirable to pay out the

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

money to avoid its being surrendered ceased to be applicable. For reasons which I have stated briefly in my paragraph, and which Sir Herbert Creedy will no doubt wish to explain, the War Office considered it desirable to continue the practice and convinced the Treasury that that was so.

2930. Sir Herbert, would you give us your views upon this? I am referring in particular to the third sub-paragraph of paragraph 3. Perhaps you could enlarge somewhat on the reasons that prompted you to take this action?—(Sir Herbert Creedy.) In view of the large growth in the scale of orders and the number of firms participating in the performance of our acceleration programme, we thought it was important to keep firms in funds. That was not merely regarded as a concession to the contractor, but it enabled the Department, we thought, to benefit by prompter deliveries and, in the case of costed contracts, even by cheaper production, because the contractor could buy in the best market and secure trade discounts, and he would not have to borrow on his own account. We also had in mind the time when things would become normal again and the position as indicated by Sir Gilbert would arise. When we got back to ordinary normal Estimates, with no issues from the Consolidated Fund, we should still want to avoid surrender of money at the end of the year, and it was thought on the whole worth while and in the interests of the Department to keep this practice alive; and I think those considerations moved the Treasury to agree.

2931. I notice the Treasury give their concurrence in the beginning of the next paragraph. Perhaps they would state the ground on which they took that view?—(Mr. Gilbert.) I think we appreciate, as the Comptroller and Auditor General says, that the ground on which those advances were made has been completely changed, and anyhow during the currency of Defence borrowings we cannot plead public accounting convenience for them, but it seemed to us there was considerable advantage from the point of view of the Contract Departments in continuing the practice, and we thought it wise to do so.

Mr. Lathan.

2932. Do I gather the Treasury are satisfied that that advantage has been

translated in the way that Sir Herbert has so acceptably indicated, that is, in the more advantageous terms which the contractors have been able to quote?

—Yes, we are informed that that is so.

Mr. Lewis.

2933. I should like to ask Sir Herbert Creedy one question, and that is this: Can he assure the Committee that this system of anticipating the payments under the contract is never used to anticipate deliveries or to anticipate work done? In other words, that such payments are always in all cases in respect of materials that have actually been delivered or of work that has actually been done?—(Sir Herbert Creedy.) Yes, they are to receive payment concurrently with the work.

2934. Always?—Yes, that is so.

Sir Robert Smith.

2935. Are these contractors doing any work other than work for you?—They might be.

2936. How do you know that Government money is not being used in any way to finance these other contracts?—Is not that met by the fact that they are only paid *pari passu* with the performance of the contract?

2937. As to what has really been done?—Yes. (Sir Gilbert Upcott.) I should say perhaps, in regard to what Mr. Lewis said just now, that it would not be true of all Departments that payments are only made where deliveries have been made.

Mr. Lewis.

2938. I was speaking only of Sir Herbert Creedy's Department?—It certainly would not be true of all Departments. It would be true to say that payments are only made in respect of work which has actually been done. It may not be the case that the material has been delivered. Take the case of armour plate for the Navy. There would be cases where the work is in progress and the work has been actually done, but there has not actually been delivery.

Mr. Lewis.] I follow.

Sir Irving Albery.

2939. If, as it seems, this practice is desirable, would it not be better that it should be embodied in the contracts? Would it not be better that the contracts should be amended to conform with the practice which you follow?—(Sir Herbert Creedy.) We might not always want to

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

bind ourselves to do that. (Mr. *McBain*.) No. Where it is desirable we have in the contract already systems of progress payments where the contractor is likely to be out of his money for a long time by reason of the length of production of very heavy things like tanks, and so on. Under that form of contract there is a system of quarterly or half-yearly progress payments as the work is done, in the same way.

2940. When a contractor tenders, he takes into consideration all the conditions in the contract. Therefore, if this facility were not included in the contract, I should think he is likely to reap some additional advantage from it, which, if it were in the contract, might come to the Department?—I think that would only be so in the case of a fixed price contract. In the case of a costed contract he only gets the ascertained cost plus a fair profit.

Mr. *Lathan*.

2941. Are these special advances in the nature of progress payments?—They are in the nature of progress payments, but they come at a different time of the year. The normal progress payments may be half-yearly. These advance payments at the end of the year are in the nature of progress payments, but it may be that the last progress payment under the contract may have been made three months before, and there may not be another one due for another three months, so this is a convenient way of making these payments. (Sir *Gilbert Upcott*.) They are end-of-the-year payments.

Mr. *Lathan*.] The point raised is a very important one, that is, that the contractor is aware at the time the contract is made that the system of progress payments will be part of the arrangement.

Chairman.

2942. Or might be?—Or might be.

Mr. *Lathan*.

2943. I rather gather it would be. If it is left to the decision of the Department concerned, obviously there ought to be some consideration if a payment is made more quickly than would be normally anticipated. I gathered that that was the case, that if they were normal progress payments then there is nothing very special in connection

with them?—(Sir *Herbert Creedy*.) There are three categories. There are cases of contracts in which there is a specific contractual provision to make progress payments. Then there are end-of-the-year advances to enable the Department to spend the money already taken up in Estimates and voted. Then there is the third category, what you might call uncovenanted advances during the year at the contractor's request. We deal with these in three different ways. The first is quite simple; in the second we charge a certain rate of interest, and in the third we charge rather more.

Chairman.

2944. I think we might pass on from that. I am not quite clear of the precise meaning of the last sentence of this whole paragraph. (I should like the Treasury to explain precisely what they mean. Do they mean that they give over to the Department the decision on this in each case, or that they are prepared to agree with what the Department propose if after hearing the case they find themselves satisfied with the arguments the Department put forward? Those are obviously two quite different things?—(Mr. *Gilbert*.) It is the latter; the second of the two.

2945. Are there any more questions on paragraph 3? We can pass to paragraph 4, which I think is formal. In connection with paragraph 5, I should like to take Appendix I, which appears on page 75. On the second half of paragraph 5, I should like to ask what exactly was the expenditure on China that is referred to here?—(Sir *Herbert Creedy*.) About £86,000.

2946. Are there any other questions? Turn to paragraphs 6 and 7. Paragraph 7 is the paragraph containing the important question of the "target." I should like to ask you, Sir Herbert, what has been the experience of the War Office on the working of this method which is referred to principally at the top of page vi, and at the same time would you explain to us precisely what is the distinction that you draw between the target price and the maximum price. I found it a little difficult to understand what you intended to convey by that?—If I may answer the first part, I would say we have found it satisfactory, but perhaps you will allow Mr. *McBain*, who is Deputy Director of Contracts, to explain the

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

target price. (Mr. *McBain*.) The target price is the best estimate we can make, after having ascertained some production costs, of the pure production cost of the store, excluding profit. The maximum price is the price beyond which the contractor in any circumstances will not be paid, whatever misfortunes he may have.

2947. That includes profit?—That includes profit and might also include a small margin for contingencies which he might reasonably expect to find in the manufacture of a new store; but the target price is the net price to which he should get down or below which he should get on a reasonable and economical basis of production. (Sir *Gilbert Upcott*.) Perhaps I might add an explanation to avoid confusion in the mind of the Committee. The Committee, you will remember, paid a good deal of attention to the use of this method by the Air Ministry a year or two ago. There the Air Ministry had the expression "the target price," which is described in the Committee's Report, on the evidence given, as estimated basic cost plus a fixed profit. The War Office, I gather, use the expression "target price," slightly differently, as being a price excluding profit. There is a danger of confusion if those distinctions are not kept in mind.

2948. I should like to pursue that a little further by asking you this: Do you consider that you have had enough experience about costs to fix the target prices properly in all respects?—(Mr. *McBain*.) Certainly not in respect of all stores. The normal method, of course, in the case of an entirely new store, is to allow a first batch to be produced, say 50 out of 500, on a cost plus a fixed profit basis, that is, the actual cost of the first 50 plus a fixed profit which may not be exceeded. Towards the end of the 50, the cost accountants examine the cost of production and arrive by agreement with the contractor and with the technical advice of the Director of Industrial Planning at an agreed target figure for the remaining 450 of the complete order. The contractor then gets 25 per cent., or perhaps 33½ per cent., according to negotiation, of what he succeeds in reducing the price below this agreed target figure, but the target figure is on the basis of ascertained costs. That applies to the quite new stores. Of course, in the case of other stores

we may bring a new firm into the production of a store of which we have had considerable experience of production by other firms, and we are then of course enabled to assess a reasonable target price and offer it to the contractor, and if he succeeds in getting below that he gets his share of the advantage.

2949. Are these things of which you have had no experience of production yourselves in your own works in the ordnance factories and elsewhere?—Some of them are quite new, although of course we always take advantage of the factory experience in costing, as we do of the trade production.

2950. Have you any information as to the rate of profit which is made by some of these firms after all this has been done?—Our experience is rather limited still, Sir, because it takes some time for the results of these incentive bonuses to become known. In the first place, they are normally applied to stores of which the design is probably new, and probably they were rather later in getting into production than the types of store with which we are familiar. In the second place, we have to have this trial period during which we can cost them, and the results are not then known, of course, until the completion of that final batch of 450 that I was mentioning, so that while we have experience that the prices are tending to come down by reason of the incentive bonus, we have still comparatively little experience of the actual savings that we have made as a result of the incentive bonus.

2951. When you are taking into account the costs, you have to include something for overhead charges, of course?—Yes, that is so.

2952. Do you carefully go into the length of time that is involved in the turnover of the capital, because quite obviously that would affect the question?—Yes, we do. We endeavour to fix the profit on the basis of the capital employed, and that, of course, involves the consideration of the turnover of the capital in any particular time.

2953. Do you take account of the total capital employed in the business?—That is the normal way, Sir. We take it over the total business and then relate it to the value of our production order in relation to the value of the whole of the business done by the firm.

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. McBAIN, O.B.E.

Mr. Lathan.

2954. The target price is fixed, as I gather, by your own cost accountants?—Yes, it is fixed by our own cost accountants with the advice of the Director of Industrial Planning, who naturally has a great deal of experience of whether the contractor has yet got down to the appropriate machine times for doing this and that. There is also a third party, in addition to the cost accountant, and the technical adviser: there is also the contractor, because the target price must ultimately, within reason, be a matter of negotiation. If it is too low it offers no inducement to the contractor to make any effort to get below it. On the other hand, we must be very careful that it is not too high so that he does not make too high a profit out of it.

2955. Has there been any difficulty with the contractors with regard to the target prices you have fixed in the contracts?—I will not say there have been difficulties, but there are certainly two quite distinct schools of thought amongst contractors. Some contractors take the view that the incentive bonus is a perfectly reasonable business arrangement and is a legitimate inducement for them to use their brains. On the other hand, rather surprisingly, some contractors take the view that an incentive bonus is a definite insult. They ask us if we regard them as crooks and what reason we have to believe that they will not put in every effort they can to reduce the cost of the stores themselves in the interests of the State.

2956. Then, of course, the saving in production may easily arise from variations in the number that is ordered?—That is true. The incentive bonus really lends itself most to the mass-production article, like the fuses, shells, primers and these small things that are turned out in many hundreds of thousands. The incentive bonus is not so readily adaptable to the very slowly produced thing like the tank, which may have things done here and there over months and is ultimately assembled months afterwards. It does not lend itself very readily to the incentive bonus system.

2957. Although I imagine the target price would be suitably graded in respect of say 100,000 and 1,000,000 of a particular article?—That is so.

Mr. Lewis.

2958. I would like to ask a question to see if I have got the question of the

target price quite right. Let us assume the case of a contractor who is working on the basis of 10 per cent. profit on prime cost. Suppose the target price of an article was £100. If he produces at the target price he is entitled to £100 plus £10, that is £110, for the article. Suppose he gets his prime cost down to £95, he is then entitled to £95 plus 9s. 6d., which is £104 10s. in respect of the article, that is to say, the price he is entitled to is above the target price, yet he has got his costs down £5 below the target price; would he in those circumstances get benefit from having reduced it below the target price?—I am sorry; I am afraid I have not quite grasped it. (Sir Gilbert Upcott.) I think that is a case in which, if the incentive bonus is in force, he would get a percentage of the £5 which he had saved.

2959. Would he get his percentage? That is what I want to be clear on?—(Mr. McBain.) I am not quite clear on this hypothesis what is the target price.

2960. The target price is £100, the rate of profit allowed is 10 per cent. The actual cost he has got down to, is £95, on which the payment to the contractor would be £104 10s.?—Yes.

2961. The actual cost is £5 below the target price?—Yes.

2962. Does the contractor get a benefit on that despite the fact that the price which is actually paid to him, £104 10s., is higher than the target price?—Yes, because the target price, as we understand target price, and as I mentioned just now, excludes profit.

Sir Irving Albery.

2963. I should like to ask, where a contractor gets the benefit of reduction on the target price, do you know whether it is customary with them to pass on part of that benefit—I know engineering firms do that—to the workmen? I am not asking it from the political or social point of view, but I was wondering how they dealt with it?—I could not say whether they passed that on after the event, but I do not think there is any doubt whatever that they pass it on very largely before the event, because when they have an incentive bonus there is every inducement to them, and I know in a great many instances they do give the workmen bonuses for quick workmanship and large output in order to earn the incentive bonus, so I think it is passed on at the beginning, if not at the end.

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. McBAIN, O.B.E.

2964. There is one other point which arises out of that. I rather gather that when you have fixed your target price that is subject to any changes in wages?—That is so.

2965. Under this system it appears to me, unless you correct me, that there is no advantage to any employer to keep his wage cost down. It does not matter much to him how high his wage cost goes?—No, I do not think that is quite so, Sir. The purpose of the incentive bonus is to give the contractor a bonus over and above his normal profit from efforts that he made himself.

2966. I have left the bonus question. I am now merely on the question of wage costs. As I understand these contracts, when you arrive at the target price, any alteration of the wages paid does not affect the contract. If the target price was fixed at £100 and his wage cost came out higher than was expected and put it up to £110, unless I have misunderstood it, the price would then be £110 because he had to pay 10 per cent. more in wages?—Yes, but the variations in wages and in materials are variations due perhaps to some national agreement which are outside the contractor's control. They are not simply at his desire to put up or down the wages. They are the result of a trade agreement.

2967. I understand that, as regards what one might call trade union wages?—The great bulk of our production on the munitions side is subject to the engineering trade agreements on rates of pay.

2968. Let me put it another way. It would not matter to the contractor if he had to employ two men who were not very efficient to do the work of one man who was efficient? If he did that he would still recoup himself of the cost in his contract?—No, Sir, I do not think so.

2969. Is not that so?—No, Sir. If he did that he would run the danger not only of getting no incentive bonus but he would run over his maximum price. All these things are governed by a maximum price beyond which he cannot go in any circumstances.

2970. Which includes costs? I see what you mean. If he puts up his works cost by getting more men that does not put up his costs as if the basis of wages were raised?—No.

Chairman.

2971. There was one point I did not ask you, and that is as to sub-contract-

ing. Do you cost the sub-contractors as well as the contractors or do you allow that to be a matter for the contractor?—No. We cost sub-contracts in a great many of the main stores. Where it is normal trade practice to get sub-contracted articles by competition we do not seek to impose costings in these minor cases.

2972. We will pass on. Paragraph 8, I think, is purely formal. On paragraph 9 I should like the Comptroller and Auditor General, if he kindly will, to explain the general drift of this paragraph?—(Sir Gilbert Upcott.) Perhaps I might refer in the first place to the first sub-paragraph of paragraph 9, where I mention that I have described this purchase of a factory in my Report on the Navy Appropriation Account. This was a factory which was bought by the Government to meet the joint requirements of the Admiralty and the War Office and presumably for the purpose of convenience the actual purchase was conducted by the Admiralty. For that reason I have described the purchase in my Report on the Navy Account and no doubt the Committee will deal with that when they take that Report. But the War Office is the predominant user, I gather, of the production of the factory. For that reason, about two-thirds of the cost of acquiring the factory has been charged to Army Votes, and I believe that the bulk of the expenditure on the equipment of the factory is also being charged to Army Votes. Therefore, from that point of view, the arrangement has an important bearing upon Army expenditure.

2973. Sir Herbert, to which Department is the leaseholder of the factory responsible as agent? Is it to the Admiralty or is it to the War Office?—(Sir Herbert Creedy.) I think the Admiralty bought this factory.

2974. That I understand, but is the leaseholder responsible to the Admiralty as an agent now or is he responsible to you?—The Admiralty are the leaseholders.

2975. In spite of the fact that what the Comptroller and Auditor General said is correct, that the principal supplies are yours?—Yes, we are the predominant partner, roughly, in the proportion of two to one, I think.

2976. Are there any other questions on that? Now we come to the second sub-paragraph. This relates to a

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. McBAIN, O.B.E.

number of other shadow factories and I should like to ask you, Sir Herbert, what is the total commitment; and perhaps when you are answering that you will tell us who the agents are, in the various cases, unless you see any reason to the contrary?—The principal agent is Imperial Chemical Industries. They are responsible for a large proportion of the factories which cover a considerable range of activities; and the others are individual firms.

2977. The total commitment?—About £5,000,000, or rather more. (Sir Gilbert Upcott.) My information is that it is at least £7,000,000. (Sir Herbert Creedy.) Yes, it looks like between six and seven millions, roughly, in very varying amounts; some are considerable. One factory is £1,600,000, another £1,200,000, another £1,300,000; the others are rather small.

Mr. Lathan.

2978. The Government, as I understand it, acquires first the land, then the building, and then the equipment, or it accepts the responsibility for the equipment?—Yes, first the land and then the building.

2979. I take it the equipment remains the property of the Government?—Yes.

2980. Therefore, we should be justified, I presume, in understanding that in the charge that is made to those who operate the factory, all those factors are taken fully into account?—Yes.

2981. Depreciation as well as the rental and the charge for the use of the equipment?—Yes; I think each case is considered on its merits, with all those considerations being borne in mind.

2982. The magnitude of the undertaking is such as to cause us naturally to assume that something of that sort is done and done adequately?—Yes. (Sir Gilbert Upcott.) This is a method which was adopted at an earlier stage by the Air Ministry and the arrangement was then explained to the Committee. The War Office have now come on the scene as themselves a partner in a large number of these factories which are erected by a number of firms as their agents. In the subsequent paragraphs which follow this one that you have now under consideration, I indicate that the agents are paid fees for their services as they were by the Air Ministry in the case of their shadow factories.

15417

Mr. Lewis.

2983. I understand that these factories for the most part it is not anticipated will be used by the Government unless and until a war occurs. Is that so? It says: "primarily intended for the production or storage of various commodities . . . in the event of war."—(Sir Herbert Creedy.) Yes. Things move so rapidly that it would be rather difficult to give a definite statement on that.

2984. What was contemplated should be done with these factories until a war did break out: was it contemplated that they should remain empty or that the agents should use them?—No. They would be kept solely for our purposes in a state of care and maintenance.

2985. They would not be used by the agents?—No. If such a contingency arose, we should have to make special arrangements, but the idea was that they should be what we call "war potential."

2986. They would not be used except in case of war?—No. (Sir Gilbert Upcott.) At the original conception of the plan, they were shadow factories—what Sir Herbert has described as a war potential—but they have, in all cases in the Air Ministry, and in certain cases in the War Office, come into use for rearmament. (Sir Herbert Creedy.) I wanted to enter that caveat.

2987. I wanted to know what happened supposing they were not immediately required?—Yes.

Chairman.

2988. On paragraph 10, the second and third sub-paragraphs, I should be glad if you would tell us how the agreed fees are fixed and, when the the firms supply plant of their own, as I think they do sometimes, to the shadow factory, do they get a profit on the plant, as well as their fees, or precisely how does the arrangement work in that case? Finally, it says down at the bottom of the third sub-paragraph: "a number of questions are under consideration by the War Office." Could you tell us a little what those questions are, and how they are getting forward? The first point was about the fees, the second point was about profit and fees on their own plant, and the third point was about that statement that is made in the Comptroller and Auditor General's report?—In one particular case, the management fee covers the profit on production, the supervision of the plant during the non-production periods, the loss of revenue

M

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

from lands upon which plant is erected, and the maintenance and provision of the firm's own plant in what we call an intermingled area because part of their plant is alongside ours.

2989. That is very interesting and important, but I am not quite sure that that exactly answers the question I wanted to ask. How do you arrive at the fee: what is the principle upon which you settle the fee on those important services?—I think each case has to be rather dealt with on its merits, because each factory produces something different from the others. In some cases, it is a lump sum fee which we negotiate with the firm. In another case they get so much for every article produced. I think we have really had to get these people (mainly Imperial Chemical Industries) to come to terms on each individual case.

2990. It is a matter of discussion and arrangement?—Yes. (Sir *Gilbert Upcott.*) I think I might say that as a general rule the fee for planning and erection is a lump sum roughly equivalent to a percentage on the estimated cost of the factory. (Sir *Herbert Creedy.*) That is so. (Sir *Gilbert Upcott.*) It is settled by negotiation, and I think, in all cases, authorised by the Treasury. (Sir *Herbert Creedy.*) That is so.

2991. On the second point as to whether in certain cases they would get a profit on plant which they themselves supply, the question I wanted to ask was: Would they get a fee as well in that case, or how would the matter be settled?—(Mr. *McBain.*) That question would scarcely arise until the production started.

2992. It has not arisen so far; that is your answer, is it?—Yes. (Sir *Herbert Creedy.*) Because most of these factories are in only a rather rudimentary stage of erection.

2993. On the penultimate sentence in the third sub-paragraph, which ends up with "and a number of questions are under consideration by the War Office," what is the position with regard to those: what are the principal questions that you have, and how are they proceeding towards settlement?—In one particular case, Imperial Chemical Industries put forward certain claims which we did not think were fully substantiated. We went through them with our cost accountants and have come to

an agreement, with the exception of quite a small proportion. In one particular case, there is £2,000 in suspense pending receipt of a final report on this question by our investigators. (Sir *Gilbert Upcott.*) May I add on this that naturally the War Office accountants, when they examine the expenditure on these factories, raise a certain number of questions, and my auditors are dependent on their examination. What I want to be satisfied is that the War Office do in fact follow up these questions when they are raised. I appreciated at the time I wrote my Report that it was possibly not practicable to arrive at any final conclusions, but I do want to be satisfied, as these examinations are the basis of my audit, that any questions raised are followed up.

2994. May we take it that they are?—(Sir *Herbert Creedy.*) Most certainly all the papers would be sent to the Comptroller and Auditor General to see. In this particular case we hope to come to some determination of what is outstanding.

2995. Turn now to paragraph 11, which appears to be a particular case of a factory. I would ask you, Sir *Herbert*, if you would give us a general explanation?—This is a particular factory also being put up for us by Imperial Chemical Industries, and the method of payment in respect of the products of this factory is so much an article on the first million articles, with a discussion after the first million have been produced. That amount which they get on each article is to cover all the costs of management, and that is another form of expressing the fee for the management of the factory.

2996. In view of this method of procedure, what is the incentive on the manufacturer to keep the cost down?—I think in this particular case the Imperial Chemical Industries are more or less partners with us in munitions production and in the rearmament programme, and I think we can take it that they will not make excessive demands in the way of profit, but we have the power to determine the contract should we not be satisfied.

2997. Is that really a practical power, or is it a rather theoretical power; as you want the material and could hardly do without it, is the fact that you have a right to stop it all down a real power in your hands?—I think it is a real power

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and
Mr. A. R. MCBAIN, O.B.E.

[Continued.]

dealing with a firm like that, because I think their name and standing are so high that they would not like to be identified with any suggestion of profiteering in a matter of this kind. (Mr. Gilbert.) In most cases the firm is doing for the Government almost exactly what it does in its ordinary commercial operations in the world at large.

2998. So you have a check on the figures?—It helps to keep the standard of efficiency high.

2999. Are there any questions on this paragraph? Now turn to paragraph 12. I notice that the agent is to be paid a fee of £35,000 per annum. Can you tell us what is the basis upon which that £35,000 is fixed?—(Sir Herbert Creedy.) That was a negotiated arrangement, and the terms are (this is also the Imperial Chemical Industries again): a fee of £35,000 a year for a period of ten years from the date of completion of construction, but the amount due by way of management fees will be reducible in respect of profits received on Government orders executed in the factory.

3000. Has any progress been made in fixing the rate of profit?—Yes. Any profits in excess of an agreed sum in any one year will be taken in diminution of the fees in subsequent years. If the plant is used by the firm for commercial purposes, the fee is *pro tanto* reduced.

3001. On what principle do you allow profit?—That was the particular factory which I mentioned just now when I gave you some details of the basis upon which the management fee was fixed for the supervision of plant and the loss of revenue and so forth.

Chairman.] Are there any questions on this paragraph?

Mr. Lathan.

3002. Is it anticipated that the factory will be in effective operation for a period of ten years at least?—Yes. I think it might very well be, because it supplies an article which is in very great and heavy demand for the Forces.

3003. It is not supplying something which, in regard to present circumstances, you would regard as abnormal?—We should want the product of this factory whether we were at war or not.

3004. It is a normal product?—It is a standard product, in other words.

Sir Isidore Salmon.

3005. On paragraph 12, £35,000 per annum over a period of ten years is to be the fee payable?—Yes.

15417

3006. But what about the question of profit: what rate of profit will they have in addition to those fees?—The management fee in this particular case covers the production of the article as a whole.

3007. So, therefore, the maximum profit they can earn is £35,000 in any one year?—Yes. (Sir Gilbert Upcott.) The minimum, not the maximum.

3008. If it is the minimum profit, what is the possibility of increasing the minimum to a higher figure: what are the arrangements?—(Sir Herbert Creedy.) If the amount exceeds £35,000 in any one year, that will go in diminution of the fees in subsequent years up to the maximum of £350,000.

3009. So it is carried forward to the debit of the firm?—Yes.

3010. So that, if they were to earn £50,000 in the first year, £15,000 would go in diminution of the £350,000 in the years to follow?—Yes.

3011. But, in the end, there may be a figure that would be higher than the £350,000. How do you arrive at it?—Those were the terms upon which we were able to negotiate with them.

3012. I appreciate that, but the point I am trying to arrive at is this: Under what conditions would they get a figure in excess of £350,000 spread over the ten years: perhaps the Treasury could explain?—(Mr. Gilbert.) I think in the event of their producing during those ten years from the factory much more than the mere minimum which is provided for by the £35,000—

3013. Then a percentage of profit would be allowed?—If they really go into full business, they get profit on an agreed basis, a basis they discuss with the War Office.

3014. Has that basis been agreed or is it to be agreed?—I think they have settled the first year. (Sir Herbert Creedy.) I do not think so. (Sir Gilbert Upcott.) As I understand it, the profit has not yet been settled.

3015. So that is a matter of negotiation?—Yes.

3016. And, failing agreement, presumably there will be arbitration?—(Sir Herbert Creedy.) We have had no difficulty in coming to terms with them. I should not think any great difficulty would arise.

Chairman.

3017. Before we take paragraphs 13, 14 and 15, I would like to ask a general question of the Treasury. Have you

M 2

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

anything to say as a general review of the position, and are you satisfied that the arrangements made are working generally well?—(Mr. Gilbert.) You are speaking particularly, are you, of the paragraphs you have just been dealing with?

3018. I am speaking of the whole of the paragraphs we have dealt with so far and the basis of the whole thing. Taking a general review of the whole thing, are you satisfied, broadly, as to the working of the whole system?—I think, broadly, we are. The questions of contracts which we have been discussing and the arrangement of these factories are, of course, matters of very high importance, and I do not think any of us necessarily feels that perfection has been reached. We have been continually discussing especially the subject of profits and prices, and trying to improve the machinery. You may know that the Estimates Committee themselves have also had a fairly full review quite recently at which the Treasury gave evidence, but, subject to a general desire to keep a watch on the position as it develops, I do not know that there is any particular respect in which we have special reason to be dissatisfied. With regard to these matters of the factories that have been discussed, practically all cases have been fully discussed with the Treasury, and the War Office and the Treasury have gone together in the arrangements which have been made.

Chairman.] Are there any other questions on the matter as a whole? Then we come to paragraph 13, and with that I will take Appendix IV, which is on page 86. I have no questions on that.

Sir Assheton Pownall.

3019. There is an appreciable increase in the stocks held under items 1 and 2, and to a lesser degree in the stocks held under item 3: was there a reason for that?—(Sir Herbert Creedy.) I think that is the general progress of rearmament. If you notice, mechanical transport and the mechanisation of the Army, on the one hand, and the augmentation of the Forces, on the other hand, would necessarily lead to increases.

Sir Isidore Salmon.

3020. I suppose it would be true to say, under the heading of Appendix IV, that the more you have under these

three heads (that is, consumable supplies and mechanical transport, clothing, and works stores), the better it is for the Service as a whole?—Yes.

3021. Because all these things are in great demand?—Yes. We have been considering (I do not want to raise the point now) whether it would be convenient in another year to omit these figures, supplying them for the confidential information of the Committee.

3022. So that the public should not know?—Yes.

Chairman.

3023. Paragraph 14 seems to me purely formal. On paragraph 15, what is the position at the present time?—We were rather behindhand in the store accounts examination in Palestine, naturally, due to the unsettled condition of the country. We have reorganised the main ordnance depot and are hoping that we shall gradually be able to overtake the arrears of stock-taking.

Sir Isidore Salmon.

3024. Does not that rather go to prove that we are rather too close in keeping down the personnel that is necessary for doing this work in emergency?—Possibly that is so, Sir Isidore, but the skilled personnel is not really available to spread over the whole field.

Chairman.

3025. The next page is an Appendix. What precisely is the purpose of this Appendix?—The real purpose of it, I think, is to show the Committee and the House that we have not exceeded the number of men voted under Vote A of the Estimates. (Sir Gilbert Upcott.) Perhaps I might say a word about this Appendix as I am responsible for it. It has a rather curious history. My predecessor a very long time ago in 1879 was requested by this Committee to keep the Committee informed as to the position under Vote A, which deals with the numbers for which this country is responsible. That is, in point of fact, shown on page 3 of the Account; but the then Comptroller and Auditor General apparently considered it desirable to inform Parliament of the Establishments of India. Some research has been made, but I have not been able to ascertain why that was, because British troops serving in India are maintained out of Indian revenues and this Committee is not technically, at any

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and
Mr. A. R. MCBAIN, O.B.E.

[Continued.]

rate, interested in them; and I have no statutory duty to report on Indian Establishments. I am not quite sure whether it is very desirable in these days that I should continue to publish this information, and I should, as a matter of fact, be very glad to be relieved of the duty if the Committee do not attach any very great importance to this Appendix. (Sir Herbert Creedy.) If I might venture to support the Comptroller and Auditor General, I think we should be rather glad not to have to give away some of the nakedness of the land at certain periods of the year. (Sir Gilbert Upcott.) I should, of course, say that the Committee would wish to know the position as regard Vote A that is shown on page 3. That might be shown in rather a different way, but this rather elaborate table causes a good deal of labour, and, as I say, I am not clear that it is technically within my duty to compile it.

Sir Assheton Pownall.] It would be much wiser not to do so, I agree.

Mr. Lathan.

3026. Its association with a Committee of Accounts is not very obvious?—At this date it is very difficult to ascertain what was in the minds of the Committee or of my predecessor of the day.

Sir Isidore Salmon.

3027. Would not that be altered by the circumstances of the day?—

(Sir Herbert Creedy.) The figures on page 3 give an assurance to the Committee that we have not exceeded the numbers.

3028. I was under the impression that certain facts were going to be left out of the Estimates?—Yes.

3029. If that is so, is it wise to have these figures in this form, having regard to what Sir Herbert has said?—I do not know whether the Committee would be satisfied with a certificate from the Comptroller and Auditor General that he had ascertained that on no occasion had Vote A been exceeded during the year? That is really, I think, the matter in which the Committee is particularly interested.

Chairman.

3030. We will discuss that?—(Sir Gilbert Upcott.) The Committee might wish to consider that. There is the other point here that I have been expected for a good many years to give the figures not only of Vote A, with which this Committee is concerned, but also a large number of figures as regards India and Burma, with which neither the Committee nor I have any direct concern at all. I should be very glad to be relieved of that task.

Chairman.] We will consider that at the appropriate time.

VOTE A.

NUMBERS.

VOTE I.

PAY, ETC., OF THE ARMY.

Chairman.] We now come to the actual Accounts. I do not propose to take the first few pages, pages 3-7. If anybody wants to make a reference to them, they will come in in the appropriate place. Turn, please, to pages 8 and 9, Vote 1: "Pay, etc., of the Army." Are there any questions?

Sir Assheton Pownall.

3031. On page 8, when, as is the case here, you are 20,000 or 30,000 short of your Establishments, in budgeting do you allow for the possibility of the total number being obtained in the year under review, or do you take a rough and

ready average that we shall probably be so much short?—(Sir Herbert Creedy.) We budget on what we estimate to be an average strength.

3032. But you do not budget up to the full strength?—No.

Mr. Culverwell.

3033. on note K, what was the purpose of the scheme for replacing soldiers with civilians?—The Secretary of State announced, I think in the Estimates before last, that he wished to relieve serving soldiers of certain domestic duties in barracks, because it took the men away from their training and a lot

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

of men perhaps felt that they had not joined up to be soldiers to do ordinary barrack fatigue duties.

Sir *Assheton Pownall*.

3034. On page 9, there is an appreciable increase in the amounts received from various Colonies—Mauritius, Ceylon, Straits Settlements and Hong Kong: how did that increase arise?—In different cases the allotment is calculated on different bases, and some of these were free will offerings. For instance, the Straits Settlements have been extremely generous to us again quite recently in giving us a large sum. Mauritius—

3035. I do not want each one. Ceylon was £40,000 more, which is a good deal for a relatively small Colony; actually, they contributed £46,811 more?—Ceylon pays on a fixed basis of three-quarters of the cost of the garrison or 9½ per cent. of the assessable revenue, whichever is less. (Sir *Gilbert Upcott*.) The payments of Mauritius, Ceylon and Hong Kong include the adjustment of arrears.

Mr. *Culverwell*.

3036. Under sub-head J on page 8, is the purpose of having civilians in the Record Office economy?—(Sir *Herbert Creedy*.) We prefer to have civilians, because we do not want to tie up the soldier in merely clerical duties.

3037. Do not some of them enlist specially for the Record Office?—No. They are civilians, very often ex-soldiers as far as possible, who are employed there.

3038. The note says: "The number of civilians required at home in place of regular soldiers serving overseas was higher than estimated"?—There are a certain number, but a great number of these clerks are civilian clerks. We have to have a nucleus of military personnel, because you must always have a nucleus of soldiers. These went overseas to Palestine and were replaced temporarily by civilians.

3039. Are they ex-soldiers?—No. These would be regular soldiers.

3040. I was wondering why you wanted regular soldiers?—You need a certain number of orderly room clerks and people of that type, but we do not want to take more than necessary from the Field Force.

3041. In the barracks you are doing away with soldier servants?—While the soldiers are required to keep the accounts in the field, the barrack-room servants can very well be civilians.

Mr. *Lathan*.

3042. Does "barrack servants" include "officers' servants"?—No. Officers' servants are generally serving soldiers who are serving soldiers as well as looking after officers' uniforms.

3043. They are taken away a good deal for that kind of duty?—Only a certain limited number of men.

3044. They are almost continuously employed on what may be described as domestic duties?—A certain number are employed as mess servants and a certain number help the officer to look after his uniform and act as servants to him.

3045. That aspect of the case of the employment of soldiers as servants might be considered as well as the other?—The difficulty there is that the regiment moves perhaps abroad, and you cannot take all the civilian servants with it. If for example, it goes to India, the soldier-servant can still look after the officer; you do not take the barrack domestic servants out to India. You engage a fresh lot of servants when you get to India.

3046. Surely the difficulty of obtaining men who can serve in the mess or discharge the other domestic duties that soldiers are called upon to perform is not insuperable in India or elsewhere?—We are starting on a modest scale. We have done about £40,000 a year; we are gradually extending the scheme; we are very keen on extending it, but it has only been in operation for about two years.

Sir *Irving Albery*.

3047. There is also the question of active service?—A *fortiori* you could not take the civilian servants on active service.

Mr. *Lathan*.

3048. No?—You proceed so rapidly in India from internal security work to fighting on the North-West Frontier that you have to have a nucleus of soldier-servants.

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

VOTE 2.

TERRITORIAL ARMY AND RESERVE FORCES.

Chairman.

3049. Now we turn to page 10, Vote 2: "Territorial Army and Reserve Forces." Under sub-head G, the note seems rather obscure?—(Sir *Herbert Creedy*.) It was really a transfer of mechanical transport between the Regular Army and the Territorial Army. It was decided to have only one pattern of military truck in the Regular Army

(a "Morris" pattern), and, in order to get rid of the non-Morris trucks in the Regular Army, they were exchanged for the Morris trucks in the Territorial Army. That led to a rather complicated piece of accounting, and that explains why money is shown here and in a corresponding entry in Vote 9.C. (Sir *Gilbert Upcott*.) I think the explanation would be a little less obscure if the sentences were transposed.

VOTE 3.

MEDICAL SERVICES.

VOTE 4.

EDUCATIONAL ESTABLISHMENTS.

(On these Accounts no questions were asked.)

VOTE 5.

QUARTERING AND MOVEMENTS.

Chairman.

3050. Now we come to pages 13 and 14, Vote 5: "Quartering and Movements." There does not seem to be any explanation of the receipts given on the first page of Vote 5. The amount, I think, is £315,000. On page 13, under sub-head E, what were the receipts?—(Sir *Gilbert Upcott*.) The Chairman last year raised the question why the War Office in some cases showed the details and in others they did not. Sir Herbert undertook to consider it. The explanations have been

given in some cases, but not in this one. (Sir *Herbert Creedy*.) We have split the Appropriations in Aid in Votes 6, 9 and 10, and in the next Account we hope to split the Appropriations in Aid in Votes 2 and 3, and, if I may, I will make a note to have this one done. (Mr. *Blunt*.) This one in Vote 5 comes down to quite small proportions now—only £30,000. (Sir *Herbert Creedy*.) It was largely money received for occupation of quarters. In the current year it is very small, but I will see if I can split that.

VOTE 6.

SUPPLIES, ROAD TRANSPORT AND REMOUNTS.

Chairman.] Now we come to pages 15-17, Vote 6: "Supplies, Road Transport and Remounts." Are there any questions?

Mr. Culverwell.

3051. Referring to the issue of chargers to officers, what is the position that has been reached over that?—(Sir *Herbert Creedy*.) There has not been any very special change at the moment. We are leaving a few chargers with the mechanized cavalry.

3052. But last year you said you hoped to save £50,000 a year on that?—Yes.

3053. Has that materialised?—The number has gone down a good deal, but the actual Vote this year is rather higher, because we have had to buy fresh horses for horse units.

3054. I meant to say on the old Establishment; you were able to effect your saving at that time?—Yes, very much so.

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. McBAIN, O.B.E.

3055. Is it working satisfactorily, or are there serious complaints?—I think the British officer is getting used to it, as he gets used to everything in time.

3056. You do not think that, as a result of our stinginess, the Army is suffering at all, because I have heard that there is a lot of grumbling?—There are criticisms, but the officers begin to realise and recognise that some of those things have to be given up now.

Sir Isidore Salmon.

3057. On page 16, under sub-head G: "Hired Road Transport," do you go into the question whether or not it would be cheaper to have your own transport rather than to hire it?—We

use our transport as much as ever we can, but you will notice that this is quite a small sum.

3058. It is quite a small figure, but I was wondering whether you did look into the question whether, although hiring might apparently save a capital sum, the amount you are paying for hiring would more than pay the interest if you paid a capital sum and bought the machines?—It is nearly always for little local journeys, and sometimes to replace lorries lent to help the Territorial Army for a limited period. (Sir Gilbert Upcott.) There is a very big figure in the following sub-head for acquiring transport. (Sir Herbert Creedy.) Yes.

VOTE 7.

CLOTHING.

VOTE 8.

GENERAL STORES.

(On these Accounts no questions were asked.)

VOTE 9.

WARLIKE STORES.

Chairman.

3059. On sub-head D, "Miscellaneous Charges," there is a note on page 21? I think this year you are omitting the amount awarded to inventors for reasons which the Committee appreciate. We appreciate the omission from the text, but I do not know if there are any points you can give us in confidence?—(Sir Herbert Creedy.) For the current Estimates we have an item of £5,500 for rewards to inventors. (Sir Gilbert Upcott.) The detailed schedule which used to be published in the Appropriation Accounts every year has this year been withdrawn for the reason that the Department do not wish to disclose particular awards. (Sir Herbert Creedy.) I do not think there was any invention of outstanding importance in this year. The total amount was not very large. We have a Committee which sits to consider all the possibilities of awards for suitable inventions. They are not very large as a rule.

Mr. Lathan.

3060. The difference between the estimate and actual expenditure under items C and E suggests the possibility either of inaccurate estimating or some special difficulty in the way of realising the carrying out of the work that was required to be done. Could there be some enlightenment on that? There is a difference of nearly £6,000,000 in one case and practically 50 per cent. of the estimated expenditure in the other?—When we embarked on this gigantic programme of rearmament it was extremely difficult to forecast what we should be able to spend in a year. I would not like to say it was bad estimating, but it was a non-fulfilment of hopes rather than a miscalculation.

3061. Nothing more serious than that?—No. As to the machine tools, there were undoubted difficulties, which I am sure Honourable Members will appreciate, in getting machine tools without interfering with the progress of ordinary civilian business.

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

VOTE 10.

WORKS, BUILDINGS AND LANDS.

Chairman.

3062. Vote 10. With this I will take Appendix VIII, page 95. I should like to ask you a question, Sir Herbert, on page 25, No. 7. This phrase: "Delayed owing to general review of Ordnance Workshop requirements" occurs, I think, in a good many places in the account. Could you tell us broadly what you intended to convey by that?—(Sir Herbert Creedy.) Up to about the autumn of 1936 we had not undertaken a comprehensive review of our Ordnance Workshop requirements, but had dealt with each case as it arose on its merits. With the increase in mechanization and the increase in the progress of rearmament we thought we would have a comprehensive review and in 1936 we set up a Committee to try to formulate some general plans. We came to conclusions which we reported to the Treasury, I think, in December, 1936, and laid before them a pretty considerable programme. That programme they have approved in two halves. We are now on firmer ground and shall be able to go on with these items in the light of the thorough and comprehensive overhaul we made in 1936. That covers, I am afraid, five, six or seven items here.

3063. I will ask if there are any other questions down to the end of page 27. I will come to page 28, item 30. I think that is allied to another item on page 52, 174b, "Recruits Physical Development Depot"?—Yes.

3064. Could you tell us a little about that and whether you consider it is justifying itself?—Yes, we are very satisfied with it. It is, as you know, to take what we call sub-standard recruits, and by careful training and dietary to bring them up to the normal standard at which recruits are accepted. We found it worked so successfully and with such a small percentage of failures that we have started schools in different parts of the country. There is one at Canterbury and another at Scarborough. I think we are fully satisfied with the success of that.

Chairman.] Pages 28 to 40: are there any questions?

Mr. Culverwell.

3065. Page 32, No. 64: there are various references to Woolwich. No. 64

is: "Woolwich, Royal Military Academy, Quarters for married officers"?—Yes.

3066. You decided to move Woolwich to Sandhurst?—Yes.

3067. What do you want to go on spending money on that for? I do not know which items refer to the Academy?—This was in 1937. We are now re-considering the whole future of the Royal Military Academy when we vacate it. We may be able to use it for another school already in Woolwich, so we shall not want necessarily to go on with all these proposals, though the quarters for married officers would be useful in either event, whether the "Shop" still remained there or whether we move a new school into it, as is our intention.

3068. You are going to find a use for the old school, are you?—Yes.

3069. I thought you were endeavouring to evacuate Woolwich as being a dangerous area?—No. We have moved some of the factories but we have not come to any decision to remove, for example, the Royal Herbert Hospital or the Military College of Science. It is just possible we may move that from its present site in the Red Barracks into buildings now occupied by the Royal Military Academy.

3070. I see you are spending £40,000 on it?—Yes. That again will fill up. I do not think we shall find we shall waste the money there, though of course as you say the policy in regard to the Royal Military Academy itself has changed.

3071. I should have thought you would have tried to stave off expenditure on Woolwich until you had fully made up your mind?—In the current year's Estimates we have got very little down for Woolwich, except some expansion of the Royal Military College of Science and the Royal Herbert Hospital which will stay there in any event.

3072. Is the Military College of Science of merely academic interest or for practical use?—For practical use—where we train artificers.

3073. You have decided to keep that College there permanently?—Yes.

Sir Robert Smith.

3074. What is the position in Woolwich of the Military College of Science

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. MCBAIN, O.B.E.

and this Royal Herbert Hospital? Are they close together?—They are not very far apart.

3075. Does it not seem strange to spend a large amount of money on a hospital and then on a scientific establishment which would be a war objective, and to put them close together? Does it not seem a very strange thing?—They are not in complete physical juxtaposition, but they are all in the area.

3076. What would be the distance between them?—Perhaps half a mile.

3077. High explosives attempting to get one would be just as likely to get the other?—Yes, that applies to other places, too.

3078. Is it a wise thing to put your hospital against your Science College, which is a perfectly fair military objective?—It would be rather difficult to move the hospital out of Woolwich because it is wanted to serve Woolwich.

3079. It is not a military hospital?—Yes, it is a military hospital.

3080. You are not going to reduce the numbers using that hospital?—There are plenty of people who might be hospital patients in the hospital; in other words, it will not be out of scale for what will be left in Woolwich, by any means.

Mr. Culverwell.

3081. I referred to the quarters for married officers at Woolwich, but the next item, 65 says: "Woolwich, Royal Military Academy, Dining rooms, workshops, &c. £70,000." Has that been held up?—Yes. You will observe it has got "Postponed" against it. It is only a token Vote and there is no money for it in next year's Estimates.

Chairman.

3082. Pages 42 to 64. On page 63 I would like to ask about Branston. Can you tell us what is the total expected to be paid in respect of Branston?—(Sir Gilbert Upcott.) Branston is also on page 34. (Sir Herbert Creedy.) £178,000 for building and land, for 120 acres odd for the Ordnance Depot.

3083. That is what is covered in this, but is not that the site and early buildings. There is going to be a further outlay, is there not?—That is for the buildings and the land.

3084. I am asking what is the extent of the whole outlay that you anticipate. Perhaps you could have that looked up?—May I send that to the Clerk? It is buried in a gross total. (Sir Gilbert Upcott.) It is one of those schemes which have been very much expanded since the date of this Account. (Sir Herbert Creedy.) Yes.*

VOTE 11.

MISCELLANEOUS EFFECTIVE SERVICES.

VOTE 12.

WAR OFFICE.

APPENDIX V.

VOTE 13.

HALF-PAY, RETIRED PAY, AND OTHER NON-EFFECTIVE CHARGES FOR OFFICERS.

VOTE 14.

PENSIONS AND OTHER NON-EFFECTIVE CHARGES FOR WARRANT OFFICERS, NON-COMMISSIONED OFFICERS, MEN, AND OTHERS.

VOTE 15.

CIVIL SUPERANNUATION, COMPENSATION AND GRATUITIES.

(On these Accounts no questions were asked.)

Chairman.

3085. Now we come to page 73 and the Appendix VII on page 89. With

regard to that, can you give us an explanation of the note at the bottom of page 91, this £6,000 Chinese item.

Note by Witness.—In Estimates, 1938, the figure is £250,000. In Estimates, 1939, the figure is also £250,000, but this is buried in a gross total of £6,000,000. Recent Government decisions, however, regarding the new rôle of the Army and the duplication of the Territorial Army will involve further increases, but these have not yet been evaluated.

2 May, 1939.] Sir HERBERT CREEDY, G.C.B., K.C.V.O., and [Continued.
Mr. A. R. McBAIN, O.B.E.

Can you tell us a little about that?—(Sir *Herbert Creedy*.) This No. 12 was a contract for the construction of a new magazine in Hong Kong. The Chinese contractor asked to be allowed to withdraw from the contract on the grounds that he had under-estimated and omitted items from his tender. In the circumstances a new contract was placed with another firm involving an excess cost of approximately £6,300—rather more than this. Following the usual practice, he had made a deposit. That deposit was forfeited and so brought the net amount down to £6,100.

Chairman.] Are there any other questions on that Appendix? Then we come to Appendix I. We have done that before. Appendix II. Appendices III, IV and V we have covered. Appendix VI, page 88: Are there any questions?

Mr. *Culverwell*.

3086. Note 1: "The following gifts have been made:—1. Components included in ammunition issued on repay-

ment to the Egyptian Government and subsequently found to be defective." What was the total amount of the consignment?—The total amount of the issue?

3087. Yes, roughly?—I am afraid I do not remember.

3088. Was the £1,400 a large proportion? What proportion was it of the total consignment?—I am afraid I do not know that.

3089. The other question I wanted to ask in regard to that is this: Surely you would replace defective ammunition, would you not, without making a song about it?—Yes.

3090. It says: "The following gifts have been made," which sounds as if you had done something almost to be proud of?—We had to report it to the Treasury. This is only in pursuance of a Treasury Minute following a ruling of this Committee.

Chairman.] If there are no more questions I will put the Accounts as a whole. May I take it that the Accounts are approved? (*Agreed.*)

ROYAL HOSPITAL, CHELSEA, ACCOUNT, 1937.

(*On this Account no questions were asked.*)

Chairman.] Before we break up, I am quite sure the Committee would like to express to Sir Herbert, whose last appearance before us this is, remembering the many occasions on which he has come before us and our relations

with him, the hope that his retirement will be a happy and prosperous one.

Sir *Herbert Creedy.*] I very much appreciate that, Sir. I shall always retain a very happy recollection of my appearances before you.

(*The witnesses withdrew.*)

(*Adjourned till Thursday at 2.30 p.m.*)

THURSDAY, 4TH MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Sir Edmund Brocklebank.
Mr. Culverwell.
Mr. Lathan.
Mr. Lewis.

Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.
Sir Robert Smith.

Sir GILBERT UPCOTT, K.C.B., Mr. B. W. GILBERT, C.B., and Mr. D. F. C. BLUNT, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 15-19 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and Captain M. H. A. KELSEY, D.S.C., R.N., called in and examined.

Chairman.

3091. Take the Treasury Minute, please, paragraphs 15-19. I think the essential matter which arises out of this question is the appointment of the Committee which is referred to towards the end of the Treasury Note. I should like to ask you, Sir Archibald, how that Committee is getting along?—(Sir *Archibald Carter.*) The Committee is at work and has held several meetings. I am afraid it was rather slow getting off the mark, as we had originally designed that we should start in the month of September when people had had a little holiday, but I am afraid that, owing to events, it proved quite impossible to do anything then. We started early this year, and we have held several meetings; I should think at a guess about two more meetings would put us in a position to ask the Treasury to come and confer with us. It was agreed with them when the Committee was established that we should work on our own and clear our own minds and that, before we formulated any positive recommendations—indeed long before we drafted a report—we should bring in the Treasury for consultation with us; I hope about two more meetings will put us in a position when we shall be ready to discuss it with the Treasury.

3092. How much more time do you expect will elapse before you get to that stage?—I should think two or three weeks.

3093. You say you could not begin until the beginning of this year?—I have forgotten the exact date. I think it was the end of January; it might have been February; I am not quite sure; it was about then, I think.

3094. I can quite understand that the September crisis delayed your beginning, but I think you will agree there was a good deal of time between even the end of October and the end of January?—I know. On the other hand, it is very nearly as difficult to undo mobilisation as it is to do mobilisation. There is a great deal to be done in clearing up and getting back to your stations. I think we must apologise for being rather slow about it, but certainly everybody concerned has been under the most extreme pressure.

3095. Have the Treasury anything to say on that point?—(Mr. *Gilbert.*) We agreed the procedure of this Committee with the Admiralty, namely, that they should give first consideration to the subject, but, before they finally made up their minds, we should have an opportunity of discussing things with them. We, as the Admiralty did, hoped that the thing would have got much further forward in the time available than has proved to be the case. Of course, we attach considerable importance to the Committee, but we do appreciate that conditions of life have been extremely difficult in recent months, and we hope the work of the Committee will be finished as quickly as possible.

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

3096. How many members of the Committee are there?—(Sir *Archibald Carter*.) There are the Parliamentary Secretary as Chairman, the Civil Lord, the Controller, the Fourth Sea Lord, the Secretary, the Deputy Secretary and the Principal Assistant Secretary for Material and Estimates—seven in all.

3097. Then it is not an unduly large Committee?—No.

3098. I was going to ask you whether it might not be desirable to appoint a sub-committee of it, but perhaps, as there are only seven altogether, you would not think that a sub-committee would be much use?—I doubt if it would help very much.

Sir *Isidore Salmon*.

3099. Sir Archibald, the object of the Committee, of course, is to consider generally the financial control?—Yes.

3100. But have you taken any steps in the meantime to deal with some of the what one might call flagrant mistakes? Has anything been done to try to strengthen the position, irrespective of what the Committee are going to say in their general findings?—I think I may say this, though I do not stress it too highly: There have been one or two changes of personnel that I hope may have helped a little. We have not actually issued any fresh rules or instructions, because, so far as we have found faults in the past, I do not know that they have very often necessitated inventing fresh rules. It is more often the case that somebody has—

3101. Tripped up?—tripped up, or has rather ignored an existing rule. It is more that sort of thing, I think.

3102. You have made certain changes in the personnel which you think will improve the position?—Which I hope may help.

Sir *Irving Albery*.

3103. I do not know to whom this question should be addressed. In the Minute, I do not see that it gives anywhere the date of the communications from the Treasury to the Admiralty. I should have thought Minutes of that kind might have had the date of the communication, unless I have over-

looked it?—(Mr. *Gilbert*.) I think the governing date for the whole of this document is the 20th December, 1938, which is printed at the very top of page 1.

3104. Would that mean that all these communications were written on that date?—I think these are the actual letters as printed. This is the form in which the document goes out. (Sir *Gilbert Upcott*.) This is the document which was issued by the Treasury. (Mr. *Gilbert*.) This is the document which was issued by the Treasury to all the Services, and these individual letters are automatically sent out. (Sir *Archibald Carter*.) I speak subject to correction because this is a matter for the Treasury, but I understand the position is that these letters, strange as it may appear, are never actually written and sent. The Treasury prepare their Minute and send us a copy, and it is assumed that the letters have been sent; so that they all come simultaneously.

3105. Is December, 1938, the date?—(Mr. *Gilbert*.) The 20th December, 1938.

3106. Arising from that, Mr. Chairman, what was the date when the Report of this Committee was published?—(Sir *Gilbert Upcott*.) The 7th July, 1938.

3107. Of course, I do not say that other steps may not have been taken, but it seems to me that, when any very important matter is raised, and one assumes (I am probably quite wrong in assuming) that no action is taken on a very important matter between July and December, it wants looking into?—(Mr. *Gilbert*.) I do not think it is true to say that all action is suspended until the Minute is issued. In the matter we are looking into, there was an exchange of letters between the Admiralty and the Treasury, in which the setting up of the Committee was proposed and agreed to. The Admiralty letter was dated the 25th July, 1938, and it was answered on the 26th July, 1938. I think in all cases this is a sort of final progress report as at the 20th December as to what action has been taken and is being taken. (Sir *Gilbert Upcott*.) The Treasury Minute always represents what may be described as the considered conclusions of the Treasury on the Report of the Committee.

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

TREASURY MINUTE ON PARAGRAPH 20 OF THE SECOND REPORT OF
THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

3108. We now go on to paragraph 20 of the Treasury Minute. Are there any results of the investigation that is under discussion here?—(Sir Archibald Carter.) We embodied our conclusions in a letter to the Treasury of the 14th March, which I can, if desired, hand in, but I am afraid the result will, from the point of view of the Committee, be very disappointing. The staff of the "Caledonia" was examined very carefully. A member of the Board went up specially with two or three other experts and looked at the "Caledonia," and, after getting their report it was considered very carefully by the whole Board. The conclusion we came to was that subject to one or two small adjustments, we really could not reduce the staff. The trouble is that there is a big ship to be kept up. It is not like a shore establishment which gets its heating, lighting and things of that kind off the mains of the gas company or the electricity company; it is a completely self-contained ship, and what it came to was that we saw no way of reducing the staff. There were some small adjustments because some of the medical provision was put ashore but on the whole the position remains as it was. When I say that, the actual number of staff I think has gone done a little bit, but probably the percentage in relation to trainees has varied and is rather up a bit, because the number of trainees has varied, but on the whole I am afraid the position is as it was a year ago. It did not seem possible, as we had to keep this ship going, to do it with a smaller staff. It was very carefully considered by the Board of Admiralty after a special visit to the ship.

Chairman.

3109. Have the Treasury anything to say?—(Mr. Gilbert.) We have had this very carefully explained to us by the Admiralty, as Sir Archibald has said, and although the numbers look very high we think we must accept the Admiralty's view that they cannot make any further reduction. There have been one or two slight reductions, but beyond that we do not think they can go further.

Sir Isidore Salmon.

3110. Sir Archibald, would it be fair to say that had it not been a ship but a land establishment there would have been proportionately less staff engaged?—(Sir Archibald Carter.) Undoubtedly.

Sir Irving Albery.

3111. From that I take it that one must arrive at the conclusion that this taking of the ship has not only turned out to be a very expensive proposition on account of the conversion but that it also continues to be a more expensive proposition on account of the expense of running it?—That is undoubtedly so.

3112. I take it that on any future occasion the same procedure will not be adopted?—We have no love of hulks. The pressure of time drove us to take that course, whether we liked it or not, and we did it for that reason.

Mr. Lewis.

3113. How does the training that is done on this ship compare with the training that is done, for example, at Shotley. Do they take people at the age when they would leave Shotley?—No, the same age.

3114. It is a similar establishment?—It is a similar establishment.

3115. Could we have any figures given us for Shotley to show the comparison?—We gave some last year. (Sir Gilbert Upcott.) There is a paper which was put in last year giving the figures. (Sir Archibald Carter.) It is higher than Shotley, beyond a doubt.

3116. I wanted to form an idea of how much higher it was?—I have a document which I think was handed in last year. Per hundred trainees, the staff at Shotley are 28 and on the "Caledonia" 51. Perhaps I might just mention one other point that we mentioned in the letter to the Treasury, that if you have to have ships at all the figure is not very surprising, because we looked up the records when we had a training establishment at Devonport consisting of a number of hulks called the "Impregnable" which accommodated 1,500 boys, and there the ratio was 59. So if you are forced to use ships it is not very out of the way.

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

Chairman.

3117. Am I not right in thinking that there was no question of your being forced to use this ship? It was a choice that was supposed to be more economical, was it not?—No, it was the time factor that drove us to it. The ship was ready before we could have had buildings ready. That was really what it was.

3118. Was there not some doubt expressed on that after the ship had actually been taken?—I am not sure about that. It was about seven months—

Sir Isidore Salmon.

3119. The ship took longer than you anticipated?—It did.

Sir Robert Smith.

3120. You made the remark that, because they were ships, you required a large number of men. What was the position of those hulks to which you referred, which you compared just now?—I think they were probably alongside in Devonport, but I have here Captain Kelsey, the Deputy Director of Personal Services, who would probably remember much better than I do. Do you remember the "Impregnable" hulks at Devonport Boys' Training Establishment, Captain Kelsey?—(Captain Kelsey.) Yes, I do.

3121. Were they alongside a dock?—No, they were some way away.

3122. That is my point. This ship may be afloat but she is alongside a quay?—Yes.

3123. You supply electricity and gas and things of that kind. Have you considered the question of taking your electricity by means of a cable to a ship, seeing she is lying alongside a dock? There is a grid system there, is there not?—That question was considered and the local shore supply was insufficient for the demand for the ship, because it is not only a question of lighting but there are a large number of electric motors and fans in a ship which would not normally exist in any form of hatted encampment or buildings, and the actual load went up to a very large figure which the town shore supply could not provide.

3124. I am not referring to the town shore supply. I am referring to the grid?—There is no grid that passes within a

reasonable distance at the present time. I personally happen to know that that question was examined, because I was up there.

3125. There is also the gas?—The further question was examined of supplying power to the dockyard and that was also found to be extremely expensive.

3126. But why should power be so much more expensive on a ship than on land?—Because of the people who have to be employed to maintain it. (Sir Archibald Carter.) The point I was making was in relation to the number of staff. If electricity is supplied from some other source you do not count in the people who have the handling of it. In the "Caledonia" you have, added on to the staff for trainees, the people engaged on the production of electricity, which would not apply to any other training establishment. (Captain Kelsey.) Even if there had been a possible supply from the grid, the whole of the "Caledonia" would have needed re-wiring.

3127. That question cannot have been a serious one because as far as I can see the ship was completely re-wired at the time you fitted her out?—No.

Sir Robert Smith.] We were told last year that the piping and all the wiring were in a shocking condition when you took her over, as far as I remember. I think I am right.

Sir Edmund Brocklebank.] I was wondering whether it would be possible for the report, which the Admiralty presented to the Treasury and which convinced the Treasury that nothing could be done with regard to these 826 members of the staff of the "Caledonia", to be made available to the Committee?

Chairman.

3128. Do you see any objection to that?—(Sir Archibald Carter.) Not the slightest.

Sir Edmund Brocklebank.

3129. Perhaps it may be too long?—No, I can hand it in now if that is suitable. (Same was handed in.)

Mr. Culverwell.

3130. We had a figure the other day for an Army School at Beachley which trains artificers much on the same lines.

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

I imagine, as the training you give on the "Caledonia" and Sir Herbert Creedy gave us a figure of £126 a year as the cost of maintenance of the boys there. Have you any comparable figure?—Yes, I think we have. It appears in the 1939 Estimates in one of the appendices on page 520 of the Navy Estimates, 1939: Rosyth: Boys' Training Establishment (H.M.S. "Caledonia"). There is an estimate of £154 per annum per boy.

3131. Is the difference accounted for by the extra hands you have to employ for such purposes as lighting, and so on?—That would be so. That figure would definitely be less but for the rather large establishment the ship needs.

3132. Have you consulted at all with the other departments, the Air Force and the Army, which have similar training establishments? Have you compared notes as to whether you are doing the things in the right way; whether there are any economies that they have thought of that you could effect, and so on; because it seems to me these three Departments all have establishments on somewhat similar lines or for somewhat similar purposes and it is a matter on which they could put their heads together and perhaps avoid some of the trouble we find now?—The Board, at the time they took this decision, were advised and I think probably general experience up to that time bore it out, that they could not have huts ready as quickly.

3133. I am not on the huts; I mean the general question of the training establishments?—The lay-out of our training establishments?

3134. Yes?—Our naval training establishments do differ very much.

3135. I do not know. They are training boys for much the same purpose as the others, I gather?—There are points in common, no doubt.

3136. I should not have thought it could do any harm to compare notes with the Army and the Air Force?—I expect Captain Kelsey could throw some

light on that. The other training establishments do not take boys in at similar ages. They have no problems quite comparable (as far as I know) to our boys taken in at 15½. They may have some, but very few.

3137. I want to know whether you would consult with the other Services if the circumstances permitted?—We certainly should.

3138. As long as I have that assurance that is all I want?—(Sir Gilbert Upcott.) The Committee had comparisons last year and on those they arrived at the conclusions contained in the Report. The Admiralty letter to the Treasury gives reasons for not arriving at the same conclusion.

3139. I was wondering whether that comparison had given you any assistance in your seeking advice from the other Department, or in other Departments seeking advice from you?—(Sir Archibald Carter.) I am afraid they could not help us with advice over the "Caledonia." The ship is there. I do not see how they could help us.

3140. I was not thinking so much of the "Caledonia," but the number of teachers required for the boys and that kind of thing which must be on similar lines?—I do not think any difficulty arose out of that. We have a standard rate of so many instructors for so many boys. I do not think that it differs in the case of the "Caledonia" very much. There is a great deal of experience behind it. It is the "overheads," so to speak, which cause the numbers of staff to be high.

3141. Do you find you have two teachers to the Army's one, for example? I am giving an exaggerated figure?—It is difficult to find comparable establishments but we could try to let you have some comparable figures on those lines.

3142. I do not want so much to know but I was only suggesting it might be useful to compare notes with these other Departments if, as I understand, there are establishments in all three Services which are providing more or less the same kind of training?—Yes.

TREASURY MINUTE ON PARAGRAPHS 21 AND 22 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

3143. We now take Paragraphs 21 and 22. I should like to ask you, Sir

Archibald, this: I notice you have revised regulations which you hope will prove more effective in checking this

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

leakage. I would like to ask you whether they have proved effective in your opinion?—(Sir Archibald Carter.)

So far as I know they are working perfectly well. I have heard no suggestions to the contrary.

TREASURY MINUTE ON PARAGRAPHS 32 AND 33 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

3144. Will you turn now to Paragraphs 32 and 33? I should like to know on these paragraphs whether the

Admiralty concur in what the Treasury have said in the matter?—(Sir Archibald Carter.) Yes.

TREASURY MINUTE ON PARAGRAPHS 34 AND 35 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

3145. Now we come to paragraphs 34 and 35. Has the Admiralty any information to give on the developments?—With the leave of the Committee might I ask Mr. Jubb, our Director of Contracts, who is present here, to answer this, because he is Chairman of the Contracts Co-ordinating Committee and has been rather intimately concerned in this?

3146. Yes?—(Mr. Jubb.) Yes, there have been developments with the Machine Tool Trade Association. The Minister for Co-ordination of Defence was negotiating with them and the matter was referred to the Industrial Panel. They discussed the matter with representatives of the Machine Tool Trade Association and as a result the Machine Tool Trade Association made an offer to the Service Departments which is now under consideration.

3147. What date was that?—The offer was towards the end of March. There has been correspondence since then clarifying certain details in connection with the offer.

3148. I may tell the Committee that I had a letter from Mr. Morrison who is acting for the Minister for the Co-ordination of Defence in the House of Commons, in which he tells me of certain suggestions which are being considered but consideration has not been finally concluded yet?—Very nearly.

3149. Would the Treasury like to add anything on this point?—(Mr. Gilbert.) No, Sir, I do not think I can add anything to what Mr. Jubb says. We have, of course, been in touch with the Admiralty throughout the negotiations.

Sir Isidore Salmon.

3150. When do you hope, Mr. Jubb, to get a definite decision?—(Mr. Jubb.) The issue has been a little complicated by recent developments such as the proposal to create a Ministry of Supply. I think but for recent developments we could say that we should have settled it before now.

Chairman.

3151. You say this matter has not been finally settled. It probably will not be settled by next Tuesday, when we conclude the Navy evidence, but will it be settled, do you suppose, before we conclude the evidence from the Treasury which will be in a fortnight's time? Do you anticipate the Treasury will be able to report anything then?—It is a little difficult to answer that. It would have been settled before now, I think, but for these recent developments. They rather take it out of my power to say when a final settlement will be reached.

Chairman.] That concludes the points on the Treasury Minute.

NAVY APPROPRIATION ACCOUNT, 1937.

Chairman.

3152. I now come to the Navy Appropriation Account, page iii of the Comptroller and Auditor General's Report. Paragraph 1 is formal. Paragraphs 2

and 3 cover the same point as we had before us a day or two ago with regard to the Army and I think the answer about that was satisfactory to the Committee. Therefore, unless Members wish

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

to put a further question on it to the Admiralty I do not propose to take up further time with that. Paragraph 4 is self-explanatory and was cleared up I think last year?—(Sir Gilbert Upcott.) The reasons for the delay in payment were explained last year.

3153. Yes, the reasons for the delay in payment were explained last year. Paragraph 5 on page iv is also the same point as was put before the Army the other day, and I do not think we need delay over that. Paragraph 6 raises a point that was discussed with the Army but it is here on a very much larger scale and I should like Sir Archibald kindly to tell us the grounds on which the Admiralty considered themselves justified in making this payment so very long in advance, a good many months before the actual work would normally have secured the right of payment?—(Sir Archibald Carter.) I think perhaps this produces a slightly misleading impression without there being any intention to do so. It says that by the following November only so much had been set off. That does not mean necessarily that but for this advance nothing would have been properly payable till then. There was a rather accidental delay in finally clearing up the accounts, so to speak, and it was actually due to the sudden death of the Warship Production Superintendent at Sheffield who had all this in hand. He died suddenly and his successor had to come and take over without knowing exactly what had happened. He was naturally very busy on taking over the new job, so the actual clearing up of what was finally due took a good deal longer than it would have taken otherwise. That is really the reason why apparently we advanced so much just at the end of March and it was still uncleared in November. It was largely due to that cause.

3154. Do I understand you to say that but for this unfortunate happening the account would have been due for payment long before November?—That is right.

3155. Therefore the delay was not really nearly as great as appears from the Report?—That is right.

3156. Is there an allowance made for interest or discount on these payments?—I think I am right in saying that there is. Mr. Coxwell knows better than I

do, but I think that is the standard practice, that when advances are made there should be a discount. (Mr. Coxwell.) The rule is that unless the fulfilment of the contract has been delayed by causes outside the control of the contractor, advances of £5,000 or over to an individual contractor are subject to discount which is arranged by negotiation on the best terms possible within a regulated maximum.

3157. That was done in this case?—Undoubtedly. The usual rules were carried out.

3158. The rule was followed?—Yes.

3159. If I remember rightly, these firms during the quiet time had something in the nature of a subsidy for keeping reserve capacity in being?—(Sir Archibald Carter.) Yes.

3160. In view of what has happened, do you consider that that has been loyally observed, or do you think there has been any delay which would not have been caused if this reserve capacity had been fully there?—No, I think broadly speaking they kept to their bargain as they understood it.

3161. Completely?—Yes.

Sir Isidore Salmon.

3162. Would you mind just explaining what you mean by a discount? A discount on what?—(Mr. Coxwell.) A discount on the money eventually payable to the firms.

3163. In other words, you charge them interest?—Certainly.

3164. But because you paid in advance it was a discount? Yes, and the Committee understand that the recovery of the advances is effected by withholding payments maturing on the relative contracts concerned.

3165. How long, as a rule, do you pay in advance?—That, I think, varies very much, Sir. These special advances that are the subject of these paragraphs are paid by a system which is, I think, common to all three Service Departments. They are paid on the last day of the financial year and one of the principal objects is, of course, to make use of money which Parliament has voted to us in that year and for which we have made no provision in the following year. These advances are to a very large extent to the advantage

4 May, 1939.] SIR ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

of the Department concerned, and I think we may say of the Treasury too. The amount of anticipation between the payment of advance and the time when the payment would mature in the ordinary way (I think one could not put any general limit on it at all) would vary according to the individual contract.

3166. Quite frankly my mind was not directed to the question of the end of the financial year of the Government. I was rather taking the point (I do not know if it arises on this) that I presume that there are many orders that you give wherein it is essential that you give the contractor some advance before the goods are finished, so as to enable him to pay for material?—Yes, Sir, but there are other advance payments which we make to contractors. There are payments that are provided for in the contract: instalment payments, progress payments. Payments which form the subject of this particular paragraph are of a quite different character. I do not want you to understand that we do not pay any others. (Sir Gilbert Upcott.) If I may qualify what Mr. Coxwell said, on the Army Accounts last time, it was explained that the reasons which formerly governed end-of-the-year advances are not now applicable. (Mr. Gilbert.) I think it is true in the case of the Admiralty, as in the case of the War Office, that there is an advantage to the contractor and to the Contracting Department as regards supplies of these goods, but as we said the other day, the other advantage in the direction of usefulness to public funds is in abeyance for the time being.

Mr. Lewis.

3167. Can the witness give the Committee a definite assurance that these advances are never paid in excess of work that has actually been done?—(Sir Archibald Carter.) Yes, certainly.

Mr. Lathan.

3168. The witness used the term in regard to the discounts, "within the range of a regulated maximum"?—(Mr. Coxwell.) I can give you the exact formula.

3169. The necessity for a maximum is not very apparent, regarding it from our point of view?—They are "subject to a

discount which is arranged by negotiation on the best terms possible within a maximum of current Bank rate and a minimum of current short term rates." That is a rule.

3170. That is a maximum which is imposed, I suppose, by the firm which gives the discount and if it is regulated in the way you just indicated the measure of discount, I imagine, is not very large if it is current Bank rate?—"These rates are at present 2 per cent. and $\frac{1}{2}$ to $\frac{3}{4}$ per cent. respectively."

3171. It is the firm which gives the discount which lays down the condition of the maximum?—No, I think not. This is a rule common to all the Services in making these advances. We are not dependent I think in the slightest degree on what the firms wish about this.

Mr. Lathan.] You would not be concerned to fix the maximum for discount, would you?

Mr. Mabane.] Surely.

Mr. Lathan.] Why?

Mr. Mabane.] The firm is interested in the minimum, not the maximum.

Mr. Lathan.] It is not for us to fix a maximum. The larger the discount is, the better for us. If not, I have failed to understand it entirely.

Chairman.] I think Mr. Lathan is right.

Mr. Lathan.

3172. Why should we be concerned to fix a maximum?—(Mr. Jubb.) I think the answer is that we should never spend our money if we tried to get more than current Bank rate and our object is to spend money. (Mr. Gilbert.) It is a maximum governed by the nature of the transaction rather than by the specific fixing by the Treasury.

Chairman.

3173. Are the Treasury satisfied that these terms are reasonable, taking all the circumstances into account?—I think so, yes. I think they are a fair return to us for what we get and naturally, even if we tried, I do not think we could make onerous terms from the contractor's point of view. Something in the nature of interest on rather short money seems to be the right rate at which to aim.

Mr. Lathan.] I did not suggest for a moment that the terms were necessarily

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

unfair. I suggested it was not very apparent why we should fix a maximum. I can quite understand those who are called upon to allow the discount desiring to have a maximum.

Chairman.

3174. Paragraph 7. I should like to ask on what principle do the Admiralty agree to reimburse the firm for whole or part of the expenses, and what control the Admiralty exercise of the plant to be bought? Do they sanction it and what control have they of the price?—(Sir *Archibald Carter.*) Once again with the leave of the Committee I think Mr. Jubb is more familiar with the circumstances than I am. There are varying schemes of this kind. They have nearly all got special features. (Mr. *Jubb.*) You asked two questions, I think.

3175. On what principle does the Admiralty agree to reimburse and what control have they of the plant to be bought and the prices to be given for it?—The schemes as a rule are produced in the first place by the firm concerned, but they are checked on two points, first as to the necessity of the plant or buildings, and secondly as to the reasonableness of the prices. The first question, the necessity of the plant and buildings, is checked by a technical officer visiting the works and going through the list of plant concerned. That is also done by technical experts for the buildings, as regards the necessity for a building of such and such a size and as regards the economical construction of the building. Then as regards the reasonableness of the prices, that is checked in various ways. The firms place the contracts and they have to satisfy us that the prices are reasonable. We use our technical cost officers to estimate the labour and materials and our accountants to check the overhead charges. We also use our technical departments in certain cases so that everything is subject either to a technical or an accountancy check as regards the reasonableness of the prices.

Sir Isidore Salmon.

3176. There is one point I would like to ask Mr. Jubb. You did not touch upon what struck me as being the most

important thing, and that is that you have regard presumably to what output you are requiring from that factory. Having come to a conclusion as to what a certain output is to be, you then work presumably on the basis of the loose equipment or the fixed equipment that you may want to get that output. Who is responsible for that?—We tell the particular firm concerned what we want in the nature of output. If it is fuses, and we want an output of say 5,000 a week commencing as soon as possible, they have to design the shop and the plant in order to give that output.

3177. Therefore they would give you a different schedule according to whatever quantity of output you require?—Certainly.

Sir Isidore Salmon.] Assuming the necessity for this plant ceased years hence, if you like, what proof will you have that you have certain plant belonging to the Admiralty?

Chairman.] That is in the next paragraph. It does arise on that.

Sir Irving Albery.

3178. Mr. Jubb, when such a firm places a contract for plant, are they obliged to adopt any particular procedure in placing that contract?—We instruct them to get competitive tenders wherever possible, and also not to order foreign machines without our approval.

3179. Are there many cases in which it is done by competitive tender?—Yes.

3180. There are?—Yes.

3181. In those cases, I take it, you have had the opportunity of examining all these tenders?—One of the first things the technical officers who go into the question of certifying the reasonableness of prices would examine would be whether competition was obtained, and they would see the competitive prices.

3182. The reason I asked was because when you were explaining it before (perhaps I did not understand) I rather gathered that your Department costed the thing but your main check was costing it?—The whole cost of the extension is checked by the accountants by examination of books. That is just certifying that the cost is so much. But then there is the other point about certifying that the prices of the various items included in that extension are reasonable. Those would be

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

checked in the first place by technical officers and there would be some cases in which they consider a more satisfactory check would be obtained if the actual cost of the work were taken from the books by an accountant. That is when they find difficulty in checking by estimating. In those cases they would ask our accountancy section to take out the actual cost of the work and so check it up against the price charged.

3183. Do you mean after it is done?—Yes; an accountant can only ascertain the cost after the work has been done.

3184. Would that come in if you had accepted a tender?—That would apply more to cases of non-competitive tender; it would apply to a case of a speciality where it is not possible to get competitive tenders.

3185. I was asking about cases of accepted tenders: I still do not understand what the procedure is on an accepted tender?—As I say, a technical officer would see if competition was obtained and he would see the price of the tender accepted, and, if he was satisfied that that was reasonable and that the competition was good, there would be an end of it.

3186. Then in those cases, which I understand from you are many cases, I rather understand that the method of procedure which you were explaining to the Committee just now does not arise?—Not where you get satisfactory competition certainly, but there are also numerous cases where competition is not possible.

Mr. Lathan.

3187. Are the conditions which are described in paragraph 7 (that is, conditions where the Government provides the money for obtaining both plant and buildings) normal or abnormal? Are they related to the peculiar special emergencies of the times, or is the method normal?—They are related to the peculiar circumstances of the times.

3188. Normally, the Government would not proceed along the lines of providing all that was necessary and handing it over to a company to operate?—Normally, before the Defence programme, if contractors saw the demand

was increasing, they would take the initiative and incur the capital expenditure themselves, but the circumstances of the Defence programme are altogether abnormal with respect to the amount of capital expenditure necessary and the difficulty of foreseeing what is going to happen to the assets created after the Defence programme is completed.

3189. The contract provides what—just skilled labour? Does it provide for material?—The contract for the extension takes two forms. Some contracts are on the basis of the Admiralty providing the whole of the capital expenditure and owning the assets concerned. Others are on the basis of the contractor owning the assets concerned and the Government making a contribution of a certain percentage of the capital expenditure.

3190. I was directing my observations more particularly to the case where the Government accepted, as was stated here, the whole responsibility for the acquisition of the land, of the buildings and of the plant. In that case the contractor would only provide the administrative work and skilled and other labour?—Yes; he places the orders and has the supervision of all work in connection with the extension.

3191. That is the limit of the contractors' responsibility?—Except that they will do certain work on installing the plant. Possibly on certain work, if it is extending a building, they may employ some of their own labour, but the bulk of the work, generally speaking, consists of sub-contracts which they have to place for plant and buildings where they employ an outside contractor. (Sir Gilbert Upcott.) Mr. Jubb will correct me if I am wrong, but the difference between these extensions and the shadow factories, I take it, is that the shadow factories are more separable, more distinct.

Chairman.

3192. You mean that in these cases the work which belongs to and is constructed by the contractor himself is closely interwoven with the work and the plant which is put in partly or wholly at the Government expense. That is what you mean, is it not: is

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

that correct?—(Mr. Jubb.) I think a shadow factory, generally speaking, is an entirely separate entity, a new factory altogether. Very many of our extensions consist of putting plant into existing shops, or at any rate extending existing factories.

3193. We come now to paragraph 8. I notice at the end of the first subparagraph of that paragraph the Comptroller and Auditor General says "that similar records will be completed." Can you or can Mr. Jubb tell us whether they have now been completed?—(Sir Archibald Carter.) Mr. Coxwell, I think, could deal with it.

3194. Can you answer that question, Mr. Coxwell?—(Mr. Coxwell.) Yes, Sir. The work of completing the remaining records of plant in such a way as to conform with the requirements of the Comptroller and Auditor General's Department is proceeding very well now. It was a very large job indeed to take on, because these schemes are not only very scattered about the country, but last year were in very largely differing degrees of commencement and completion. What with pressure of work in one direction and another it was only in the course of the last few months that the Admiralty were able to get to work to complete these records in all directions, but we were rather at pains at the Admiralty to keep in very close touch with the departmental representatives of the Comptroller and Auditor General and see that we were working on the right lines to get the sort of records that his staff could readily check. I think I may say that the specimens that his Department have seen, which we are now following and extending as rapidly as we can, are such as will meet with the entire satisfaction of his Department.

3195. You do realise that, if the Government pay for things, it is of the very utmost importance that subsequently they should not pass over into the hands of someone else?—Most certainly; and the records that have been made and are being now completed so as to cover all classes of plant will be of such a character that there is not the slightest doubt, I think, that the Government will always be perfectly certain what belongs to it.

Sir Isidore Salmon.

3196. On the question of marking the actual plant itself so that it is identifiable by a representative of the Government at any time, is that being done?—Yes; that is so.

3197. For small plant as well as for large?—It does not apply to small tools, jigs and gauges. You understand that that is not possible. All that is required there (and I think the Comptroller and Auditor General quite agrees with us there) is that the firms shall be in a position from time to time to satisfy us that they have got these things, and after all, as regards articles of that kind, I suppose that one of the best guarantees of their existence is the fulfilment of the contract.

3198. Quite?—As regards large plant, machine tools, and so on, that is to say in cases where the financing is 100 per cent. contribution by the Government, I think I am correct in saying that in all cases the machine tools are clearly marked and identifiable as Admiralty property.

3199. When you speak of 100 per cent. contribution, have you some plant where you pay a contribution and not the full figure? Is there any plant in any factory where you only pay a percentage?—Yes, certainly. Those are the schemes in which the firms themselves provide the additional plant and the Government pay only a proportion and the property then remains the property of the firm. As I think Mr. Jubb has already explained, the Admiralty extensions of plant in all the different spheres in which we have them are on one or other of those two bases: either we pay for the whole of the plant and buildings and it is then Government property, and we must hope some time or other, if it is not wanted again, that the firms will then take it over from us at its residual value; or the firms themselves provide the additional plant but are unable to finance the whole of it and the Government makes a contribution of varying amounts. In those cases, of course, the plant belongs to the firms, and there is no question of earmarking the machinery.

3200. When a part of the additional plant is contributed by the Government, what benefit, other than getting the work

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

done quicker, do the Government get: is there any charge made or discount taken by the Government?—The benefit of that, I think, is this, that we should have to pay in some form or other for the additional plant necessary to carry out the contract, and, if we make a capital contribution towards the cost of that plant, that contribution is taken into all due account in the negotiation and settlement of the price of the product.

Chairman.

3201. Paragraphs 9 and 10 I will take together. The Committee will remember that this is the factory about which we had also some questions when the War Office was under examination. Can you tell us something about the management of the factory? Would you call this a shadow factory, or does it precisely come under the definition of a shadow factory? Can you tell us how it is managed at the present time?—(Mr. *Jubb.*) It is managed by Vickers Armstrongs. The factory is rented to them, and they have the management entirely in their own hands.

Sir Isidore Salmon.

3202. Do I understand that this was a factory in existence or a factory that was built specially?—It was a factory in existence. It was making locomotives and belonged to Armstrong Whitworth and Co. (Engineers), Ltd.

3203. It was an existing factory, and the Government took it over on a valuation?—Yes.

3204. Having the benefit of the use of so much of the plant as was useful for their purposes?—A lot of the plant was very useful for the purpose of making munitions.

3205. What became of the plant in that factory that was not suitable, when they wanted room for other purposes: did they get rid of the plant?—A certain amount of plant, I think, was left the property of Armstrong Whitworths, which was not required for the manufacture of munitions.

3206. Was that not part of the lock, stock and barrel transaction?—I beg your pardon?

3207. What was the position of the plant that was not suitable for the particular work that the factory had to do?—Any plant that was not suitable for

the manufacture of munitions, if it was included in the purchase price, would be put into store and be our property.

3208. May we assume that all the plant that was purchased was only purchased on condition that it was useful for munitions? Is that the effect of your answer?—I do not think that applied to all of it. The bulk of it was useful for making munitions and that was the reason for buying the factory, because it was so suitable.

3209. I want to make my point clear. You only valued that plant which you thought would be useful for the purpose of the manufacture of munitions: is that correct? If not, did you get a credit for the plant that was taken out of the factory and still remained in possession of the vendors of the factory?—My recollection is that we took over the factory as it was, as a going concern, with the exception of certain plant which Armstrong Whitworths retained for certain special manufactures which they were carrying on. As regards the plant that we did take over, the bulk of it was useful for making munitions, but there would be isolated items which would not be useful for the revised purpose.

3210. In that case, did you get any credit for it, or was it just taken as all thrown in as a going concern?—It was thrown in as a going concern.

3211. So, if it was redundant, you sold it and had the scrap price for it?—Certain plant I remember was sold to Sir John Jarvis.

3212. I am not asking what became of the plant; I am taking the big, broad principle. That is what I wanted to understand. What was the big, broad principle which you adopted? It is correct to say that the surplus plant, whatever the scrap price was, would become the property of the Government because they had bought it?—Yes, certainly. (Mr. *Gilbert.*) The letter from the Treasury to the Admiralty says: "The price ultimately agreed between the Company and the Department is £x, this price to include all machinery and plant installed as at 30th September, 1936," making it clear that it included all plant on the site. (Mr. *Coxwell.*) I may add that, to the best of my recollection, such plant as neither the War Office nor the Admiralty (both of whom

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

are joint users of this factory) required was sold, as soon as it was discovered that it was not wanted. That is my recollection.

Sir *Isidore Salmon*.] That is what I wanted to know.

Sir *Robert Smith*.

3213. I understood Mr. Jubb to say that what was not required was stored and being maintained. The two statements are quite contradictory?—Mr. Jubb probably meant that it was stored to begin with until a market had been found for it. My recollection is that the War Office found a market for a considerable amount of plant.

Sir *Robert Smith*.] That is not what Mr. Jubb said.

Mr. *Mabane*.

3214. Is that what Mr. Jubb meant? Mr. Jubb is here and we can ask him?—(Mr. *Jubb*.) We took over the factory as a going concern. The bulk of the plant was useful for the purpose for which we had bought it; there was certain plant which could not be used for that purpose, and some of that plant we sold to Sir John Jarvis for the manufacture of pneumatic tools, I think it was, and, as regards the disposal of anything that could not be used, I think that was put into store, and the question of how it was disposed of would be more properly addressed to the War Office, by whom the factory is being administered.

Sir *Irving Albery*.

3215. It says the factory is vested in the Admiralty?—We actually arranged the transaction, but the War Office are the biggest users of the factory; they are using it in the proportion of about two-thirds to our one-third.

3216. Then one would have thought the factory would be vested in the War Office?—(Sir *Archibald Carter*.) I think it is purely an accident that it is vested in the Admiralty, arising from the fact that we were first in the field making enquiries as to the possibility of acquiring the factory. I think that, as the War Office are the biggest users, it is possible that we may transfer it to them.

3217. On what basis were instructions given to value the factory—on the basis of replacement value less depreciation, or

as a going commercial concern?—(Mr. *Jubb*.) As a going commercial concern, as between a willing buyer and a willing seller.

3218. Was it actually a going concern?—It was a going concern.

Sir *Irving Albery*.] Then it was valued as a commercial enterprise?

Chairman.

3219. Was it being used?—Yes; they were making locomotives.

Sir *Irving Albery*.

3220. If that factory was still a going concern and was capable of making munitions for the War Office and the Admiralty, would that firm not have been able to take on contracts to do that?—It was already working to a certain extent on munitions manufacture, but only to a small extent, and it was because of the suitability of the factory and—

3221. That is not quite my point. If there was a commercial going concern which had a plant which perhaps with certain additions could manufacture the munitions which the Government might require, I was wondering why the Government elected to purchase the plant instead of giving orders to the firm in question to make munitions?—One reason was because we wanted to fill the factory with munitions work. It was only very partially occupied on munitions work; it was occupied also in making locomotives. The other reason was that it was very closely situated to the Elswick works of Vickers Armstrongs, and we wanted them to be placed in control of Scotswood so that they could increase the production of items which were giving anxiety. We thought that results would be more satisfactory if Vickers Armstrongs had control of it than if Scotswood were left in the control of Armstrong Whitworth.

Mr. *Mabane*.

3222. In the valuation was there any item of goodwill?—Speaking from memory, I do not think there was.

Chairman.

3223. Perhaps you will be good enough to verify that before Tuesday and, if you find you are incorrect, perhaps you will just tell us?—Yes, but my recollection is

4 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. E. C. JUBB, O.B.E., and
Captain M. H. A. KELSEY, D.S.C., R.N.

that it was split up, so much for the plant and machinery and so much for the land and buildings; my recollection is that there was nothing for goodwill.

Mr. *Mabane*.

3224. I asked it because you said to Sir Irving Albery that the basis of valuation was as a going concern as between a willing seller and a willing buyer?—Yes.

3225. The basis you have just told us would be rather the replacement value: is not that so?—I do not think it would necessarily be replacement value; I think replacement value would probably have been greatly in excess, and particularly at that time when the prices of such things as machine tools were going up. I think we should have had to pay considerably more.

3226. You can tell us later whether there is an item of goodwill in it?—Yes.*

3227. On the matter of the surplus plant, in order that we may have the position quite clear, I gather that the really accurate statement of the position is that only the War Office can tell us whether in fact all the surplus plant has been sold or whether some of it remains in storage?—Yes. (Mr. *Coxwell*.) I think they could tell you most easily, because, if my memory is correct, they sold it.

3228. There appeared to be a conflict between you and Mr. Jubb?—I do not think there is any real conflict. (Mr.

Jubb.) The War Office are responsible for drawing up an inventory of what Scotswood comprises. (Mr. *Gilbert*.) The Treasury will be quite happy to get the facts out of the War Office and let you have a note on them. I do not know them myself. We shall be happy to do that for you.†

Sir *Robert Smith*.] It seems to me, if it was a going concern and they sold this at a valuation of merely the factory and the tools in it and nothing for goodwill, that the Government were receiving a present from some firm.

Mr. *Lewis*.] It might have been working at a loss.

Mr. *Lathan*.

3229. Do I understand Vickers Armstrong are operating the factory?—(Mr. *Jubb*.) Yes.

3230. As agents for the Government?—Not so much as agents. The factory is rented to them, and they are running it as a commercial concern.

3231. It is rented to them?—Yes.

3232. On the basis of the cost of the factory and the equipment?—(Sir *Gilbert Upcott*.) This is not like a shadow factory in the ordinary way. A shadow factory is usually run by the firm as an agent. This is a somewhat different arrangement.

Chairman.] That concludes what we had to ask on that particular question, and we will postpone later paragraphs till our next meeting on Tuesday.

(The witnesses withdrew.)

(Adjourned till Tuesday next at 2.30 p.m.)

* *Note by Witness*:—Nothing was included for goodwill in the price paid for Scotswood. It was sold subject to restriction against the construction of locomotives there. Armstrong Whitworth sold their locomotive goodwill elsewhere.

† *Note by the Treasury*:—Surplus plant at Scotswood factory to the value of £9,425 has already been sold by the War Office and credited in due proportion to Army and Navy Votes. About £10,000 worth of further surplus plant remains there and is being listed for sale; disposal will take place as opportunity occurs to remove the surplus machines from the shops without disorganising production.

TUESDAY, 9TH MAY, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Sir Edmund Brocklebank.
Mr. Culverwell.
Sir Haydn Jones.
Mr. Lathan.

Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.
Sir Robert Smith.

Sir GILBERT UPCOTT, K.C.B., Mr. B. W. GILBERT, C.B., and Mr. D. F. C. BLUNT, called in and examined.

GREENWICH HOSPITAL AND TRAVERS FOUNDATION ACCOUNTS, 1937.

Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., and Mr. T. FRY, called in and examined.

Chairman.

3233. We are going to start with the Greenwich Hospital and Travers Foundation Accounts. Will you please turn to page 11. I should like you, Mr. Fry, if you would explain shortly the financial policy which is involved in the statement made by the Comptroller and Auditor General in paragraph 1 of his Report, which shows apparently that you had sold out stock and you had granted loans: could you say a word or two with regard to that?—(Mr. Fry): A few years ago the Committee noticed, when considering the Accounts, that exactly the opposite had taken place; they questioned what had happened at that time, and it was explained by my predecessor that it was contrary to the usual policy of the Department to increase the investments in stocks but that loans had not been available on favourable terms at that time, and money had come to hand that had to be invested. It was consequently invested in stocks. This time, advantage was taken of the fact that some favourable loans were offered, and, with the sanction of the Treasury, a certain amount of stock was sold and additional loans were granted.

3234. In your view then you have been redressing the balance as against the preceding few years?—It has helped to redress the balance, to some extent.

3235. Does the Treasury concur in that view?—(Mr. Blunt): Yes; we went into it with the Greenwich Hospital, and it was all done with our concurrence.

Sir Assheton Pownall.

3236. To what sort of people do you make these loans and under what conditions?—(Mr. Fry): They are usually long-term loans.

3237. To municipalities?—To municipalities in the main.

3238. I imagine you are very conservative with regard to those to whom you lend, are you not?—Certainly.

Mr. Lathan.

3239. What was the net result of this sale and reinvestment: were the stocks sold at a loss?—No; we made a profit on the sale of £25,000 actually, so that from that point of view it was quite a good deal.

3240. It is very gratifying, especially having regard to the state of the stock market at the present moment?—This, of course, was two years ago. (Sir Gilbert Upcott.) The new loans were all to local authorities.

Chairman.] Are there any other questions on that point? Are there any questions on paragraphs 2 and 3 of the Comptroller and Auditor General's Report?

Sir Isidore Salmon.

3241. On the question of the tank that is referred to in the Comptroller and Auditor General's Report, how was it that a 200,000-gallon tank was put in place of the original 32,000-gallon tank? Whilst one admits that the 32,000-gallon tank developed certain defects, why replace it by such a large tank, and how was it that it was not anticipated

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., and [Continued.
Mr. T. Fry.

originally before you put up a 32,000-gallon tank?—(Mr. Fry.) As regards the latter question, I am afraid I cannot say why it was not realised what a very large expenditure of water there would be at this school, but experience undoubtedly showed that this 32,000-gallon tank was absurdly small and most uneconomical in the working. In order to keep up the supply, we had to have men working in three shifts pumping day and night, and, by putting in this very much larger tank, we are saving not only the interest on the capital invested in it, but quite a considerable amount in addition, in reduced running costs.

3242. My point is: Did you not have engineers to advise you on it; it was a dreadful mistake to make, having regard to your requirements, to have put in only a tank of such small magnitude, having regard to the work it had to perform?—You are speaking of a very long time ago, of which I know very little, but, of course, we did have engineers to advise us. Why they did not realise the very heavy expenditure of water or whether they did not appreciate the value of the economy I could not say.

Chairman.] Are there any other questions on the Comptroller and Auditor General's Report or on the Accounts as a whole?

Sir Irving Albery.

3243. On page 2, I see there is a small item: "Proceeds of sales of land." Could you tell us something about that; it is only £166?—I am afraid, it being such a very small item, I have not made myself familiar with what that particular sale was. (Sir Gilbert Upcott.) I can give you the information subject to correction. There were three small pieces of land sold within the year: one was an old quarry which was required for road widening; the second was between four and five acres sold to a recreation committee for use as a recreation ground; and the third was a portion of two acres sold to a rural district council for sewage disposal works. The price was the value placed on the land by the Valuation Department of the Inland Revenue.

Sir Isidore Salmon.

3244. Could you tell us what is the running cost per student to-day? The last time a witness was before us, he

said it was £87 a year: how does it compare with the current year?—(Mr. Fry.) Do you mean the year which has just passed?

3245. The year the Accounts of which we are discussing to-day?—For 1937 the average cost was £88 10s.

3246. That has gone up; you have 860 odd pupils?—830 in that year was the average number borne.

Mr. Mabane.] Is that the Holbrook School?

Sir Isidore Salmon.

3247. Yes. How is it it has gone up from £87 to £88 10s.? Is there any special reason for it?—There have been various reasons for an increase which actually has since then gone up still further. It is now back again to about £90. But the principal reason is that after a lapse of time it has been necessary to take in hand the school buildings for repair, renovation, redecoration and so on, and we are just about now reaching the peak of expenditure on that.

3248. How long has the school been built: how is it that you required to renovate dilapidations so soon afterwards?—It was started building in 1928, I think.

3249. But it has not been occupied the whole time since then?—It has not been occupied longer than since 1932.

3250. You have to put aside a sum annually for dilapidations and maintenance?—We are not putting aside a sum; we are just spending it. We are trying to spread it as evenly as possible.

3251. That has caused the figure per pupil to go up to £90 a year?—Over £90.

Sir Robert Smith.

3252. On page 7, would it not be possible for us to have the figure for the previous year shown on that page: for instance, the valuation of the implements? You have the valuation of the livestock the previous year; you do not do it with regard to the implements; you do not show the balance carried over from last year, and the loss in this year as compared with the previous year. It would be quite a simple thing and would give us a much clearer picture of how the thing was going?—I understand that this Account is in a form which was given more or less as a direction to us by the Treasury, because it follows the lines of other similar Accounts.

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., and [Continued.
Mr. T. FRY.

Chairman.

3253. The Treasury can perhaps answer the question?—(Mr. *Blunt.*) We have not got all the details for the previous year, but we have the corresponding net figure shown as £1,911 for implements as against £1,945. The same is true of the loss; the comparable figure is shown of the total balance of the loss.

Sir Robert Smith.

3254. But why do you give it in regard to livestock and produce, and not with regard to implements?—In that case there are not any details leading up to the figure. All that has been omitted is the details. (Sir *Gilbert Upcott.*) The details are in the previous year's Accounts.

3255. But so was the £4,573 for livestock and produce. Why put it in? Your additions to your implements were £170 this year; you do not show what the additions were the previous year; you have to look back. Why put in any previous year figures if you are not going to give them all?—(Mr. *Blunt.*) I think the omission of those details is largely a matter of printing. It would be rather difficult to get all those in. They are inset, as you see, in this year's Account. (Sir *Gilbert Upcott.*) I think, if I may say so, it would produce a very complicated Account indeed if you put all the details which are now contained on page 6 for the previous year on to page 7.

3256. I am not asking about page 6 but about page 7. You do not show anything of the previous year there?—The net result is shown.

(Mr. *Fry* withdrew.)

3257. But on page 6 you give no details of the previous year. On page 7 you give certain details and not others. I fail to see why you need to give details of livestock and produce and not of implements?—Page 6 is the Trading Account for the year. You must show the details. Page 7 is the Balance Sheet. It is therefore a statement of balances. (Mr. *Fry.*) If I might draw attention to the fact, there is a figure for implements of the previous year, namely, the valuation at 31st March, 1937; then the figure for 31st March, 1938, is shown alongside it, £1,911.

Sir Robert Smith.] I fail to understand why it should be given in some cases and not in others.

Mr. Lathan.

3258. May I put a question on page 4, "Revenue from property in Greenwich"? The footnote shows that there has been a surrender of rents amounting to £170 10s. 9d. Could we have some indication as to the circumstances there?—I have not got all the details, I am afraid, as to that.

3259. In a broad general way?—But these would be cases of tenants who left. We have got a lot of very small properties.

3260. Are they small tenancies?—They would all be in small amounts by tenants who left owing us some money which we did not think there was any possibility of collecting.

3261. A large number of small tenants?—Yes. (Sir *Gilbert Upcott.*) They are all irrecoverable amounts.

Chairman.] May I take it the Accounts are approved? (Agreed.)

NAVY APPROPRIATION ACCOUNT, 1937.

Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E., Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E., called in and examined.

Chairman.

3262. We now take page v of the Report of the Comptroller and Auditor General, paragraphs 11 and 12. I should like to ask you why the original estimates were really so illusory as they afterwards turned out to be?—(Sir *Archibald Carter.*) The reason is that this is a very unusual type of ship. The only previous experience there was was the "Carnegie", the United States

similar surveying vessel, which was built a good many years ago. We got the cost of that and made the best guess we could. It was obviously a very difficult matter to estimate, because it was realised from the start that the engines would have to be made out of non-magnetic material which was a thing that had not been attempted before, and it was very difficult to say what was involved. But the major cause (there

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
 Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
 Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

were several components) of the difference was this, that when we came to make inquiries we found that there was no firm that was willing to undertake to build a wooden ship of this size. It had become a lost art. Our original estimates were on the supposition that the hull would be a wooden hull and they had to devise what I understand is a completely new idea, frames of brass with wooden planking, and that for the hull upset the estimate completely.

3263. Because, of course, there is a very large difference between the original figure of £60,000 or £70,000, subsequently revised to £80,000, and a total cost of £206,000 which was the final amount?—Perhaps these figures would help the Committee. Our estimate in September, 1935, of the cost of the hull was £51,000 and the actual contract price for the hull, which was indeed less than the contractors originally tendered (we beat them down a bit) was £137,000, so there is a very big difference there on the hull, a great part of which was due to the fact that it was found to be impossible to construct her entirely of wood.

3264. Even so, the balance over would have been some £20,000 and in fact it was £53,000, so even so far as the remainder of the work was concerned, it was more than double what was estimated originally?—The machinery also went up from £11,000 to £21,600, but there again, nobody I think had designed auxiliary machinery of a non-magnetic kind. As far as I know, it was a feat that had not been attempted before. I do not think anybody could be really certain what was involved until they designed it.

3265. Coming to the final sub-paragraph of paragraph 12, was any consultation made with the Treasury before attention was called to it by the Comptroller and Auditor General?—No, I am afraid not, and I must confess here that the Admiralty blundered. It was quite plain that in this peculiar case where we had had consultations with the Treasury before as to the policy of building this ship, and other people were involved, possibly, besides ourselves, when we discovered the original figure was beside the mark we should have gone to the Treasury before we placed the contract. We did not do so, and I can

only say I am very sorry. We clearly should have done so. Misfortune rather dogged our footsteps, because it was picked up shortly after placing the contract that it had not been done. A small extra came along when the previous oversight was spotted, and directions were given in writing that the Treasury should be informed. There then happened the kind of accident that should never happen in a well-regulated department, but it did happen. The papers were borrowed by some other branch and were put behind some other papers and were lost, and it only came to light that the Treasury had not been informed when the inquiry was made by the Comptroller and Auditor General, and we made a search for the papers and it was realised that we never had informed the Treasury. I can only apologise to the Committee. It is the sort of thing that ought not to happen.

3266. Have the Treasury anything to say?—(Mr. Gilbert.) We have recently had a report from the Admiralty on the experience of this ship, but as we knew that discussion was coming on on this Committee we have not expressed any opinion on it as yet. Certainly I think the Admiralty agree that we ought to have been consulted and although we have all lost letters in our time, it was a special misfortune that this particular one happened to get lost. I think it was unfortunate that the Treasury was not consulted earlier.

Mr. Culverwell.

3267. Could you tell me whether you received any contributions from interested parties: other countries you mention here?—(Sir Archibald Carter.) No. It was decided in an inter-departmental conference at a fairly early stage that on the whole we had better not ask foreign governments, although they are just as much concerned as everybody else. It would probably complicate the control of the vessel and it would probably take years to get it done if we tried to do that, and that, I think, was a decision in which the Treasury agreed. It was contemplated that we should ask (indeed, it was done) the Mercantile Marine if they could contribute something. The Board of Trade did that and I am sorry to say the Mercantile Marine refused. I suppose

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

they knew the Government was going to do it anyhow. Anyhow, they did refuse. The Dominions were to be asked and we were under the impression they had been asked, but I have found out in point of fact in the last week or so the Dominions Office have not yet done so. I am not quite clear what the reason was. Perhaps they were waiting for a final cost. I understand they propose to do so.

3268. I suppose this ship was vital to the Navy?—I understand not only to the Navy but to shipping all over the world. I speak only as a layman in these matters but I gather that the variation of a magnetic compass from true north differs from place to place, but the trouble is, it differs from time to time according to a law which is not known. Therefore you cannot predict very long in advance what it is going to be. I gather the magnetic charts are fast getting out of date, and there is a real risk that the charts will be in error to an extent that is dangerous. It is not far off that situation, and I think it was agreed by all the authorities concerned that this was a work that had simply got to be done in the interests of shipping all over the world, and we thought that as the premier maritime nation we had better do it. It would probably be a very long and troublesome job to get international agreement to do it, although this is undoubtedly a thing really that all nations ought to contribute to. It is of use to the Navy, of course, and to every ship that navigates with a compass.

3269. What reasons were given by the Carnegie Institute for refusing to build another ship?—I do not remember, I am afraid. I suppose they had not enough money at the time. I am afraid I do not know. It was a good many years back. They have assisted us with a good deal of advice and I believe they are going to lend some instruments. (Mr. Coxwell.) They could not afford to build the new one. That was the reason. I have no doubt whatever the same thing applied to any contribution, but they are helping, as Sir Archibald has said, scientifically.

3270. You said you estimate the total cost of construction at £206,000. I think we all agree it has been a most unfortunate sequence of events that you should so heavily underestimate the cost,

but what is that £206,000 the cost of? Is that the hull and the engines?—(Sir Archibald Carter.) That is the hull and the engines. I think to complete the picture, so far as we can tell at present, there is probably another £10,000 claim to come in from the contractors under a wage variation clause. The claim has not come in yet. So one can only guess what it is to be. We expect another £10,000 for additional items of work to be done, and the scientific instruments and stores will probably cost another £9,000. So there is probably, as far as we can tell at the moment, £30,000 to be added to the figure given here before the ship is completed and in commission.

3271. £10,000 for wages?—Yes, for wages £10,000. And £10,000 additional work that still has to be done that is not in the hull and machinery, and £9,000 for scientific instruments and stores, so that so far as we can tell we must add another £30,000 to the figure given here before she is in commission.

Sir Edmund Brocklebank.

3272. Can you say what the size of her is?—She is 770 tons.

Mr. Lathan.

3273. I take it the Admiralty architects were responsible for the estimates quoted here, £60,000 to £70,000?—Yes.

3274. They were entering a realm which was unfamiliar to them?—Completely unfamiliar. So far as I know, this American one was the only research vessel of a non-magnetic type. She was a small vessel, and they had practically nothing to go on.

3275. The contingencies attached to that uncharted realm appear to have been very badly underestimated by them?—Yes.

3276. Do I understand that the firms who were invited to tender were in the same position?—Yes, I think they found it extremely difficult to estimate.

3277. A rather extraordinary measure of unacquaintance with the requirements of the situation?—It was a completely new job on both sides. Nobody knew quite what was involved.

3278. But the building of wooden ships surely has not gone out to such an extent as that?—Apparently; nobody would handle a ship of that size. We wanted it to be an all-wooden ship, but nobody would take it on on that basis at all.

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. Rigg, M.B.E., and Mr. A. W. WATSON, M.B.E.

3279. I see according to the Comptroller and Auditor General's Report, four of the firms declined to submit a tender on a fixed price basis?—Yes.

3280. That indicated their apprehension?—Yes.

Sir Robert Smith.

3281. What was the size of the "Carnegie"?—568 tons.

3282. You say you got some idea of price from her?—Yes. That was all we had to go on, the figures of the cost of the "Carnegie."

3283. What did she cost?—(Sir Gilbert Upcott.) 115,000 dollars.

Sir Assheton Pownall.] £23,000.

Sir Robert Smith.

3284. Was she built exactly the same as far as hull and metal fittings were concerned, so as to be non-magnetic, just the same as this ship?—(Sir Archibald Carter.) She was non-magnetic, but she differed essentially because she had a completely wooden hull whereas, as I have just explained, it was found impossible to have a completely wooden hull in this ship.

3285. There was metal as well?—Non-magnetic metal.

3286. What would be the cost of a ship of this size built in the ordinary way, not of wood, just an ordinary hull, not non-magnetic?—I do not think I could answer, but Mr. Watson probably could. (Mr. Watson.) A first-class merchant ship, 770 tons, I should say would cost about £60,000.

3287. On that showing then, as this had to be a ship of wood, with special fittings, with special non-magnetic engines, should your designers, before you put out your tenders, not have been perfectly well aware that £60,000 under your original estimates, just the same as for an ordinary merchant ship, was quite ridiculous?—(Sir Archibald Carter.) I do not think it was entirely ridiculous if the hull had been entirely of wood. It might have been an underestimate but not ridiculous.

3288. I thought you said that was one of the causes, that she had to be of wood?—No, I cannot have made myself plain. The original estimate was based on the assumption that the whole of the hull would be wood. Nobody would take a job on on that basis and the frames therefore had to be made of

brass, and that was very much more expensive.

3289. With your knowledge of ship-building, surely you ought to have known that your estimate for a ship of this size was wrong, when a merchant ship would have cost about £60,000? Your first estimate was somewhere about that. What I cannot understand is, when you knew the ship had to be built in a special way with special things, you thought it could have been constructed for anything like the ordinary figure?—I cannot see, with respect, why the ordinary figure for a ship made of iron is relevant at all.

Sir Robert Smith.] I am taking the cost of an ordinary ship. Can you give it me for a wooden ship? There are some ships of about 700 tons built still, surely. Even yacht construction might give you some idea? You might get wooden yachts.

Sir Irving Albery.] A first-class yacht comes out, say, at about £150 a ton.

Sir Robert Smith.

3290. This boat's dimensions are 142 ft. by 34 ft. 10 in. beam. It is not a very large ship. You had four firms who submitted tenders. Did they submit entirely on this form of building?—Yes. Before we went out formally to tender, inquiries were made of the firms it was worth while inviting to tender, and at that stage it became quite plain that nobody would take it on as a purely wooden hull, and the specifications had to be revised altogether.

3291. When was the contract placed?—On the 10th September, 1936.

3292. And she was launched this year, was she not?—Yes, a few weeks ago.

3293. She took two years to build? In that two years you did not inform anybody, did you, that the price was rising so extraordinarily? Was there any means of finding out that the cost was suddenly mounting?—As I explained, we did not inform the Treasury and the fact that we did not do so was partly due to an accident.

3294. The Treasury said something about a letter being lost, I understood. Where do we find that? There was a letter lost?—No, it was not a letter lost.

Chairman.] That is what Sir Archibald told us to-day. He regretted that the

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

papers had been lost and that was the explanation why the Treasury had not been informed.

Mr. *Lewis*.

3295. Do I understand that the intention is that any information that is gained by using this ship shall be published for the benefit of navigators of all nations?—Yes. I understand it takes the form of being published as a chart which shows lines of magnetic variation and they will be on sale to anybody who wishes to buy them.

3296. It is not intended that any special private inquiries which shall be secret to the Admiralty shall be made?—No.

Mr. *Mabane*.

3297. When was the "Carnegie" built?—In 1909.

3298. At that time, of course, wooden construction was much more common?—Yes.

3299. The estimate for the cost of construction of this vessel was £80,000 of which I think you said £51,000 was the original estimate of the cost of a wooden hull?—Yes.

3300. That would leave £29,000 to cover the cost of construction in addition to the hull?—Yes. In that estimate there was £10,800 for machinery and the balance, I think, was for scientific instruments and minor equipment.

3301. But it would be a total of £29,000?—Yes.

3302. Whereas the total cost of construction is now going to be about £236,000 of which £137,000 was the cost of the hull?—That is right.

3303. What I wanted to ask Sir Archibald is: We can understand that the variation in the method of construction of the hull would make a great difference in the cost?—Yes.

3304. But I have not been able to follow at present why the additional cost of construction should have varied upwards from a figure of £21,000 to a figure of approximately £100,000. Could you tell us what is the cause of that variation in the other items in the cost of construction other than the hull which was apparently the only unpremeditated difference?—The machinery was up, I think, £10,000. The figures I gave you were the basis on which the contract was placed. Since that there were various additions. One was a decision to

adopt a larger rig and consequent additional ballast.

3305. How much extra did that cost on the original estimate? I am not sure that I have a figure for that. Probably the largest was the necessity for redesigning some of the auxiliary machinery.

3306. How much was that?—I am afraid I have not got those separate details. I could easily get them.

Chairman.

3307. Perhaps you will be kind enough to put those in?—I could put in a detailed table.*

Mr. *Mabane*.

3308. To show why there has been an upward variation from £29,000 to £100,000 in the cost of construction other than the hull?—Other than the hull. I certainly will.

Sir Irving Albery.

3309. I should like to ask the Treasury whether they could say, when an estimate has been largely exceeded, are they usually informed only after the contract with the higher amount has been put out, or are they as a general rule informed before the higher contract agreement is made?—(Mr. *Gilbert*.) Normally, the Treasury should be informed before the contract is placed; anyhow, if it exceeds substantially the figures on which the preliminary estimates have been before the Treasury.

3310. If it substantially exceeded you would be normally informed before the contract is made?—Yes.

3311. The contract eventually must be made by some officer. The contract must actually be signed at some time by some officer who is responsible and surely he would know or should know first that the contract was at a much higher figure, and secondly, he should know whether the Treasury has been informed or not when he signs the contract?—Yes, I think there is certainly a defect in machinery disclosed by this case.

3312. The reason I raise that point is that it seems to have happened in a good many cases. Therefore it seems rather to arise whether, if that is the custom, it is at all strictly adhered to. It rather looks from the evidence we have heard in this Committee as if it is a good deal honoured in the breach?—(Sir *Archibald Carter*.) May I say this:

See Appendix No. 14

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

It is quite clear in this case that the Treasury should have been informed before the contract was placed, but I may say this, not by way of excuse but by way of explanation as to the probable cause, that ordinarily we do not go to the Treasury before placing a contract for a ship. The Cabinet approves the programme of new construction of warships, and that having been done, it is thought that the Admiralty are the best possible judges of what is the cheapest price at which you can get those warships. We do not therefore go back to the Treasury before placing a contract for a warship. I say that by way of explanation but not by way of excuse, because quite obviously this is a case in which we should have gone to the Treasury before placing the contract. It is such a peculiar case that quite clearly we should, and I can only apologise for the fact that we did not.

Sir *Isidore Salmon*.

3313. Have you reason to believe that this ship when it is launched is going to fulfil all it is supposed to do, having regard to the peculiarity of the design and the alterations in the process of fitting it up?—We sincerely hope so.

3314. You are not in a position at the moment to say whether it is fulfilling them or can fulfil them?—She is rigged as a brigantine, I think, and I should not think anybody has any doubt that she can be used for the purposes for which she is designed. I should have thought (again speaking as a layman without knowing) that the auxiliary machinery, designed of non-magnetic material, was such a new device that the experts would be rather sorry to place their hands on their hearts and swear it is going to be a success. It is only auxiliary machinery and she is rigged as a sailing ship, so, as I understand it, even if the auxiliary machinery should give rise to any difficulty, she certainly should be able to be used for her purpose. But I give you that as a layman. (Sir *Gilbert Upcott*.) Perhaps I may make an observation before the Committee pass from this case. I reported it because, as Sir *Irving* suggests, it does seem to imply a failure of the system and because it is not the only case of the kind either in this year or in recent years.

Mr. *Culverwell*.

3315. You had a fixed tender for the

15417

ship, I understand?—(Sir *Archibald Carter*.) Subject, I think, in the case of the hull, to a wages variation clause. Otherwise it was a fixed tender.

3316. In paragraph 12 you say a total of £206,353 is the total estimated cost?—Yes.

3317. What is the actual cost?—As I say, as far as we can tell (she is not in commission yet; she has been launched) we have got to add £30,000 to that.

3318. How does it compare with the contract you had with Messrs. Phillips?—I think I have a figure for the additions. There is an increase of £27,000 on the hull and £7,000 on machinery. I think the hull one, as I said, was largely due to the fact that they decided they must have a larger rig and consequent additional ballast. I think the machinery increase was because they had to re-design some of this new non-magnetic auxiliary machinery.

3319. That was added?—It was not in the original specification.

3320. And the £10,000 extra for wages was also added on?—The £10,000 is a guess, because the contractor has not put in his claim under the wages clause.

Sir *Assheton Pownall*.

3321. Is she to be manned by the Navy and borne on Navy Votes when she is at sea?—I think she will be borne on Navy Votes. I think her commanding officer is to be a retired naval officer. I think otherwise the rest of the officers are coming from the Mercantile Marine. She will not fly the White Ensign. She will fly the Blue Ensign.

Sir *Edmund Brocklebank*.

3322. How can you man her if there is nobody now trained in sail?—There are a few people left. Certainly the officer is being selected with great care. They have been searching round for people to do it.

Chairman.

3323. Perhaps, Sir *Archibald*, you will kindly give us your explanation on the next paragraph? This is the question of catapults?—This is a case again of a new design of a lighter catapult than had been used before, and I gather there is nothing that gives rise to more

N

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

anxious thought than these catapults, because they are after all guns firing as projectiles human bodies. You want to get them as light as possible. On the other hand, there must be no risk about it. I gather the job is so difficult that no contractor will take it on, except on the terms that the tests are to be static tests only in their works before the catapult leaves their works. They will not take on a contract on the condition that it has got to be subjected to firing tests at sea first, because it is so difficult to get everything exactly right and this, as I say, was the first design for a light type, and it did require considerable modification, the cost of which the contractors could not be expected to bear.

3324. Noting what is said about Treasury comment towards the end of the paragraph, are you satisfied that a similar state of things will not occur again?—It certainly should not. We have drawn attention to it. The “now,” three or four lines from the bottom, is perhaps slightly misleading. Actually that was done in December, 1937.

3325. Have the Treasury anything more to say on this question?—(Mr. Gilbert.) No, we note the changes that have been made. What went wrong here was that the local officers without consultation with headquarters, issued instructions direct to the contractors, and it was out of those instructions that loss to the contractors materialised. It seems to us there ought to be instructions which compel local officers to keep in touch with headquarters in cases like this, and not give instructions on their own, and we hope the new regulations will be effective. (Sir Gilbert Upcott.) The “now” did not mean that the Admiralty had only just issued instructions at the date of my Report, but that the regulations were now in force.

Sir Assheton Pownall.

3326. Was any step taken to draw the attention of the local officers to the fact that they did not report for approval?—(Sir Archibald Carter.) The head of the Department would certainly do so.

[Sir Assheton Pownall.] A severe reprimand seems called for.

Mr. Lewis.

3327. Could we know the estimated

cost for the first design per catapult and the cost which was ultimately allowed per catapult for the revised design?—The original estimated cost was £24,000.

3328. For what?—For three.

3329. £8,000 per catapult?—And for the three an additional £8,000 was allowed. That is to say, £8,000 was allowed in addition to the £24,000. The £14,500 mentioned in the Report was an addition to £61,000.

3330. The price went up by one-third. The allowed cost of the finished design was one-third more than the original estimated cost?—Yes, that is right.

3331. £32,000 as against £24,000?—That is right.

Chairman.

3332. We now come to paragraph 14. Do you read the paragraph in the same way as I do, Sir Archibald, that the local officers deliberately disregarded the instructions in this case?—No, if I may say so, I should not. It was certainly not a case of deliberately disregarding. It is quite clear they should have brought to notice at an earlier date than they did, that it was not going to be possible to do the job within the agreed figure, and I am afraid we must also confess that, when we first got information that it was likely to exceed, instead of letting the Treasury know at once “It will probably exceed and we will let you know the amount as soon as possible,” we sent it round to all concerned, and said: “Give us a report on the estimated cost and is there any possible way of cutting it down?” That took four or five months, so we did not let the Treasury know till four or five months later than we possibly could have done. It was not a case of saying: “Go ahead, and we do not care what it costs,” but they certainly failed to report soon enough that it seemed impossible to keep within the limit; and, quite apart from the local officers, it certainly seems that the Admiralty might have been a bit quicker in informing the Treasury, too.

3333. How does it come about that the local officers can take all this action without the Admiralty knowing what they are doing? Is not there some contact which would make that impossible?—They certainly should have reported it at an earlier stage.

3334. Is there machinery by which the Admiralty should be in a position or

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, C.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

will be in a position, to deal with cases of this kind?—There are standing instructions of a most categorical character in connection with works.

3335. In the case of this estimating, are the Admiralty really doing anything to remedy the failure to reach an estimate which is borne out by the results?—Yes, but I think one must perhaps say this, that the volume of our works has gone up terrifically and so to speak, our staff is somewhat diluted. We have not got anything like the same percentage of trained staff. I am afraid the risk of something like this going wrong occasionally is bound to be a little higher than in normal times. One hopes it will not occur again, and naturally, when something like this does occur it is a lesson to everybody. But I think it is true that the level of experience in the staffs cannot be quite as high as it is normally.

3336. Of course, the Committee appreciate the difficulties of high pressure at which you are working, but there are a good many of these cases, are there not?—Yes.

3337. Coming to the next paragraph (it is on the same matter), are the Committee to whom I think we referred last time we were here, investigating this point?—Yes, they have reviewed this case.

3338. Have the Treasury anything further to say?—(Mr. Gilbert.) No, Sir. Our sanction on this particular case to the excesses was, as the Report says, on the understanding that the case will be taken up by the Committee which the Admiralty themselves set up, and the position as regards that Committee was explained in the Admiralty's examination last week, namely, that they are to form their first conclusions on the subject, and then we hope to have an opportunity of discussing them with them before anything is finally settled. As I say, we are looking forward to having that as soon as we possibly can.

Sir Assheton Pownall.

3339. You do not know when that Committee set up by the Admiralty is likely to report?—(Sir Archibald Carter.) I said I think on the last occasion that I hoped we should be in a position to bring the Treasury into consultation in the matter in the next few weeks. But how long we shall take to

discuss it with the Treasury I do not know.

Mr. Lathan.

3340. On paragraph 14, sub-paragraph 2, I gather that the officers responsible for executing the service have been appropriately advised of the view taken of their failure to carry out instructions?—That is so.

Mr. Lathan.] On the face of it it looks a rather grave admission.

Sir Robert Smith.

3341. Are these various cases, which we have dealt with this afternoon, such as this special ship, the "Research," and these other questions, all points which will be before this Committee as having occurred lately?—They have all been examined by the Committee, but we have not got to the stage of calling in the Treasury.

3342. In the Treasury Minute it only looks as if it was a question of the "Caledonia," the "Majestic," and the "Vulcan." I wanted to know if the others would come up?—All these cases have come up.

Sir Isidore Salmon.

3343. Strict standing orders have been a rule of the Department for years. It would be interesting to know if these errors arise always in the same Department of the Admiralty?—No. This, which is in the Works Department, clearly has nothing to do with the catapults, which is the Engineer-in-Chief, and nothing to do with the magnetic survey vessel, which is the work of the Director of Naval Construction.

3344. Therefore the standing orders must be so old that, whilst they are on record, it rather suggests that some of the officials have really forgotten the existence of them?—I do not know. It may be so, but clearly that is one of the tasks that this Committee has before it, whether financial instructions can be consolidated, revised and improved. That is one of the things which we have under consideration.

Chairman.

3345. Paragraph 16 is, I think, formal. Paragraphs 17 and 18. Could you give us a little further explanation on that. It relates to the stores?—With your leave, Mr. Coxwell might say a word on this.

N 2

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

3346. Yes, certainly?—(Mr. Coxwell.)
What is the particular point, Sir?

3347. Would you explain the situation referred to here in a little further detail?—These paragraphs 17 and 18 I think, should be taken together. They relate to the accounts of the Marine unit, which was known as the Mediterranean Base Defences, which was employed in connection with the Abyssinian emergency from September, 1935, to August, 1936. It was inevitable, owing to the speed with which that force had to be equipped with stores, and the inevitable difficulties in clearing up the store accounts, that there should be discrepancies resulting in certain deficiencies on the one hand, and certain surpluses on the other. The difficulties in clearing up the store accounts arose from the very hurried despatch of the force in 1935, which made it impossible to complete the store ledgers before the expedition sailed, the subsequent unloading and restowing of the vessels carrying the equipment, and the transfer of the force itself to different localities to suit operational necessities. All these factors necessarily made it very difficult at the time to carry out the meticulous store accounting that the Admiralty would have liked to do. Then there was the hurried transfer of equipment, when the force was withdrawn, to various authorities in Egypt, Malta and England, and there was the fact that we were releasing from hire the shipping engaged in the transport of the forces. When the Accounts were finally cleared up, and this was not possible to do until late in 1937, we got these surpluses and deficiencies to which the Comptroller and Auditor General refers. The Board of Admiralty were quite satisfied that the net deficiency in permanent stores really truthfully represented the value of permanent stores which had been lost, worn out, expended in service, or transferred to other services. There was no suggestion whatever of speculation or misappropriation or any sort of negligence at all. The surpluses in consumable stores, on the other hand, the Board of Admiralty considered to be really a paper surplus, which was simply due to the unavoidable mischances in accounting for a force of that kind, and the Treasury I think fully realised the position in which the Admiralty were placed, and agreed that

we should write off the net deficiency. I think the Committee will be glad to know, that we have taken steps since, to draw up an accounting system to meet the needs of future emergency forces of this kind. For one thing, the advance of the Defence programme (the naval rearmament programme) has enabled us to provide more complete sets of equipment for a force like this, with proper inventories and lists which will enable the officers in charge of the store-keeping, and store transfer arrangements, to keep much more satisfactory accounts than was possible at the time when those arrangements were having to be improvised with very great speed, and under very considerable difficulties. We hope that in future these surpluses and deficits will not occur.

Chairman.] Are there any other questions?

Sir Isidore Salmon.

3348. Only one point occurs to me. The explanation we have just had given to us, I think, is very good indeed, but the only point which has occurred to me is how it was, with the past experience that the Admiralty have had, that such a system had not been put in hand earlier?—I think the Admiralty tries to foresee most needs, but I suppose this was one that it could not altogether foresee. Another thing is that, as the Committee will have gathered from what I have just said, in order to be able to prepare in advance, arrangements which will prevent or minimise irregularities (if you can call them irregularities), like this occurring, you have got to have more money than we had at that time. It is necessary to have ready a certain amount of completed equipment which we had not then got. With the progress of the Defence rearmament programme, we hope to be in a position to avoid that sort of thing in future, partly by having equipments more or less ready.

Mr. Lathan.

3349. How is it that there are deficiencies and surpluses at the same time apparently on the same Account?—At a time that stores are being transferred rapidly from place to place, and from Service to Service, I should have thought that surpluses could appear just

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

as easily as deficits. (Sir Gilbert Upcott.) Might I give an illustration which used to be given to the Committee by the late Lord Chalmers, that if accounts get in a muddle, there are surpluses and deficiencies which appear to balance in figures, but which do not balance in fact. You cannot set a surplus of wooden legs against a deficiency of trousers. (Mr. Coxwell.) I think part of the trouble came from the fact that when stores were transferred from the Army, the Army had different names for them.

3350. Are the Treasury satisfied?—(Mr. Blunt.) The Treasury are satisfied that the circumstances were exceptional and very difficult to deal with, and that they should not recur in the circumstances which Mr. Coxwell men-

tioned, that they now have all the equipment ready instead of having to collect it from different places. (Mr. Coxwell.) Our plans now to deal with a situation like this in future already provide for the despatch, within a very few weeks, of a supply ship containing trained supply staff who will carry out the accounting arrangements, instead of it having to be done, as it was on the last occasion, undoubtedly to some extent by inexperienced people.

3351. The Treasury take the view that there should be no recurrence, and have ascertained as I take it that there are arrangements now in operation which will prevent that?—(Mr. Blunt.) That is so.

Chairman.] Now we come to the actual Votes.

VOTE 1.

WAGES, ETC., OF OFFICERS, ETC.

VOTE 2.

VICTUALLING AND CLOTHING FOR THE NAVY, ETC.

(On these Accounts no questions were asked.)

VOTE 3.

MEDICAL SERVICES, ETC.

Chairman.] Are there any questions on Vote 3: "Medical Services, etc."?

Sir Isidore Salmon.

3352. On the question of medical supplies, I was going to ask broadly one question. Are you buying centrally medical stores through one Department of the State, or is each Service buying its own?—(Mr. Coxwell.) We are dealing centrally as much as we possibly can. We are in touch with the Ministry of

Health, of course, in these matters, and also in purchasing medical supplies, as indeed in purchasing most other kinds of supplies now, we make great use of the machinery of the Supply Board, and the various Supply Committees by which the purchase of bulk supplies is co-ordinated.

Chairman.] Are there any further questions on this Vote? May I take it that this Account is approved? (Agreed.)

VOTE 4.

FLEET AIR ARM.

VOTE 5.

EDUCATIONAL SERVICES.

(On these Accounts no questions were asked.)

VOTE 6.

SCIENTIFIC SERVICES.

Chairman.

3353. On Vote 6, Note E at the bottom of page 18, could you tell us, Sir Archibald, what relationship there is

between the Naval Meteorological Branch, which is referred to here, and the Meteorological Office, which, I believe, is under the control of the Air

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

Ministry?—(Sir Archibald Carter.) This is a fairly recent development. I think, broadly speaking, we are not attempting to set up a new Scientific Service, but we are taking the people who are observing and collecting data for us under our own administrative control. It was rather a nuisance to have them under the Air Ministry, but there is not any intention of having a rival Scientific Department.

3354. And there is no overlapping between these two?—No; I do not think there is any overlapping.

Mr. Culverwell.

3355. Might I ask, with regard to sub-head K on page 19: "Nautical Almanac": Can you tell me whether you charge anything for the rights to other publishers of nautical almanacs?—I am afraid I could not off-hand. I rather suspect not, but I could not say off-hand. I am under the impression

that we do not, but I should not like to be certain.

Chairman.

3356. Perhaps you could ascertain that?—Yes.*

Sir Robert Smith.

3357. Has this Vote 6 anything to do with this research ship that has been fitted out recently? Is it connected in any way with it?—The maintenance charges, I think, almost certainly will fall under this Vote.

3358. The ship comes more or less for the benefit of this Department?—Yes.

3359. So, to that extent, she is fairly closely connected with the Navy?—We tried to get a good deal of the cost put on to the Board of Trade, but the Treasury ruled that it must come under Navy Votes, and the cost of running her will undoubtedly come under this Vote.

Chairman.] Are there any further questions? May I take it that this Account is approved? (Agreed.)

VOTE 7.

ROYAL NAVAL RESERVE, ETC.

(On this Account no questions were asked.)

VOTE 8.

SECTION I.—PERSONNEL FOR SHIPBUILDING, ETC.

SECTION II.—MATERIEL FOR SHIPBUILDING, ETC.

SECTION III.—CONTRACT WORK.

Chairman.] Now we come to Vote 8, Sections I to III, pages 23-31. With this Vote we take Appendix II on page 53. Are there any questions?

Sir Irving Albery.

3360. Can Sir Archibald give us any information about sub-head I: "Mer-

chant Ships," on page 30?—(Sir Archibald Carter.) That is the stiffening of merchant ships in order that they may be in a position in war-time to have guns placed on board of them.

Chairman.] Are there any further questions? May I take it that this Account is approved? (Agreed.)

VOTE 9.

NAVAL ARMAMENTS.

(On this Account no questions were asked.)

VOTE 10.

WORKS, BUILDINGS, AND REPAIRS AT HOME AND ABROAD, ETC.

Chairman.] Vote 10: "Works, Buildings, and Repairs at Home and Abroad, etc.," pages 35-39, is a long Vote. Are there any general questions on the Vote itself? We will deal afterwards with the Appendix. Are there any questions on pages 35-39?

Sir Irving Albery.

3361. On page 39, item No. 3: "Purchase of two steam hoppers," have those to do with dredging?—(Sir Archibald Carter.) I am afraid I am not very familiar with it. It is a question for

* See Appendix No. 15.

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

the Civil Engineer-in-Chief. (Mr. Anderson.) The dredger dredges the stuff up and tips it into what are called hoppers, which take it out to sea.

3362. Where are they usually for use: are they in Home ports?—They are built for general purposes. They are working in Portsmouth Harbour at the present time.

3363. I think the Port of London Authority has found it more economical to do all its dredging by contract?—We do a great deal of our dredging by contract. We are doing the dredging at Dover by contract and the dredging at Gibraltar, but there are places for which you cannot let a contract, because there is so much interference with naval work.

Sir Isidore Salmon.

3364. On page 35, under sub-head F: "Additional Factories and Extensions to Contractors' Works," I notice the figure is £334,000 less than the Estimate, and the explanation is: "Requirements were found to be smaller than provided for": what does that mean?—(Sir Archibald Carter.) I think what had happened was that they had not got on fast enough to justify payments within that financial year. (Sir Gilbert Upcott.) This is the big programme which is dealt with in my Report and which has been discussed.

Chairman.

3365. I will come now to the Appendix, Appendix No. VI, pages 64-95. Are there any questions on those pages? Is item No. 124 on page 88 related to the "Caledonia"?—(Sir Archibald Carter.) That figure of £750,000 under "Total for Work" was the estimate for the permanent buildings that at that time we thought we would put up there, but that project was dropped. I am not quite clear what this expenditure of £49,000 is, I confess. I think it may have been in part for the gymnasium and the swimming bath that we are putting up there, but I am not sure about that off-hand, I confess.

3366. It is the same scheme?—It is the same scheme, but that enormous figure of £750,000 was the estimate for the permanent buildings, but that is not going forward. (Sir Gilbert Upcott.) It is a shore scheme, the £750,000. (Sir Archibald Carter.) It is a shore scheme, the £750,000. The Civil Engineer-in-Chief has reminded me, that the £49,000 is for the workshops for the

apprentices; they have got workshops ashore, which have been finished.

3367. So, although the scheme has been changed, those workshops remain useful?—Yes.

Sir Irving Albery.

3368. On page 64, Appendix VI, there is an item: "Aden. Residence for Naval Officer in Charge—£3,300," and down below there is an item: "Bermuda. Residence for Captain in Charge—£15,000." Would the naval officer in charge at Aden be a very much less important official?—(Mr. Coxwell.) I do not think that is it at all. It is a very natural thing to think and it is true, but it is not the whole explanation. The fact is that building costs at Bermuda are extraordinarily high. We have recently been very much worried indeed, owing to the necessity of building a residence for the officer who is going to be in charge of the wireless station at Bermuda. The local costs of building are abnormally large, and it is quite impossible to get them reduced. If you wanted to have details of that, I have no doubt the Civil Engineer-in-Chief here would be able to give them, but I think I am correct in saying that a substantial part of the difference between that very small cost at Aden and this relatively very high cost at Bermuda is not all due to any greater elaboration of design or size or anything of that kind, but to the very large amount that bricks and mortar and labour cost in the island of Bermuda. Building costs, for houses of comparable size and class, are over three times as high at Bermuda as they are at Aden.

3369. Are all suitable buildings in Bermuda built of bricks and mortar: do they have a colonial type of building or American?—We have tried to find any possible way of avoiding building, because it is so expensive. I may say we have even tried with this house that I was speaking about just now, the wireless officer's house, to rent or buy a house, but there is not one to be got, and we are faced with the necessity of building one. It is for that reason that we have been very carefully into it to see if it is not possible to reduce the cost, and the advice that I have had from the Civil Engineer-in-Chief's people, and from people who have just come home from Bermuda is that it is so that there is this enormous building

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

cost at Bermuda and that you cannot get away from it. Perhaps you might like the Civil Engineer-in-Chief to elaborate that from the technical point of view?

Chairman.] I do not think we need have the detail of that.

Sir Irving Albery.] No, thank you.

Chairman.

3370. On page 92, under "Singapore," I notice the total figure continues to increase. What is the total estimate at the present time? Why has it been continually increasing up to to-day?—*(Sir Archibald Carter.)* I dare say the Civil Engineer-in-Chief would give you an answer, more quickly than I could. *(Mr. Anderson.)* It is because of additional items. The original scheme, as the Committee will remember, was truncated at one time.

3371. Yes?—Then it was restored, and since then there has been what is called a deficiency programme in the Royal Navy to make up deficiencies, and those have been additions.

3372. What is the figure now?—*(Sir Archibald Carter.)* The latest estimate given this year in the 1939 Estimates is £9,785,000 for the Vote 10 charges—£1,697,000 for the machinery, and another odd £23,000.

3373. That will cover what is here in this Vote?—No.

3374. Are there any other items on any other Votes?—Yes, in this Appendix. These are Vote 10 charges only, so the total estimate there is now, comparable with the figure there of £9,735,000, £9,785,000, so it is only a very small difference.

3375. There will be other items on other Votes?—Yes.

3376. What will they amount to roughly?—£1,700,000.

3377. That will be on Vote 8?—That will be on Vote 8.

Chairman.] Are there any further questions on these pages 64-95? May I take it that this Account is approved? *(Agreed.)*

VOTE 11.

VARIOUS MISCELLANEOUS EFFECTIVE SERVICES.

Chairman.

3378. Then we come to Vote 11, pages 40-42: "Various Miscellaneous Effective Services." On page 41 under sub-head N: "Miscellaneous Payments," can you explain the overspending of nearly £20,000?—*(Mr. Coxwell.)* The main component parts of this deficit are these: There was a very large payment of stamp duty in respect of the purchase of the Scotswood factory, which you heard of the last time the Committee met, and there has also been increased advertising by the Admiralty for necessary additional technical staff. Those two items together, amount to nearly £6,500 of that increase. Another large item is this: this sounds rather extraordinary, but, owing to the expansion of the Fleet and the increased activities of the Fleet during the financial year, including the Coronation Review, it was

necessary for the Admiralty to spend a great deal more money on the removal of refuse from His Majesty's ships and establishments. The increased expenditure under that heading amounted to over £6,500. That brings you up, you see, to about £13,000 of a total of just over £19,000. There is one other heading that I might mention, and that is this increase in the sale of old stores, stores becoming obsolete owing to advances and improvements, and so on. We paid the auctioneers for selling old stores for us £2,435 more than we expected to do. That takes you still nearer your £19,140. There are one or two more items I could give you.

Chairman.] I think that is enough. Are there any other questions on Vote 11? May I take it that this Account is approved? *(Agreed.)*

VOTE 12.

ADMIRALTY OFFICE.

APPENDIX IV.

VOTE 13.

NON-EFFECTIVE SERVICES (NAVAL AND MARINE)—OFFICERS.

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

VOTE 14.

NON-EFFECTIVE SERVICES (NAVAL AND MARINE)—MEN.

VOTE 15.

CIVIL SUPERANNUATION, ALLOWANCES AND GRATUITIES.

*(On these Accounts no questions were asked.)**Chairman.*

3379. With page 51, "Balances Irrecoverable", we take Appendix VII, page 96. On page 97, under item 4, can you tell us how this £150 loss happened?—(Mr. Coxwell.) Yes, Sir. This was a case of an extraordinary thing that happened at Malta, where there was a local employee in one of the Departments in Malta who managed by fraud and forgery to obtain quite a substantial amount of money, in fact £150. What he did was this: He was deputed to draw pay on behalf of a certain number of men in his Department and himself, from time to time, and for a time, until he was found out, he used to credit himself on the necessary documents with overtime that he had not worked, and also he used to credit other men with overtime and attendance which they had not given and draw the money himself from the Cashier's Department and appropriate it to his own uses. That was eventually found out. Steps have been taken and are still being taken to overhaul the whole system of payment in these dockyards abroad in order to prevent, so far as is humanly possible, anything of this kind occurring again.

3380. Are the Treasury satisfied with what has been done?—(Mr. Blunt.) Yes, I think so, generally.

Mr. Lathan.

3381. Do you mean to say he was able to enter up payments to himself for overtime alleged to have been worked?—(Mr. Coxwell.) He was. This went on for some little time, and I happened to see one or two of the documents myself as a matter of interest, and I saw one where, after the head of his Department had signed his name

to the document entitling money to be drawn, this man inserted an additional entry, or more than one additional entry. As I say, the Admiralty are taking steps, so far as is humanly possible, to prevent this happening, but I think one is bound to say that in the last resort it is very difficult to ensure against all possibility of forgery, and that is really what this amounted to.

Chairman.

3382. Are there any other questions?—(Sir Gilbert Upcott.) I understand that no final conclusion on the review of regulations has been come to. (Mr. Coxwell.) As to that, I think I am right in saying that one order has already been issued to the Fleet on the subject of tightening up the regulations, and another rather long and elaborate order which has taken some months to prepare, so as to cover every possible point, is nearly on the point of going out now.

Mr. Lewis.

3383. I take it the real trouble that allowed the possibility of fraud was that the same person was allowed to draw money and to pay it out?—That is so. I should explain to the Committee that the system under which this man was able to do this was an arrangement which was only applicable in certain very small Departments where men are working in scattered and distant localities and consequently are not subject to the normal arrangement of mustering for payment.

Chairman.] Now we come to the Appendices. Are there any questions on Appendices Nos. I, III, V and VIII. May I take it that the whole Account is approved?—(Agreed.)

TREASURY MINUTE ON PARAGRAPHS 23 AND 24 OF THE SECOND
REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

3384. Will you turn now to the Treasury Minute on paragraphs 23 and

24? I note that in the Navy Estimates we now have from the First Lord a statement of aggregate cost shown. May

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

I take it that what has been done this time is a general principle that will in future be carried out?—(Sir *Archibald Carter*.) Undoubtedly.

3385. Are there any questions on paragraph 23? On paragraph 24, what does the Admiralty propose to do with regard to the proposal in this paragraph?—May I explain this, and I am afraid I may take just a little time, because it is slightly complicated. As you have just mentioned, we have established as a permanent practice what has been done rather spasmodically hitherto. May I go back for a moment, because it has some connection with the point that you were making, that in the covering statement by the First Lord to the Estimates, we have given an estimated total cost of the year's new construction programme. That has been advisedly put into the covering statement, and not into the Estimates themselves, because it is not a figure really that lends itself very well to the programme part of the Estimates, for this reason, that it covers a good deal that is not in the Dockyard Accounts, which are a very elaborately costed system. It is really the total cost with a complete outfit of ammunition and everything else. There is also the other reason that that estimate has to be given at a stage which in relation to some individual ships, may be a very early one; that is to say, it may be given before the ship has been even designed. Therefore, that figure, which is more an indication of the order of magnitude of the programme, we propose to give each year in the First Lord's statement, but not to include it in the Estimates. It will retire, and it will not appear in the Accounts. Passing from that, in view of the suggestions of the Committee last year, we are prepared to adopt the following system, if the Committee think it is really helpful to them and to Parliament; we are not without some doubts as to the wisdom of what I am going to suggest, but, if the Committee think it is helpful to them and to Parliament, the Board of Admiralty are prepared to do this: the suggestion is this, and I think it is most easily explained perhaps by turning to the programme part of the Estimates volume. I do not think it matters whether we do it on the 1937 ones which we have got, or on the recent 1939 ones, but, if you turn

to page 333 of the 1937 Navy Estimates, you will find a cruiser there, a contract-built cruiser, of which there is a figure given for an original estimate of £1,808,000 odd, and a total estimate of precisely the same figure. That was what the Committee before thought not unnaturally was, if not misleading, anyhow useless. What we suggest is that we should not produce either a total cost figure or an original estimate figure any earlier than we do now (and I think the Committee last year agreed to that), that we should hold it back until the financial year in which we expect the ship to be completed, but, when that year is reached we should show not only the total cost then expected, which is generally very near the mark because it is after all the year in which the ship is going to be completed, but we should also show an original estimate which will be the estimate which was in existence at the time the Board of Admiralty approved the design of the ship. That is a formal stage, and subsequent alterations of any magnitude at all also require formal Board approval. So that figure some time after the event we would be prepared to produce, subject to some doubts as to the wisdom of that course. That, of course, would be an estimate framed before we had gone out to tender for contracts. There are two points that arise on that. The first is this, that the Committee no doubt want a figure in order to look and see how far the actual total costs have gone up. I think there is bound to be in a fair number of cases variations. Of course, there are the obvious things like price variations, but it may also happen that, after the design is settled and the main armament is settled, in the course of the process of building, which for a battleship is a very long period, there may be improvements in, say the wireless gear or a hundred and one other things, and obviously, if a new device has come along while a ship is building, if you can, you will put it into her, so there undoubtedly will be variations. I think we could probably, so far as the Accounts are concerned, give as a rule some quite short explanation, but I think we should have to ask leave in certain individual cases at all events, to give explanations of any differences, not on the record. I do not say it would very often occur, but it clearly

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

might in some cases. The other additional point is this, that, if we do that (and it is rather connected with it) we should like to seek leave of the Committee to give rather less detail than now appears in the programme part of the Navy Estimates. This does not affect the Accounts; the Accounts will be as before, except that there would be a new original estimate in, but we now split up the estimated expenditure in any given year, and the total, when we show one, not only under dockyard work and contract work, the dockyard work being shown as labour and materials (we do not mind that), but under the contract work we show separately, hull, machinery and gun mountings. I do not know that we can say that it is definitely dangerous, but we do not altogether like it. We have got a little apprehensive about it and we would seek leave to roll up into one figure those figures for hull, machinery and gun mountings, though, of course, if the Committee at any particular time for any particular reason, wanted to know about it, the figure would always be in the Admiralty; but we should prefer in the future not to present them to the public at large.

Mr. Mabane.

3386. In the Estimates?—In the Estimates.

3387. Would you give us the page?—The page I was looking at was page 333 in the 1937 Navy Estimates.

Chairman.] Subject to anything that my colleagues may afterwards say, I think that probably the Committee will be quite prepared to agree with both your points, on the understanding which I think you have already given, that confidentially any questions asked on those points by this Committee will be answered.

Mr. Mabane.

3388. I think I asked some questions about this last year. Do I correctly understand from the suggestion that you make that it would enable us to do that which some of us wished to do last year, that is to be able to relate the original estimate to the cost of that work to which the estimate was supposed to relate?—Yes.

3389. That was all we wanted; we did not want anything revealed that was against the public interest?—Yes.

3390. But shall I put it this way, if Sir Archibald will allow me, that we wanted information which would enable us to judge whether the Admiralty was exercising a reasonable degree of judgment in preparing estimates?—Yes.

3391. It will enable us to do that?—Yes, undoubtedly.

Mr. Mabane.] I think that meets the point.

Sir Robert Smith.

3392. Why is it with the "Liverpool" and the "Manchester" we do not have any figure for original estimate and for the other two we do?—Because, as I was saying, neither the total cost nor the original estimate is shown until the financial year in which the ship is expected to be completed, but, when that year is arrived at, we show the total cost and the original estimate. Frankly, the original estimate under the present system is an estimate made in that year, and it is obviously a misnomer to call it an original estimate. But, under the scheme I was suggesting, not without some doubts as to its wisdom, the Committee and Parliament would have the original estimate in the sense of the estimate at the time when the Board approved the design of the ship.

Mr. Mabane.

3393. I am rather concerned that Sir Archibald should express doubts, because it would seem to be dangerous for us to ask for something of which Sir Archibald has doubts. Would you explain your doubts about the wisdom, in the public interest, of revealing certain figures?—I do not think the Board of Admiralty would wish to press it too far, but there is this consideration that the Committee might like to weigh. That estimate of cost at the time the design is approved is not ordinarily seen by anybody outside the Admiralty, and there is no particular reason to influence the experts who make it to put it high or low; it is made before they go out to tender for contract. In most of these cases—not the gun mountings,—although they go out to public tender, the range of tender is not very wide, and the competition is not sometimes very fierce, and you get a position sometimes which would, on the

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

basis of the estimates which the experts had framed, lead to this: They would look at the lowest tender and say: "We think this is a bit high," and there are cases in which we have succeeded in making the lowest tenderer come down a little bit. What we feared was that the experts, knowing that their original estimate, compared with the final total cost, will be presented to Parliament and this Committee with possibly a request for the reasons for variations, may be tempted (human nature being what it is) to give themselves a little margin to play with and rather tend to put it up a little higher than they would otherwise. If they do do that, this follows, that, having given perhaps a slightly too high estimate before they go out to tender, they will be rather less ready to doubt the fairness of the tendered price, if it is

within the figure they have already given. As I say, we do not want to press it too far, but there is a consideration there.

Chairman.] Perhaps the Committee will take that into consideration.

Mr. Mabane.] I thought Sir Archibald had doubts on the matter of public interest.

Chairman.

3394. Certainly, it is quite a good point?—For what it is worth, there is a suggestion that just possibly this is a slight encouragement to extravagance rather than the reverse, but I do not want to press it too far.

3395. The Committee appreciate the point, and I have no doubt they will take it into consideration?—Yes.

NAVY DOCKYARD ACCOUNTS, 1937.

Chairman.

3396. Now we come to the Navy Dockyard Accounts, 1937. Paragraphs 1, 2 and 3, I think, are mainly informative. On paragraphs 4 and 5, I should like to ask if any conclusion has been reached with regard to the special procedure referred to?—(Sir Archibald Carter.) I wonder if the Director of Expense Accounts might answer this question? (Mr. Rigg.) On paragraph 5, the position is this: I think I ought to state the position somewhat historically: The expense of naval storekeeping in the dockyards covers, in addition to the provision of stores for normal production and supply to the Fleet, the maintenance of a very large reserve of stores in common use, and of stores not likely to be used except in times of emergency. A large portion of the storekeeping expense is due to that last factor, and, except for a few items like coaling, we cannot separate the expense due to this reserve except by estimate. We made an estimate of that kind when we first introduced this form of Accounts in 1929, and in subsequent years we made a separate estimate for each dockyard, but since then the position has altered tremendously, especially in the last two or three years. The turnover at some dockyards has doubled, and the reserve has also substantially increased. We are of opinion that the original estimate made

in 1929 cannot now stand. We were in the course of revising that estimate last year when the September crisis occurred, and we have had to put that off, but we are again revising the estimate now. When we have got that revised estimate, I think we shall be in a better position to state what these oncosts are, relative to the value of the issues.

3397. Are there any other questions on paragraphs 4 and 5? On paragraph 6, have you, Sir Archibald, come to any conclusion as to how to treat these matters?—(Sir Archibald Carter.) I wonder if Mr. Rigg might answer that question. He will do it with more detailed knowledge than I could.

3398. Yes.—(Mr. Rigg.) Do you wish to know how we are going to treat this detailed depreciation? (Sir Archibald Carter.) This is paragraph 6.

3399. It is the matter of the work that you subsidise; how would you treat the depreciation?—(Mr. Rigg.) It is a question of bringing into account the depreciation on this plant (the depreciation due to the fact that we have subsidised these firms) against the armour, etc., for particular ships, so as to charge the cost against particular ships. We have got a scheme out which the Treasury has agreed semi-officially, and we hope to be able to apply it so that the 1938 Dockyard Accounts will show the effect to the end of 1938. We cannot

9 May, 1939.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
Mr. C. B. COXWELL, O.B.E., Mr. A. L. ANDERSON, C.B., M.I.C.E.,
Mr. H. McM. RIGG, M.B.E., and Mr. A. W. WATSON, M.B.E.

be quite certain of being able to apply it, because much information has to be obtained from the contractors themselves, and it is just a question whether we can get it in time in order to be able to include it in the 1938 Dockyard Accounts, and in the Estimates for 1940.

3400. Has the Treasury anything to say on this?—(Mr. Blunt.) We have agreed in principle, and we have asked them to let us know how the scheme of allocation works out.

3401. On paragraph 7, what is your view, Sir Archibald, on the point covered by the last sub-paragraph?—(Sir Archibald Carter.) I think once again the Director of Expense Accounts would be better able to answer on this subject than I am. (Mr. Rigg.) On the depre-

ciation of docks, we have reached a point at which we have had to alter our existing procedure for dealing with "non-wasting" assets. We are proposing in future to introduce a depreciation in respect of docks to cover the wasting element which occurs occasionally when you destroy one wall of a dock in order to make it broader, or something of that sort. We are proposing to introduce an annual depreciation and an Account which will show whether that depreciation is sufficient, taking a number of years into account, or too great or too small.

Chairman.] Are there any further questions on that paragraph? Are there any questions on the Accounts themselves? May I take it that these Accounts are approved? (Agreed).

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VII.

VOTE 14.

PETERHEAD HARBOUR.

(On this Account no questions were asked.)

(The witnesses withdrew.)

(Adjourned till Thursday at 2.30 p.m.)

THURSDAY, 11TH MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Culverwell.
Mr. Jagger.
Mr. Lathan.
Mr. Lewis.

Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.
Sir Robert Smith.

Sir GILBERT UPCOTT, K.C.B., Mr. B. W. GILBERT, C.B., and Mr. D. F. C. BLUNT, called in and examined.

AIR SERVICES APPROPRIATION ACCOUNT, 1937.

TREASURY MINUTE ON PARAGRAPHS 27-29 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir ARTHUR STREET, K.B.E., C.B., C.M.G., C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E., called in and examined.

Chairman.

3402. We will take the Treasury Minute on paragraphs 27-29 of our Report. I think it will be for the con-

venience of the Committee and prevent repetition if we take with those paragraphs a paragraph in the Air Services Appropriation Account, the Comptroller

II *May, 1939.*] Sir ARTHUR STREET, K.B.E., C.B.; C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.]

and Auditor General's paragraph No. 3, which relates to the same point. Sir Arthur, I should like to ask you what progress has been made with regard to the matters referred to in the Comptroller and Auditor General's Report, paragraph 3, page iii?—(Sir *Arthur Street.*) Paragraph 3, Sir, is somewhat wide and I do not quite see what I can precisely tell the Committee in the way of progress. (Sir *Gilbert Upcott.*) The question is put more explicitly in the Treasury Minute: "My Lords share the hope of the Committee that your Department will deal as speedily as may be practicable with the contracts for which final prices have not yet been settled."

3403. Can you say a little about that?—(Sir *Arthur Street.*) On the 1st April, 1938, there were 39 contracts, the settlement of the prices of which was outstanding. Of those 39 contracts, fixed or basic prices have now been agreed in 18 cases, and we anticipate an early settlement of the balance. Since the 1st April, 1938, 46 contracts have been placed and prices have been agreed for the whole or part of the contract in 14 cases. Since February of this year, we have ceased to negotiate prices on the basis of the agreement which has governed our contractual relations with the aircraft industry, namely, the McIntock Agreement, because, as the Committee may be aware, certain negotiations are in progress on behalf of the Secretary of State with the aircraft industry, with a view to the revision of that agreement. This suspension of activity since February last has held us up for nearly three months, but, as soon as a new agreement has been negotiated or something else takes its place, we hope to be able to clear up all the outstanding cases rapidly.

3404. As I understand it, there are three more or less distinct methods on which you base prices: one is that you make an agreement in advance and make a contract on it; another is that you take the first batch of cases and you make your price on that; and a third is that you have what is often called a target, with the arrangements of which the Committee is very familiar. The question I want to put to you is this: Can you tell us the amount of use you have made relatively of each of these three methods of fixing prices?—On that, Mr. Chairman, I could not personally give you

the detail, but, if I might ask the Director of Contracts, who is responsible, he would tell you.

3405. Certainly. Perhaps I may put the question a little more specifically. I do not want precise details, which obviously you could not give, but I think the Committee would be interested to know roughly in what proportion these three methods are adopted for aiming at prices?—(Mr. *Cotton.*) Shall we take the past year as the period?

3406. Do you mean the year under review or do you mean the year since?—Not the year under review; I think it would be more instructive to the Committee if we were to take the year which has just passed.

3407. I was not wishing to alter what you wanted to do; I wanted to be quite clear in what sense you were using the words?—In the past year, the year which came to an end on the 31st March last, the majority of settlements were on a fixed price basis. With regard to the two other systems which you mentioned, that is to say pricing a number of airframes by costing batches or by a target cost basis of settlement, they must be considered together. We aim never to price all the airframes in one contract on a cost basis. We either switch from costed batches on to the basic cost system, or on to the fixed price system. Most settlements have been made on a fixed price basis. The second method is to pay for small batches on actual costs, and then to go on to a basic cost; the third method is to go from paying on a cost basis direct on to a fixed price basis, and I think the two latter descriptions are about equal. I should say that two-thirds go on to fixed prices from the outset and one-third on each of the other methods.

3408. I am not very clear; you are not quite using the same words as we have heard from other Departments. You did not specifically in so many words refer to what we have called the target method. I am not quite sure precisely where that comes in in your scheme?

(Sir *Irving Albery.*) I do not know whether I am alone in this, but I must admit I have not been able up to the present to follow the explanation given.

Mr. *Jagger.*

3409. My problem was that I got four-thirds out of it, which seems rather

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

difficult?—I should have said one-sixth on each of the others. The target basis is used in the case of about one-sixth of the contracts for airframes.

Chairman.

3410. What I understand you really to say is that the bulk of them are on a fixed price, namely, two-thirds?—The bulk have been on fixed prices.

3411. Of the remaining one-third, one half of that (one-sixth) is on what I have called the batch system, and one-sixth roughly is on the target system; is that what you are saying?—No, Sir, not quite. We have the batch system where we pay on actual costs of early batches; we can go direct from that on to a fixed price or direct from that on to a target price system; I should think roughly 50 per cent., where we have done batch costing in the first place, have been settled on a target cost, and the other 50 per cent. on a fixed price basis.

3412. I think I have got it. When you fix on a target system or when you fix on one of these systems, sometimes where there is a delay in coming to a decision as to the price that is ultimately to be paid, you pay progress payments in the meantime, do you not?—Always.

3413. Sometimes these progress payments are of considerable amounts?—Yes.

3414. Have you ever got to the point where the progress payments that you reach up to a time are nearly as great as the price that you finally fix for the whole job?—Only when we are very near a settlement.

3415. What I am getting at is this: A contractor, at any rate, may be working on the assumption that he is going to get a certain amount and the progress payments may be working towards that, but in the end you may fix a lower amount, and the payments you have made under the progress system may quite conceivably exceed the total. Have you ever been in that position?—That is conceivable, but it has never happened in practice.

3416. You do not anticipate that it is likely to happen?—No.

3417. I do not know who should answer this question on the last subparagraph in paragraph 3 of the Comptroller and Auditor General's Report in the Appropriation Accounts. It says

there: "In only one instance has it been found necessary to refer points of disagreement between the Ministry and a contractor to the arbitration of the Hardman Lever Committee." Is the fact that there is only one instance due to the fact that there has been very little disagreement, or is it because there has been good progress in coming to a decision on the amount?—It is because we have always been able to arrive at agreement, except in this one instance.

3418. Is the Air Ministry satisfied with the test of reference to the Hardman Lever Committee? In view of this one case, do you consider this power to refer it to the Hardman Lever Committee a satisfactory one?—(Sir Arthur Street.) So far, Sir, yes.

Sir Isidore Salmon.

3419. You said a moment ago that you do not pay the contractor too much, but you always hold a percentage in hand of the total amount that is owing to him?—(Mr. Cotton.) Yes.

3420. To put it in a percentage form, what would you roughly think that you generally have in hand—10, 15 or 20 per cent.?—The system is rather complicated to explain. We pay on actual expenditure on materials up to 90 per cent., but other progress payments are only made when certain stages of construction are reached. I should say, taking it by and large, that we have always got at least 15 per cent. in hand.

3421. Including his profit?—His profit would be over and above the 15 per cent.

3422. So that you have the 15 per cent., plus his profit (on whatever basis it is worked) in hand?—Yes.

3423. I understood from Sir Arthur that a portion of orders that have been given recently are not on the basis of the original McLintock Agreement, but the settlement of payment is to be, as I understand it, worked more on the new form of agreement; is that so?—(Sir Arthur Street.) That is so, Sir.

3424. Would you mind just explaining a point on that? How far back will you go with the new agreement?—That is one of the points under negotiation—the date from which the modifications will take effect.

3425. When were the contractors notified that you had contemplated a new form of agreement?—March 1st of this year.

II *May, 1939.*] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.]

3426. Therefore, on the contracts that you had given from that date when you made the agreement you assumed that you were going to pay under the new agreement?—Yes.

3427. To clear up what you were saying about the target method of payment, as I understand it, you have up to now (ignoring, for the moment, any new arrangements that you are about to enter into) tried to settle all your accounts with the contractors by agreement on a cost basis—a large percentage on a cost basis?—(Mr. Cotton): No.

3428. I will put it another way—a large percentage on a fixed profit?—On a fixed price.

3429. I should have said on a fixed price basis?—Yes.

3430. That is to say, you knew how much you were going to pay for those things when you gave the order?—Not necessarily when we gave the order, because, when we give an order for a new type of airframe, for instance, the contractor does not get into production for possibly a year, and, if it is a new type, he himself is unable to form a very accurate estimate of what the cost is going to be. But the price, when settled on a fixed price basis, will be arrived at long before he has completed his deliveries. It should be in the early stages of what we term "straight run" production, after he has got over the initial difficulties.

3431. When he has got over the initial stages your accounting branch and costing branch will have gone into the question?—Our technical cost officers will have gone to his works and will have framed an independent estimate of the cost of the labour and the materials which are going to be built into the airframe. Our accountants (not the technical cost people) will have available as much information as they can ascertain to enable them to forecast the rate of overheads which it is proper to apply to the labour costs. With those facts in front of us, to which we apply all sorts of checks, we can estimate what would be a fair and reasonable price to pay for the airframe. If the contractor is prepared to accept that price, we can get a fixed price. If he says: "No, you are not paying me enough", we may have to go on to a basic price; that is to say the target method.

3432. The target being, whatever he says is a fair figure that he can charge or whatever you say to start with is a basic fair figure, and of whatever he saves under that price of the target he takes a percentage and you take a percentage?—If we go on to a target price basis, we allow a fixed sum of money as profit at a lower rate of percentage than we should be prepared to allow in an estimated price in the case of a fixed price settlement. We should give the contractor a comparatively small rate of percentage as a fixed sum, which does not vary upwards or downwards. If he beats the target price, he gets a proportion of the savings; if he cannot beat the target price, he has to stand the racket.

3433. As a matter of fact, in practice up to now you have only 25 per cent. of your total orders which have been fixed on that basis?—Less.

Chairman.

3434. You spoke of orders. I should like to know, when you are taking this percentage, if you are referring to the number of contracts or the percentage of the total value of the contracts?—I am referring to the total number of aeroplanes where the prices have been settled.

3435. On aeroplanes?—Yes, in respect of which the prices have been settled.

Sir Isidore Salmon.

3436. I believe some of the shadow factories have been for some little time in actual manufacture, have they not?—Yes.

3437. Have you found that in the shadow factories you have been able to produce either airframes or engines at a cheaper figure than when you gave the order outright previously?—If I understand that question properly, it is: Are we producing in the shadow factories at more economical costs than the prices we are paying to the outside industry?

3438. Yes, that is the question?—(Sir Arthur Street.) Might I intervene on this point to mention that the Director of Contracts has a good deal of useful information in reply to the broad question that has just been put? It is information which I think will be of considerable interest to the Committee, and if the Committee wish him to give that information I think he is ready to do so.

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

Chairman.

3439. I do not quite understand what you mean. Are you suggesting that we should develop this now or are you suggesting that it should be put in writing?—I am quite willing to develop it now, if that is the wish of the Committee.

3440. This is a very important question, and I do not think we should skimp it in any way. There are other matters we shall have to come to later, but I think it is important that we should have such details as will enable us to come to a judgment on this question?—Yes.

Sir Isidore Salmon.

3441. Do I understand by your reply that you think it would be undesirable to give publicity to the answers the Director of Contracts is going to give, because you utilise information from the shadow factories for the purpose of negotiating other contracts?—The point I wish to make is that there is a good deal of information available in the Director of Contracts' head on this subject. It will take a little time to give it to the Committee, but I think it will be worth the Committee's while to hear it.

Chairman.] I think we certainly ought to hear it.

Sir Irving Albery.] If you are going on with that now, may I ask one question about which I am not clear from what has been said?

Chairman.] Yes.

Sir Irving Albery.

3442. I thought the Director of Contracts said that about 25 per cent. of the orders were given on the target basis. I thought you said earlier that first of all the price was for batches and after that 50 per cent. were on a fixed price basis and 50 per cent. were on a target basis?—(Mr. Cotton.) No. I will try to make this perfectly clear. Take all the aeroplanes in respect of which we have fixed prices for the past twelve months. In about two-thirds of the total we have managed to negotiate fixed prices from the outset; that leaves one-third. In about 50 per cent. of that third, which is one-sixth, we started on batch costs and afterwards settled prices on a target basis. The other sixth we started on batch costs and then switched on to a fixed price basis.

3443. I want to ask one question arising out of that. Would I be right in understanding that in all cases the target price is of course higher than the fixed price?—That follows automatically.

Chairman.

3444. What I understand from you, Sir Arthur, is that the Director of Contracts shall now make a general statement on the question?—(Sir Arthur Street.) Yes.

Mr. Lathan.

3445. Am I correct also in understanding that the method of fixing the target price in connection with your Department is the one that is applied elsewhere?—(Mr. Cotton.) Generally speaking I should say yes.

3446. Generally? You qualify it somewhat?—I do not know sufficient about what is done in other Departments, but our technical cost investigators do act for other Departments as well as for ourselves, and I think the same general principles must be followed where target prices have been fixed.

3447. There are what one might describe, I suppose, as general principles attaching to the fixing of a target price?—I am afraid I should not like to be too dogmatic about this, because of the extensive use at the War Office of maximum price contracts. Where a maximum price is fixed, if the contractor exceeds it he does not get any more than the maximum price. If he does not reach the maximum price he gets paid actual costs plus a pre-determined sum for profit.

Chairman.

3448. As you are asking for a comparison between things in different Departments, perhaps the Comptroller and Auditor General or the Treasury would be able more appropriately to answer this question than the witness, who is answering for his own Department and who would not necessarily know about the other Departments?—(Sir Gilbert Upcott.) I think the War Office representative did give an explanation, which is on the Minutes, as to the maximum price method adopted in the War Office. (Mr. Gilbert.) I think the principles which guide all the Departments are the same. They have

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.]

been discussed at the Treasury Inter-Services Committee and once or twice by specially constituted bodies, but when it comes to application in Departments I think, partly perhaps through preferences in the Departments and partly through differences in the nature of their work, they do perhaps appear to favour rather different lines. There was the point in the War Office, for example, that they prefer the maximum price basis which did not apply in the others; but I think it is quite safe to say that the underlying principles are of general application to all the three Service Departments.

Chairman.] I think we might hear the statement and ask further questions afterwards.

Mr. Mabane.

3449. Could the Director of Contracts tell us what is the percentage of profit allowed in the case of target arrangements?—(Mr. Cotton.) That depends upon quite a number of factors. There is no fixed rate of profit. The actual rate we allow in a particular case depends upon all the circumstances relevant to that case.

3450. That is to say, you told us that there was a fixed sum arranged which was not variable, whatever the result of the work might be?—Quite.

3451. But that, I gather, does not represent a fixed percentage?—No.

3452. Either throughout all your contracts or with regard to any particular firm?—No.

3453. And it varies, I suppose, by such considerations as the number of aeroplanes to be made, and so on?—Among the principal factors which we take into consideration are whether the contractor has got down to really economical production, and the relationship between his output and the capital employed. That is an exceedingly difficult question.

Chairman.

3454. We shall be coming to that later; that arises later. We do not want to pursue that now, if I may say so, because we shall be coming to that consideration later on. I think it would save the time of the Committee if we now took the statement from the Director of Contracts and then if we want to ask other questions we will ask them on that?—The question, as I understand it, is what can we say about costs of

production at shadow factories as compared with what we are paying for similar products from the industry. We have shadow factories for airframes, aero-engines air-screws, carburettors, bombs. I think that covers the whole field at present. Production at the air-frame factories is only just reaching the stage at which the target costs are to be fixed. The trend of costs we know is coming down on a curve something like *that (indicating.)* We have not yet reached the stage when we can speak with confidence as to how the costs, when full production is reached, will compare with the costs in the outside industry, but the results are definitely encouraging. In the case of the aero-engine factories, production has reached a stage where the costs of the engines now being produced are known to be below the costs of engines which we are buying from the industry. I think perhaps that I may say here that that does not necessarily indicate that we have been paying too much to the industry, because never before has any firm had an opportunity of making such a large number of engines of one type on one straight run, and that alone, of course, is a factor which is bound to reduce costs. In the case of the carburettors and in the case of the air-screws the results are very promising indeed. There is little doubt that ultimately costs will be below the prices which we have had to pay hitherto. I do not think the comparison will be quite so good as in the case of the engines, but it is rather early yet to say. When we get to the bomb factory, there is nothing with which we can compare it, because an entirely new technique has been developed there for manufacturing bombs which has never before been used in this country. As compared with any estimate which it was possible to make of the cost of producing bombs by any method used in this country formerly, the results are astounding. We shall have paid for that factory several times over by the savings in the cost of manufacturing those bombs, as compared with any previously known method of manufacture.

Sir Assheton Pownall.

3455. I do not think you have mentioned carburettors?—Yes, carburettors are quite satisfactory.

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued,
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.]

Sir *Isidore Salmon*.

3456. The mere fact of having decided upon one particular kind of airframe and in large quantities has altered the whole outlook so far as price is concerned?—It makes it easier to produce economically.

3457. In these shadow factories, are they running one, two or three shifts?—They have been running for part of the time on more than one shift.

3458. And the more shifts they have, the less the overheads become?—The less the proportion of overheads borne by each airframe.

3459. Yes, each class of article produced?—Yes.

3460. Have you developed from the experience that you have gained in these shadow factories any process of manufacture or lay-out that will be useful for contractors to enable them to reduce their expenditure, or rather the cost of producing what you require?—The question is: Have we managed to improve manufacturing technique?

3461. Yes?—I cannot give a definite answer to that question. I do not think, all things considered, that anything of real importance has developed.

Sir *Irving Albery*.

(Question 3462 not printed.)

Mr. *Lewis*.

3463. With regard to aero-engines, the witness told us that aero-engines are being produced in these shadow factories at a cost which is lower than the price which we pay for them when we buy them outside. I want to ask him: When he makes that statement, is he making full allowance for the capital used in the purchase of the land and adequate depreciation for the buildings?—I am making the statement on this basis: that equating the costs as nearly as we can between engines produced at the shadow factories and the prices which we pay to the outside industry, the comparison is in favour at the moment of the shadow factories.

Chairman.

3464. The question Mr. Lewis asked you was this: Are you taking full account of what might be called overhead charges, including such capital

items as the land and capital expenditure?—We have taken the price paid to the industry and stripped that of the factors which do not apply in the case of the shadow factories.

Chairman.] That comes to the same thing.

Mr. *Mabane*.] Does it? I do not think it does in the least.

Sir *Isidore Salmon*.] Why?

Mr. *Mabane*.] Because if you take off the costs in the case of private industry those might be relatively less; for example, here is a site.

Chairman.] There are two ways of doing it.

Mr. *Mabane*.

3465. I would be interested to have Mr. Lewis's question answered in the form in which he put it. May I put what I want to try to get at? In the case of the shadow factory there are certain original capital charges?—Yes.

3466. Which enter into the cost of production?—Yes.

3467. There is also a proper degree of depreciation. Have those (I think this is Mr. Lewis's point) charges been added in order to make the comparison with the prices paid to the outside industry?—The depreciation charges, yes.

3468. Have capital charges also been added?—Capital charges do not come in, so far as I can see, on either side. The capital charge in the case of an engine produced by outside industry comes out of the industry's profit.

Mr. *Lewis*.] You could not produce the engine unless you had the land first of all.

Sir *Irving Albery*.

3469. That is not profit. A factory might have a large debenture issue on which it had to pay interest. That is not profit?—The debenture interest would be paid out of profits.

3470. I do not want to enter into an argument. Shall we say instead of a debenture interest a large bank overdraft?—Very well. We do not allow interest on bank overdrafts in the overheads.

3471. Then the comparison is not equal. If a large amount of capital is put up by the State to work a shadow

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

factory, and a large amount of capital is put up by the bank for the private industry and the industry has to provide the interest and the shadow factory does not, then you are not making an equal comparison?—I am afraid you think there is a catch in this, but I assure you there is not.

Sir *Irving Albery*.] No.

Mr. *Mabane*.

3472. A site may be bought by a shadow factory and the price paid for that site might be double or treble the amount paid for the site on which the private firm is operating?—Yes.

3473. If you say: "We are going to take no account of the charge on the production that the cost of that land represents; we are going to cut it out in both cases", I think the view is that that would give an entirely false representation of the different costs of production, and what we are trying to ask, I think, is whether you have added on in the case of the shadow factories such charges?—We have added on in the case of the shadow factories ordinary depreciation charges, but we cannot add on anything for amortising the capital which has been sunk in the business, because half the object in starting up the shadow factories was to provide a war potential.

Sir *Irving Albery*.] It is not a question of amortisation of interest.

Mr. *Mabane*.

3474. It would appear to me, in conducting a business, that one would reckon a certain amount for, say, rental, which is a proper item in an overhead?—Exactly.

3475. So far as I understand Mr. Lewis, what he is wanting to ask is whether such items have been included in the case of the shadow factories, and I gathered from your reply that you had not done so, but that you had stripped the outside contractors' prices of such considerations and then compared the results?—We have tried to make a fair comparison on what I might call comparable components in the price.

Mr. *Mabane*.] What we are trying to find out is whether you have made a successful attempt to compare.

Mr. *Lathan*.] Is it not a fact that the rent on capital is the interest or profit

that is made in the concern, and is it not also a fact that normally in an outside business undertaking no such consideration as has been suggested would bear in the fixing of prices?

Mr. *Mabane*.] I do not know whether Mr. Lathan is addressing that question to me, but I am not the witness.

Chairman.

3476. I do not think we can have an argument in this Committee on these semi-economic questions, but I think we might put to the Treasury this question. They have heard the discussion, and I would like to ask the Treasury whether, having heard all the discussion, in their view the comparison that is being made here has been conducted on correct lines?—(Mr. *Gilbert*.) I think the Air Ministry have a real point in the fact that in the capitalisation of the shadow factories there is an element for war potential which does not appear in the capitalisation elsewhere; but, listening to the discussions, the question has rather put itself to my mind this way: Have the Air Ministry secured this lower cost of production in the shadow factories as against the professional firms by some excess of capital expenditure, say on better layout or more expensive plant than the contractor has had to incur, and have they secured an advantage in that way which has not appeared in the comparison they have made because they have stripped the whole thing of capital? If they could answer that I think it would be clearer.

3477. What do you say to that?—(Mr. *Cotton*.) I should say that, to some extent, the shadow factories are, so far as lay-out and machinery and plant are concerned, probably better equipped than the professional industry, taking the professional industry as a whole, but it must be remembered that the professional industry itself has been largely re-equipped, or rather, additional equipment has been put into it during the re-armament period. I do not think one can attach very much to that factor, but I should say it does operate to a slight extent.

Chairman.] I think we had better pass on now. I think we have discussed that as far as we can get.

Mr. *Lathan*.] Some reference has been made by the witness to the re-equipment of outside industrial concerns

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

who are producing. Am I correct in understanding that facilities have been provided by the Government to enable that re-equipment to take place?

Chairman.

3478. I think we are coming to that later on, "Assisted Contracts"?—(Sir Gilbert Upcott.) We are coming to that on paragraph 5 of my Report.

Mr. Culverwell.

3479. I understood the witness to say that, in making comparison between the

costs of production in the shadow factories and the private factories, the lower costs at which the shadow factories were able to produce were accounted for by the large production of one article?—(Mr. Cotton.) Quite.

3480. But does not that apply in private factories; for example, in a big aeroplane factory?—I tried to make it clear that I was talking then about engine factories. No engine manufacturer has ever had such an extremely long straight run of production of one type as the shadow factories have.

TREASURY MINUTE ON PARAGRAPHS 30 AND 31 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

3481. I think we may pass on now to the next item on the Treasury Minute. We are going to leave the Comptroller and Auditor General's Report for the present and we will come to the question of the shadow factories in paragraphs 30 and 31 of the Treasury Minute. I should like to ask you whether the Air Ministry are satisfied that the agents are keeping

adequate accounting records?—(Sir Arthur Street.) Yes, Sir, we are satisfied now. (Sir Gilbert Upcott.) That question arises in some detail on some of the paragraphs in my Report to which the Committee will come shortly.

Chairman.] We shall come to this matter again, so I think perhaps we can take it more particularly when we come to the Report of the Comptroller and Auditor General.

TREASURY MINUTE ON PARAGRAPHS 32 AND 33 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Chairman.

3482. Coming to paragraphs 32 and 33 of the Treasury Minute, I should like to ask the Comptroller and Auditor General whether he is satisfied that he gets what he wants in the way of accounts for audit?—(Sir Gilbert Upcott.) I have explained to the Committee on previous occasions that I am dependent upon the Air Ministry in these matters for the supply of information to enable me to perform my duties to this Committee, and I am glad to acknowledge that the Air Ministry have always been very anxious to help. My officers have been

recently discussing arrangements with the Ministry for the obtaining of information in particular about their costing methods and their methods of reaching their fixed prices by negotiation, and I hope that the arrangements will result in my obtaining information which will be adequate to enable me to discharge my duties to this Committee.

3483. I should like to ask you, Sir Arthur: Can the Committee be assured that the requirements of the Comptroller and Auditor General will be satisfactorily met in the future in these ways?—(Sir Arthur Street.) Yes, Sir.

AIR SERVICES APPROPRIATION ACCOUNT, 1937.

Chairman.

3484. Now we come to the Appropriation Accounts, and we will take the paragraphs of the Comptroller and Auditor General's Report *seriatim*. The first paragraph is formal. On the second paragraph, I think the Committee will be pleased that in the year under review the actual expenditure was so near to

the estimate. I do not know whether there are any questions on that paragraph. No. 3 we have already taken. We now come to paragraph 4. I will ask the Comptroller and Auditor General to indicate the point raised?—(Sir Gilbert Upcott.) The Committee have had to pay a good deal of attention formerly to the question of the rate of

II *May, 1939.*] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.]

profit which should properly be allowed on the amount of a contract, but the great expansion of production lately has led to the emergence in an enhanced degree of another question, to which the Treasury drew attention at an earlier stage, namely, what the result is upon the rate of profit earned by a contractor on the capital employed in the contract for the period for which it is employed. That raises, I appreciate, very difficult questions as regards the ascertainment of the amount of capital employed, and the turnover. But the papers which I have seen did not indicate altogether to what extent those questions had been attacked by the Air Ministry, and I therefore raised the matter with them. I have received a reply on the subject from the Air Ministry, but I think the Accounting Officer would probably prefer to give the Committee his answer now in his own way.

3485. Will you do that, Sir Arthur?—(Sir Arthur Street.) Yes, Sir. The principle to which the Comptroller and Auditor General has referred, that is, the principle of a fair return on capital engaged for the time during which it is employed, was laid down in the Treasury Minute, I think, dated June, 1936. That Minute did not seek to lay down that principle in hard and fast terms, as one which was to be rigidly adhered to. In fact, the Treasury Minute recognised that there were certain practical difficulties in the way of applying it. But I can assure the Committee in this sense that, notwithstanding the practical difficulties, which are very real, that principle and the importance of observing it have been ever present in our minds and have been taken into account to the fullest extent practicable. The Committee may be aware that in pre-expansion days the standard rate of profit on Government contracts was very broadly of the order of 10 per cent. on turnover. Then came the great expansion with rearmament; turnover increased and that necessitated an increase in capital and in the early days that capital was found by the industry itself; therefore whatever was considered appropriate in pre-expansion days by way of profit on turnover was still appropriate. But gradually turnover increased still more, and assistance in the way of capital had to be supplied by the State, and so the ratio between turnover and capital employed was disturbed. If we

may take a hypothetical example, let us assume in a particular case that in pre-expansion days turnover to capital was in the ratio of one to two; then the next phase in the expansion programme arrived and the ratio of turnover to capital probably became one to one, and to-day the ratio might very well be two to one.

3486. May I just interrupt you for one moment there, because as I see it there are two reasons on which turnover can increase in relation to capital. One is the rate of turnover, that is, how rapidly the capital is being used for the production of aeroplanes, or whatever it may be; and the other reason to which you are referring, as I understand it, is that if the capital of the company is not the only capital employed in the business because the Government have also brought in other capital, that will also alter the proportion which you are considering, but as I understand it you are taking no account of the other cause for change?—I am taking account of both causes. On the one hand, the rapidity with which turnover has developed is due to various factors, such as the increase in orders, in the extent of sub-contracting, night shifts, double shifts, and that sort of thing; and on the other hand, the proportion which the firm's own capital bears to the whole capital employed may go down as a result of the inflow of capital supplied by the State. In the instance which I gave of the change in the relationships between turnover and capital, I think it is true to say that, matching that, the rate of profit has come down proportionately. If we started at 10 per cent. we are now nearing 6 per cent. Profit has come progressively down, 10, 9, 8, 7 and in some cases 6, as the ratio has changed in the way that I have indicated.

3487. Do you make any attempt to ascertain the capital employed in the business or do you take it on this sort of comparison with previous years?—As you are aware, Sir, there is no formula to which we can have recourse for determining the capital that is employed. It is a matter of *ad hoc* assessment in each case, and the information is frequently lacking that we need for that purpose.

Chairman.] You have already answered a question I was going to put to you.

11 *May, 1939.*] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.]

Mr. *Mabane.*

3488. In the case of particular factories, is the ultimate outcome of the year's working of the factory ever brought under your notice? I mention that because on an earlier occasion when we were being given information by the Treasury, it was indicated to us that often a rate of profit on turnover might result in a quite fantastic profit on the company as it was capitalised. What I want to ask is whether you do look at those two factors, perhaps at the end of a year's working, in order to assist you in determining or arguing for a lower rate of profit on turnover?—(Mr. *Cotton.*) Yes, we do. We try to analyse every firm's accounts as they come out at the end of each of their financial years, and draw such conclusions as we can from the results which they have achieved.

3489. I think the point put by Sir Richard Nind Hopkins was that even a percentage on turnover of one per cent. might result in a fantastically large profit on the capital of the concern?—If the capital structure was sufficiently fantastic.

3490. I mean the capital employed in reality; I do not mean the capitalisation; the actual capital goods employed?—Yes, it is conceivable.

3491. The next question I want to ask is whether that process has enabled you to reduce the percentage of profit on turnover in any or in many cases; I mean that you have been able to say to a particular firm: "Look here, your profit on the capital employed as a percentage of the capital is so much. Clearly you can accept a lower rate of profit on your turnover and really do as well as you might be expected to do"?—That is in essence the argument which is being employed to substantiate our case for a reconsideration of the McLintock Agreement.

Mr. *Lewis.*

3492. Arising from that, do I understand that it might quite easily happen that the Air Ministry would consider it right to pay two different prices for the same article because of the different circumstances of the capital structure of the two companies that produce those articles?—The capital structure, no.

Mr. *Lewis.*] But if the capital structure once comes into it surely that must arise?

Mr. *Mabane.*] I was not referring to capital structure; I was referring to the actual capital goods that are there, without regard to the nominal figure of the capital.

Mr. *Lewis.*] I misunderstood you.

Mr. *Lathan.*] Is this the paragraph on which we get information as to the measure of assistance which is given?

Chairman.] No, that does not come on to the shadow factories. Those are private factories to which Government assistance has been given. It does arise later.

Mr. *Lathan.*

3493. Do I understand that in the consideration of earning profit two factors are taken into account: first, the measure of payment for the capital employed, and secondly a profit on the turnover or a profit related to the turnover?—The process is this: that when we are endeavouring to fix a price we have got to arrive at some rate of profit which we are prepared to allow, and in fixing that rate of profit we take into account all the considerations which we consider to be relevant, including the relation of the firm's turnover, so far as we can ascertain it, to the firm's capital.

3494. That is only the one factor, is it?—That is one of many factors.

Mr. *Culverwell.*

3495. As a result of that, might you have varying prices between different firms for the production of the same article?—You certainly might.

3496. Do you, in fact?—To the extent only of the profit element?

3497. Do you, in fact?—That is a very difficult question to answer, because you are assuming two firms producing the same article.

3498. Yes?—These considerations mainly apply to firms which are producing, on account of the Air Ministry, airframes or engines, and it is only in rare instances that we get more than one firm producing one particular type of airframe or engine. But I can conceive that if we were to put out the same type of airframe to two firms, one of which was in its early stages of airframe manufacture and had not arrived at anything like the state of rapid production that the other one had attained we might (supposing the first firm had

11 May, 1939.] SIR ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., MR. L. V. MEADOWCROFT, and MR. J. T. COTTON, O.B.E.

no capital assistance), have to allow that firm a higher rate of profit than the firm which was in full production.

Chairman.

3499. I am sure the Treasury have considered this question from many points of view. Have they anything to add to what the Director of Contracts has said on these matters?—(Mr. Gilbert.) No. We have been in these discussions with the Air Ministry in recent months. The committee will probably remember that the principles of trying to settle these prices were laid down in a Treasury Minute which I think was placed before the Committee something like a couple of years ago. (Sir Gilbert Upcott.) That is the reference which I made in my paragraph. It is to the principle laid down by a Treasury Minute. (Mr. Gilbert.) Which pointed out the importance of trying to check up the actual price in relation to the capital employed, but the actual practical working out of that, as the witnesses say, is a matter to be considered in each individual case, and probably does give rise to some difficulty.

Mr. Mabane.

3500. That is the Minute submitted to us by Sir Richard Nind Hopkins?—Yes.

3501. It was in my mind when I was asking those questions, because I think two years ago in support of that Minute Sir Richard Nind Hopkins assured us that that method would be employed?—It is a Minute on Contract Proceedings of the 5th June, 1936, which I feel sure was laid before the Public Accounts Committee.

Sir Isidore Salmon.

3502. There is only one point I notice the Director of Contracts has not mentioned, and I suppose it does come into consideration: the essence of the whole of your contracts is to get delivery?—(Mr. Cotton.) Precisely.

Mr. Culverwell.

3503. Would one be right in saying that the element of competition has now disappeared from air industry contracts?—It has disappeared in the case of airframes almost entirely, and in the case of engines and certain other supplies, but there is a very wide range of supplies in which it is still possible to get competi-

3504. Do you get competition?—Undoubtedly.

3505. I did not know?—For a very large range of supplies; not for airframes or for engines.

3506. But for smaller articles or materials?—Yes.

3507. I was only wondering, because you fixed the engines and the carburetters and airframes on a fair profit basis which rather abolishes the element of competition. I was wondering how it acted in other Departments?—In regard to all the products which are being made in shadow factories, the shadow factories have been created because there is not sufficient output without them, and in those cases competition has disappeared for the time being, but, outside the range of airframes, engines and certain instruments and other supplies peculiar to airframes and engines, we still purchase a very large proportion of our supplies by way of open competition.

Chairman.

3508. Mr. Comptroller and Auditor General, have you any further remarks to make on this subject, having heard the discussion?—(Sir Gilbert Upcott.) Sir Arthur explained to the Committee the way in which the percentage of profit on the cost of the contracts has been successfully reduced owing to the expansion programme. What I want to emphasise is that it is the enormous increase in the orders placed since April, 1938, which has made so much more important than formerly the question of the rate of profit on the capital employed for the period for which it has been employed. I think the Air Ministry would agree that, as Sir Arthur indicated a little while ago, they are now finding that the McLintock Agreement is not now fully sufficient to cover the point, and Sir Arthur has said that the Air Ministry are negotiating some addition to or modification of the arrangements to take effect as regards contracts which have been placed since March last. I do not suppose that he is in a position to inform the Committee of any conclusions at the present moment, and of course there will remain the questions which arise out of the enormously increased output which has taken place during the year from the spring of 1938 to March, 1939, from which new arrangements may operate.

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

3509. Can you tell us anything about that, Sir Arthur?—(Sir *Arthur Street*.) Perhaps I may say at once that I fully accept what the Comptroller and Auditor General has said about the change in the environment of this industry that has taken place recently arising from the enormous expansion in orders, and, as he rightly says, it is because of that mainly that the McLintock Agreement is being revised. As I said earlier on, we have taken special care to see that no contracts have been negotiated under the old agreement since the negotiations began, but I can go further and say to the Committee that we are hoping (we may be unsuccessful) to apply such modifications as may be eventually agreed, to current deliveries under earlier contracts (contracts that may be a year or more old); that is, to deliveries under those contracts as from a date to be agreed between the parties—March 1st or April 1st, or whatever it may be—so that we shall cover not only new contracts but we shall cover deliveries under the old. The negotiations are not yet concluded, and there is nothing that I can really tell the Committee about them. The position has, I think, changed since the Prime Minister's recent announcement in the House to the effect that further steps were being taken to limit the profits of firms mainly engaged in rearmament, and that legislation would be brought before Parliament in due course. That is a fundamental change in the situation.

3510. I think we can pass from that now and we come to Paragraph 5. I would only ask in regard to that: can you give us any indication of the amount of total liability incurred?—I could not give you that information off-hand. (Sir *Gilbert Upcott*.) It is, of course, a contingent liability. (Sir *Arthur Street*.) The total expenditure claimed by contractors to rank for inclusion in possible claims is of the order of £6½ millions.

3511. Now we come to paragraph 6, which is on the shadow factories. There again I should like to ask you: Can you give us any estimate of the total capital cost for which liability has already been or is likely, according to present arrangements, to be incurred? That is a figure which is comparable with the figure of £4,365,000 odd for capital expenditure, which is referred to in this paragraph of the Comptroller

and Auditor General's Report. What I am asking is: What is the total to date for which liability has been or is prospectively to be incurred?—The answer is: between £8,000,000 and £9,000,000; that is, the figure of £4,365,000 has now increased to between £8,000,000 and £9,000,000.

3512. Altogether?—Up to the present.

3513. Turning to the top of the next page, can you tell us how you are getting on with the settlement of these questions? It says: "I am informed that the Ministry hope soon to settle these questions." Can you tell us how you are getting on with it?—Those questions are not yet finally disposed of. They relate, as the Committee will observe, to an amount of about £200,000 out of a total, referred to in the second sub-paragraph of paragraph 6, of £7½ millions—a small proportion of the whole. The difficulty was a matter of the verification and certification of the expenditure, and that process is not yet completed largely owing to shortage of staff, but it is in course of being completed, and will be disposed of as soon as possible.

3514. Paragraphs 7 and 8 belong together. The Comptroller and Auditor General's Report speaks of the incentives to economy. Can you explain to us, Sir Arthur, what those incentives are?—The incentive to economy, as the Comptroller and Auditor General states in his Report, is provided by a clause in the agreements which gives the agents a share in any reduction in the cost of later batches of production as compared with prices fixed by reference to the cost of earlier batches. That is really where the incentive arises.

3515. I notice that you say "only two of the agents, and at two factories the costing system has proved ineffective": do you regard that as satisfactory?—(Sir *Gilbert Upcott*.) That is the information I gave at the date of writing.

3516. That is what was said by the Comptroller and Auditor General: you do not regard that as very satisfactory, I imagine, Sir Arthur, do you?—(Sir *Arthur Street*.) No; the position is improving.

3517. What is the position to-day?—I do not think I have the information to enable me to say precisely how many firms are now in the same position as the two referred to here, but, generally

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

speaking (I have gone into this with some care) the position is now more satisfactory all round. There were difficulties, as the Comptroller and Auditor General says in paragraph 8 of his Report, which we have explained to him, one of the difficulties being that the agents, the firms running these shadow factories, were without previous experience of the requirements of Government accounting. Suitable staff was very difficult to obtain, and the energies of the directing staffs were largely concentrated, of course, on getting production. For those reasons, they got behind in their costing arrangements. I think it is probably true to say that the system that we asked them to operate aimed at the highest degree of refinement in cost accounting, and perhaps asked for rather more detailed information than was strictly necessary under the terms of the agreements with the managing firms. That is why there is a reference in the Comptroller and Auditor General's report to modifications in the system that we have had to introduce in two cases. The modification really consists in the jettisoning of some data that we could afford to dispense with.

3518. What do you say to that, Mr. Comptroller and Auditor General?—(Sir Gilbert Upcott.) I am not in a position to judge yet, as the results have not reached me. They will reach me no doubt when the information is placed at my disposal by the Air Ministry.

3519. Your general answer, Sir Arthur, is that it was unsatisfactory at the start and you consider that partly is the fault of the system, but not wholly?—(Sir Arthur Street.) No.

3520. Would you say there was a failure beyond that?—Yes. I think it is only partly due to the system. It is mainly due to the difficulties to which I have referred—shortage of staff, shortage of experience of Government accounting, and the pre-occupation of the directing staffs with the problems of production.

3521. You think that accounts for the whole position?—Yes; I am quite satisfied that it does.

Sir Isidore Salmon.

3522. In other words, over-elaboration of accounting?—Yes, to a slight extent.

Chairman.

3523. I notice in paragraph 8 it is said that at one factory a modified system has been introduced. How has this been done; has it been done satisfactorily now, do you consider?—Yes. This is a case where our system had to be modified, and the modified system has been worked out in agreement with the agent. I am not sure whether the information is actually available to us yet, but it will be very shortly. We anticipate no continuing difficulty.

3524. In the second sub-paragraph of paragraph 8, at the end, the Comptroller and Auditor General says: "A modified costing system designed to meet the special local conditions has now been agreed and the agents will bring it into force as soon as practicable." That is what is said by the Comptroller and Auditor General. Is it now in force?—Yes; I am advised that it is now in force. The difficulty with that particular firm was one of unparalleled labour difficulties both on the manufacturing side and on the accounting side; there was a further difficulty that the layout of the building, which was a converted mill, did not lend itself so easily to control measures as we would have liked, but those difficulties have now, I am advised, been overcome, and the information that we want is becoming available to us.

3525. Coming to the third sub-paragraph, it says "discussions are still proceeding"; have they been now concluded since this Report was written?—I think they are virtually concluded. The information is not yet available to us, but production in this case has not yet reached the stage in relation to which under the agreement a basic price has to be fixed. We are satisfied that, when that stage is reached, the information will be available.

3526. I notice, on the strength of what the Ministry say, the Comptroller and Auditor General says: "it is not anticipated that the delay in fixing these prices will result in any disadvantage to the Ministry." How exactly do you reckon that?—So long as the curve of cost is falling, delay in fixing target costs tends to work in our favour. That would not be the case if the cost curve had flattened out and was running along more or less horizontally; but that is not the stage we are in yet.

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

3527. Since this Report saw the light of day, have you been getting forward with fixing these prices and arrangements?—Yes. I think that what I might call normal progress is being made. There is no particular hold-up.

3528. Has the Treasury anything to say on all this?—(Mr. Gilbert.) No; I have not. (Sir Gilbert Upcott.) Might I make one observation in answer to what Sir Isidore asked? I do not think the Committee would be right to form the opinion that over-elaboration of the system was the sole or even the major cause of the troubles I have referred to in this paragraph. Upon the information I have before me, it has been due to a failure to work any system in some cases. I quite appreciate, as Sir Arthur has said, that the firms may have been confronted with great difficulties in obtaining staff and inexperience in working the system, but certainly in the case mentioned in the middle subparagraph of paragraph 8 there was no system in operation at all until quite recently. That, of course, may not have unduly serious results, because, as Sir Arthur said, if you fail to cost initial batches altogether, they will have to be washed out, and you will base your costs upon later stages of production, which may, as he said, be more economical, but there is no doubt that in some of these cases there was a breakdown.

Sir Isidore Salmon.

3529. On that point of the Comptroller and Auditor General's observations as to a breakdown, could Sir Arthur or the Treasury say what was the cause of the breakdown? Were they informed by the agents that their difficulty was merely the question of staff and not an unwillingness on their part to help or co-operate?—(Sir Arthur Street.) I do not think there was any question of unwillingness. The difficulties are precisely those I have mentioned. We were creating a new organisation from basement to attic, and these difficulties were bound to arise, but they are now being overcome.

Sir Isidore Salmon.] It is very satisfactory that they are being overcome.

Mr. Lewis.

3530. In the Report before us there is specific reference made to certain individual factories in which difficulty has been found in arriving at basic prices.

Do I understand from that that in the other shadow factories basic prices have finally been fixed?—(Mr. Cotton.) I could not say definitely that a basic price has yet been fixed in any particular case.

3531. That is what I wanted to know?—The machinery for fixing it is in existence.

3532. But the basic prices have not yet actually been fixed in any of these shadow factories?—Because the basic price is not fixed until the factory is well into production. Obviously, we are not going to fix it at the top of the curve. When we reach the stage at which the basic price is to be fixed, it is still a matter of weeks, or possibly months, before the information can be got together and the actual price fixed; but the incentive to get below that price and to earn bonuses on savings below the basic price exists the whole time, whether or not the basic price has been determined.

3533. Once your machinery is there?—Once the machinery is there to fix the basic price, which is nothing more nor less than a yard-stick to measure the savings; we are talking here about the costing machinery. It would be rather stupid, but possibly conceivable, to have all the records available and not fix the basic price or attempt to determine savings until the contract had been completed.

3534. As long as you had the records?—Yes. In all these cases except one we shall have the records in time to fix the basic costs in relation to the batches of production which were specified in the agreements as the batches on which the basic prices were to be fixed. In the one exceptional case we shall fix them on one batch later: instead of on the fifth batch of 25, it will be on the sixth batch of 25.

Mr. Lathan.

3535. Does the operation or otherwise of a costing system arise in connection with the fixing of a basic price or agreement upon a basic price: is that the genesis of your inquiry as to the application or operation of a satisfactory costing system with these agents?—The costing system simply brings out the actual costs which have been incurred in producing a particular batch of whatever it may be, and we get the costs of the specified basic cost batch at a certain stage in

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, C.B.E.]

production, when we are getting somewhere near the time when the curve is going to flatten out altogether. It is a basic cost for the purpose of calculating savings; it is not, strictly speaking, a price at all.

3536. I was wondering whether the failure to operate a satisfactory costing system had been disclosed because of some disagreement in respect of the basic prices?—No. You could not disagree on prices until you had the costs. (Sir Gilbert Upcott.) This is something anterior to the discussion.

Chairman.

3537. Has the Treasury anything to say?—(Mr. Gilbert.) No.

3538. We pass to the next paragraph, on which Mr. Lathan wishes to raise a point. This is the case of the "Assisted" Contracts. I would be glad, Sir Arthur, if you could expound this system to us a little, although we have had in the case of other Departments somewhat similar cases. Perhaps you would explain a little how this works in the case of the Air Ministry?—(Sir Arthur Street.) Might I ask the Director of Contracts, who is responsible for this, to answer?

3539. Certainly?—(Mr. Meadowcroft.) Initially manufacturing capacity was expanded by firms outside the aircraft industry, without special provision of funds, but eventually the scale of production became so large that in a number of cases we had to provide money for buildings and plant. In all these cases the fact that money has been so provided is, of course, taken into account when the price is fixed, on very much the same general considerations as have been mentioned in the case of aircraft contracts. Of course, State ownership is insisted upon wherever that is practicable. I might mention as a matter of interest that the system has been extraordinarily successful on certain types of supplies where we have had to facilitate rapid production. First of all, we have redesigned for that specific purpose, and have secured very much more economical manufacture by so doing.

3540. I notice that halfway down the first sub-paragraph the figure of £600,000 enters, and I should like to ask in this matter: What is the total commitment for which that £600,000 is the figure

given on particular dates concerned?—The total commitment to date?

3541. Yes?—I am afraid I have not got that figure with me, but it is a figure that is going up because, of course, the further we go in this programme, the more difficult the capacity question becomes and the broader the field it has to cover. For instance, when we started, we were concerned merely with very specialised supplies. Later we were concerned with light alloys, for instance, and even with basic raw material. We have assisted one firm for the production of magnesium, for instance, which was a difficult supply. The further we go, the more the figure will go up. (Sir Gilbert Upcott.) It will be in the order of millions. (Mr. Meadowcroft.) Ultimately it will be millions.

3542. You used the word "equipment" and I said "commitment"; that is what I was trying to get?—I did not misunderstand that.

3543. You have not got the figure of the total commitment?—No.

3544. Perhaps you can get the figure of total commitment to date, and let us have it at some later stage?—(Sir Arthur Street.) Yes. (Mr. Meadowcroft.) That would be the commitment, excluding the aircraft or engine industry, because they come into this too?

3545. I think it is all assisted contracts which the Committee would like to have as a whole.—(Sir Gilbert Upcott.) This paragraph, of course, relates to arrangements made otherwise than in connection with the aircraft and aero-engine contracts, but no doubt the Committee would wish to have the total figures; perhaps it would be convenient to have them separately.

3546. Yes. Then we shall get those figures?—(Mr. Meadowcroft.) Yes.*

3547. It says in this second sub-paragraph that the contractors, with one exception, which is a special case, act without remuneration. Where exactly does their profit come in in such cases?—The remuneration referred to here is the remuneration for the purchase of the plant and supervision of the erection of the premises. That is really a separate transaction from the subsequent use of the capacity for manufacture.

* Note by Witness:—The total commitments to date, comparable with the £600,000 referred to in evidence are as follows: (a) aircraft and engine firms, £11,752,000; (b) other firms, £4,074,000.

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

3548. They get their profit out of the articles produced?—On the articles produced. It is legitimate, of course, if the firms press for it, to ask for remuneration on the specific job of undertaking the construction, but mostly the firms have taken the line that the increase of the capacity is in their own interests and they will be satisfied with the subsequent manufacturing profit. (Sir Gilbert Upcott.) As I say in my paragraph, the assistance provided by the Ministry is taken into account in fixing the price. (Mr. Meadowcroft.) Yes.

Mr. Lathan.

3549. That is in fixing the price of the product, I take it?—Yes.

3550. Could you give us some indication as to the lines on which that price fixing proceeds?—It proceeds on the same general principles as have already been explained as applicable to aircraft or engine supplies, that is to say this merely introduces one more factor into what is a very difficult negotiation.

3551. There is no fixed rate for the use of the capital that is involved?—No. That again would depend on several considerations—the proportion, for instance, which the addition bore to the whole, and so forth.

3552. I thought we had been informed in some other connection that a fixed rate for interest was charged? (Sir Gilbert Upcott.) I think you are referring to special grants to contractors at the end of the financial year.

Mr. Lathan.] Yes.

Chairman.

3553. Are there any further questions on paragraph 9? Now we come to paragraph 10, which deals with Civil Aviation. Could you explain the general principles underlying this policy?—(Sir Arthur Street.) The purchase of the civil aerodrome at Heston is part of a wider policy for the development of airports to serve the London area, and, as the Comptroller and Auditor General says in his Report, the purchase was approved on the grounds that it was desirable in the national interests that London should be served by at least one civil aerodrome capable of meeting all foreseeable requirements of long-distance traffic. Heston was the only aerodrome in the London area which could be extended to the requisite size. Those were the grounds underlying the pur-

chase of this airport. The policy of the development of airports for London is progressing. The Committee will be aware that the City Corporation have recently decided to construct what is called a super-standard airport at Fairlop in Essex, and an announcement has recently been made of the intention of the Government to acquire land at Lullingstone in Kent for the purpose of developing an airport there, so that Heston is one of a series of airports that will serve in due course the London area, Croydon being also one.

3554. What is the principle upon which the Government decide to pay for some and leave others to be provided privately?—We would like them all to be provided by local authorities, if that were possible; we made approaches to the local authorities interested at Heston before we came in to buy, but we were unsuccessful in that. Several local authorities were concerned, but not one of them showed any desire to invest in the project, and, as it was necessary to buy the airport quickly in order to prevent building over the site, there was no alternative but for the State to intervene.

3555. I notice there is one particular point relating to this gas company. I notice you spent a certain amount of money both in putting up a light, and you gave a promise of an indemnity. Can you explain a little on what grounds you took that course, because it is quite clear it involves rather a large principle?—The Committee will appreciate that, since the aerodrome was acquired, it has gradually developed into a very important airport for the London area. Until recently, it was used mainly for inland services, but it is now being used for external services as well. The lighting of the gasometer is, of course, done in the interests of safety, and it is necessary that we should have this gasometer properly illuminated at night in order to avoid risks of accident. It was unreasonable to ask the gas company to illuminate its gasholder; they did not ask us to go to Heston; but we wanted the gasholder illuminated, so we have had to stand the cost. That is very broadly the position.

3556. Further, you have given them an indemnity, if I remember right?—Yes. What exactly the indemnity covers, I could not say offhand. The point of it is this, that, if there was

11 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT, and Mr. J. T. COTTON, O.B.E.

a failure of the lighting and an aeroplane crashed into the gasometer, the company might be held liable, and we have had to indemnify them, so I understand, against that risk.

3557. Does the Treasury accept that as a sound principle?—(Mr. *Blunt*.) Yes; the Treasury do not like indemnities very much. They looked very closely into this one, and it was only when they were satisfied on legal advice that the Ministry had a statutory power and that this was a natural consequence of that power that they gave authority in this case.

3558. There is one final matter I would like to ask on this paragraph. On the final sub-paragraph, what are the arrangements as to the management and development of the aerodrome: are they in your hands, or in whose hands are they?—(Sir *Arthur Street*.) They are in our hands, broadly speaking, but there is an arrangement with a firm known as Air Work Limited, which is a company that is engaged in aircraft sales and repairs, flying instruction, and that sort of thing, to manage the airport for us, at any rate, for the time being. That firm is paid a management fee as well as a fee in respect of the services of its accounts department.

Sir Isidore Salmon.

3559. What is it anticipated, Sir Arthur, that this airport is going to cost the State?—I think the cost will be very high.

3560. The maintenance cost?—The maintenance cost I could not say off-hand. The capital cost is still under discussion. I am advised it will be very high. For the maintenance cost we cannot give a figure. (Sir *Gilbert Upcott*.) There is provision in the 1939 Estimates for works services expected to cost about £650,000.

3561. The only point that occurred to me was: Was Heston taken over on account of the international situation, or was it taken over purely on the question of development of airports?—(Sir *Arthur Street*.) It was taken over as part of the programme for the development of airports. The negotiations began as far back as 1935.

Mr. Jagger.

3562. I am rather disturbed as to why the Government should be committed to buying an aerodrome and should then leave it to be managed by the people who owned it before the Government bought it?—As I said, I think, that was a temporary arrangement, and it terminates this year.

3563. That is what I wanted to get at?—Yes.

Sir Robert Smith.

3564. When was this gasholder put up: was it prior to the aerodrome being there or since the aerodrome has been put there?—Prior to the aerodrome.

3565. What contract had the previous owners of the aerodrome with the gas company with regard to indemnity?—I am afraid our information on that is rather scanty. If the Honourable Member would like a short note, I will put one in.

3566. I ask the question because, when it was a private company, it looks as if the gas company, or whoever owned the gasholder, had no indemnity, but, once the land becomes the property of the Government, an indemnity is given?—Yes; but I think the traffic on the aerodrome has greatly increased compared with what it was when the State bought the property.

3567. I would like to know whether there was any agreement between the private company and the gas company with regard to the indemnity before?—(Mr. *Blunt*.) I do not think there was any lighting on the aerodrome until the Government took it.

3568. The position of the owners of the gasholder could not be worsened by it being lit; it was rather improved. Their property became much safer by it being lit?—I think the difficulty was that, once they lit the aerodrome, there was a danger of the light going out, possibly because of some negligence on the part of their staff, and they wanted to guard against that. (Sir *Arthur Street*.) The need for the illumination arose from the development of night flying. The use of Heston for night flying is certainly quite recent, and I think that must be regarded as a new factor in the situation.

(The witnesses withdrew.)

(Adjourned till Tuesday next at 2.30 p.m.)

TUESDAY, 16TH MAY, 1939.

Members present:

Sir Irving Albery.	Mr. Lathan.
Sir Edmund Brocklebank.	Mr. Lewis.
Mr. Culverwell.	Sir Assheton Pownall.
Mr. Jagger.	Sir Isidore Salmon.
Sir Haydn Jones.	Sir Robert Smith.

(In the absence of the Chairman, SIR ASSHETON POWNALL was called to the Chair.)

Sir GILBERT UPCOTT, K.C.B., Mr. B. W. GILBERT, C.B., and Mr. D. F. C. BLUNT, called in and examined.

AIR SERVICES APPROPRIATION ACCOUNT, 1937.

Sir ARTHUR STREET, K.B.E., C.B., C.M.G., C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E., called in and examined.

Sir Assheton Pownall.

3569. Sir Arthur, I think there are two statements which you wish to make before we start. Perhaps you would like to make them now?—(Sir Arthur Street.) Yes, Sir. The first is this: The Committee will have gathered from the evidence given at the previous sitting that the Air Ministry consider that the shadow factories have attained a considerable measure of efficiency as producing units. No mention was, however, made of the part played by the professional industry in getting the shadow factories under way. It is only right that this omission should be made good, and I should like it to be on record in the Minutes of the Committee that in the view of the Air Ministry, this satisfactory position could not have been reached or, at any rate, reached so quickly, without the whole-hearted co-operation of the firms in the professional industry whose airframes and aero-engines were selected for manufacture in the shadow factories. By placing their specialised knowledge and experience, accumulated over a number of years, at the disposal of the firms managing the shadow factories, the professional industry greatly helped them to overcome difficulties inseparable from getting manufacturing concerns into production on a large scale in an entirely new field.

3570. Was there some other statement you wished to make?—The other statement is this: At the conclusion of last week's proceedings I was asked how it came about that the Air Ministry had given to the company owning a gasholder near the Heston airport an indemnity against claims that might arise as a result of the failure of the lighting system which the Air Ministry had caused to be placed on the obstruction at public expense. The explanation is that

the Secretary of State had no power to require the company to illuminate the gasholder. He had to persuade them to allow him to provide a lighting system. The company took the view, not unreasonably I think, that they would be placed in a worse position in the event of a crash due to failure of the lighting than if the lighting had never been installed, because pilots would then be able to claim that the accustomed warning had failed. It was, therefore, necessary to give the company an indemnity covering them against claims arising out of failure of lighting, whether such claims related to damage to aircraft, pilots, passengers, or persons on the ground. Without this indemnity, the Secretary of State would not have been allowed to proceed.

3571. Are there any questions arising out of Sir Arthur's two statements? Then will Members turn to the Air Services Appropriation Account, page vii, paragraph 11. In the first sub-paragraph, Sir Arthur, the original cost, I see, was to have been some £430,000, and the eventual cost is £746,000: would you tell us something with regard to the difference of over £300,000?—(Sir Gilbert Upcott.) It is £882,000 altogether, £746,000 of which falls on Air Votes.

3572. Will you tell us something of the difference?—(Sir Arthur Street.) Yes. The Committee would do well, I think, to appreciate the inherent difficulties of this proposal to construct a modern airport in Newfoundland. The airport, as finally approved, consisted of a land aerodrome, a marine base and an auxiliary marine base. The proposal was to construct those facilities at a place subject to very heavy snowfall and to provide facilities that would be suitable for the most modern types of land planes with their requirements of extensive and

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

well-surfaced runways, adequate blind landing, aerodrome and runway lighting facilities, wireless and meteorological services. The aids to navigation had to be on an extensive scale, because pilots would be required to land on occasions of poor visibility and possibly in snowstorms after a long journey across the Atlantic. A constructional task of this magnitude would have imposed a strain on the works organisation of any Government, and this was increased by the unprecedented natural difficulties which the task presented. The airport had to be cleared from virgin forest, and intensive clearing was necessary before any sound appreciation could be formed of the problems of levelling and drainage. Glacial action had been responsible for irregular rock formation, so that trial borings afforded no indication of the nature of the subsoil or the depth of the rock formation. The presence of snow and the effect of frost and thaw on runway surfaces were, and still are, problems which increased the difficulties of estimating cost with anything approaching normal accuracy. That, Sir, is the broad explanation of the reason why the estimate first made in 1937 was found afterwards to be so wide of the mark.

3573. You mentioned snowstorms: is this intended to be an all-the-year-round service or only a service for the six or eight spring and summer months?—It is designed for an all-the-year-round service.

3574. When do you expect the scheme will be finished?—It was hoped originally to have completed the airport by October, 1937. In fact, the airport is just being completed now.

3575. That is a year and a half late?—That is a year and a half late.

3576. Do you expect that the revised estimate will be right as a final estimate or that there will be further sums required?—We hope that it will be very near the final figure, but, as I said a moment ago, the problem of snow-clearing has not yet been finally solved, and experiments are still in progress with a view to its solution. It may be that machinery (possibly expensive machinery) will have to be obtained in order to deal with the snow problem, and on that account the estimate that is given here may be exceeded still further, but not, I hope, by a substantial margin.

3577. Have the Treasury any views on this question?—(Mr. Blunt.) The

Treasury, Sir, have been greatly exercised about the increase in these estimates, and they have had conferences from time to time to keep in touch with the situation and to find out why the estimate should have gone up in this way. They finally expressed their views in the Treasury letter, which perhaps will sum it up to the Committee, in which they say they are bound to express grave concern at the magnitude of the excess and at the unreliability of the estimates; then they go on to say that they have given due weight to the representations of the Secretary of State in regard to the peculiar difficulty of estimating the cost of this service, and have also received his assurance that the excess has not been aggravated by laxity in financial control or supervision of the works contracts, and in those circumstances they felt able to approve the final estimate as now submitted.

3578. Sir Gilbert, have you anything to say on this?—(Sir Gilbert Upcott.) I have had the advantage of consultation with the late Comptroller and Auditor General of Newfoundland, an officer of my Department, who has recently returned to this country, and I am prepared to support the view that this case is one of bad estimation and not of waste of money. The bad estimation was due, I think, as Sir Arthur has explained, to the inadequacy (inevitable in the circumstances) of the preliminary surveys and also to a lack of experience and capacity, which was also perhaps inevitable, on the part of the officers of the local Public Works Department, but steps have been taken to improve that position.

Sir Assheton Pownall.] Are there any further questions on paragraph ii?

Mr. Culverwell.

3579. What is the position of the contribution from Newfoundland now, in view of the excessive over-expenditure on your estimate?—(Sir Arthur Street.) So far as I am aware, the arrangement still holds that Newfoundland has to bear one-sixth of the capital expenditure and subsequently one-half of the maintenance cost.

3580. Have they objected at all to this?—Not that I am aware of. (Sir Gilbert Upcott.) The Committee will appreciate that it may come out of the British Exchequer.

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

3581. I did appreciate that, and it will eventually be repaid, presumably?—No, I beg your pardon; not repaid. The assistance of the British Exchequer to the Government of Newfoundland is by way of grant, not by way of loan.

Sir Irving Albery.

3582. I should like to ask the Treasury: As it is quite obvious that the Government of Newfoundland cannot meet this charge, what was the reason for allocating a proportion of it to Newfoundland?—(Mr. Blunt.) One of the reasons is that the aerodrome is the property of Newfoundland, and it was thought right that they should bear a proportion of the cost, and, of course, it may happen that in some years there will not be a necessity for the deficit grant in aid, and they will in those years have borne the proportion.

3583. Might I ask also when it was first discovered that this estimate was likely to be largely exceeded?—(Sir Arthur Street.) Towards the end of 1937.

3584. When were the Treasury advised of that?—(Mr. Blunt.) The Treasury knew of it then; there was a conference at which the Treasury representative and all the parties concerned were present, and it was as a result of that conference that steps were taken to secure fully reliable estimates.

Sir Isidore Salmon.

3585. Sir Arthur, was it emphasised by the officials who gave the original estimate that it was only a tentative estimate, and that there were certain potential difficulties, or there might be, that they could not anticipate?—(Sir Arthur Street.) They emphasised that it was a provisional estimate. I should not care to say, without research into the papers, whether they warned us of any likelihood of that estimate being greatly exceeded. I could not say that offhand.

3586. Did the Treasury at the time criticise the original estimate and rather suggest that the figure should be cut down, or did they at the time realise themselves that it was very difficult because there was no experience to go by of the difficulties that they would have to meet?—(Mr. Blunt.) There was no suggestion of cutting it down at all. So far as the Treasury were aware at the beginning, I do not think there was

anything to suggest to the Treasury that the estimate was not a good one, and it was only later that it became obvious that it was not reliable.

Mr. Culverwell.

3587. Was this an experienced officer or were they experienced officers who went out?—(Sir Arthur Street.) The officer who was sent out from the Air Ministry was the then Deputy-Director of Works, who was thought at the time to be the biggest expert available in aerodrome construction—not in the construction of aerodromes in Newfoundland but in the construction of aerodromes generally.

Sir Irving Albery.

3588. With reference to that, after that visit by that officer early in 1937 I understand that the Newfoundland Board of Works, or whatever they are called, were responsible for carrying out the work?—(Sir Gilbert Upcott.) The Public Works Department. (Sir Arthur Street.) Yes.

3589. I imagine they naturally would not have much experience of this work. Was the Air Ministry represented from that time on by some expert officer?—The execution of the works was a matter for the Newfoundland Board of Works right from the beginning. The Air Ministry was not associated with the Newfoundland Government in the actual execution, or supervision of the execution, of the works; that was left to them.

3590. Was there any reason to believe that the Newfoundland Government had any officials who had the kind of experience that would be required for this work?—There was no reason to assume that they had not suitable officials.

3591. Would that be enough? In a big undertaking of this sort would it not be necessary to make sure that there was somebody on the spot who had sufficient experience or knowledge to undertake work of this kind?—I can only assume that had the Newfoundland Government themselves felt any doubt in the matter they would have represented it to us, and as they did not we were bound to assume that they felt confident of their own ability to carry the job through. (Sir Gilbert Upcott.) Might I supplement that evidence? The late Deputy Director of

O.

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

Works of the Air Ministry who went out originally is, I believe, now dead, and it is therefore perhaps difficult to get at the exact facts, but my information is that the Commission of Government of Newfoundland would have wished their Public Works Department to be strengthened for the purposes of this contract, and it has in fact since been strengthened.

Mr. *Culverwell*.

3592. Has it been strengthened from here?—By the engagement of an engineer from Canada.

Sir *Irving Albery*.

3593. I did not quite understand that?—My information is that the Commission of Government of Newfoundland would have wished to strengthen their Public Works Department for the purposes of this contract and it has in fact since been strengthened.

Sir *Assheton Pownall*.

3594. Will the Committee turn to the next paragraph, paragraph 12? Would you tell us something of the functions of this Air Registration Board, please, Sir Arthur?—(Sir *Arthur Street*.) The functions of the Air Registration Board are, first, to make recommendations to the Secretary of State with regard to certificates of airworthiness of aircraft; secondly, it approves aircraft firms to make such recommendations direct to the Secretary of State in suitable cases; thirdly, it conducts examinations of ground engineers for licences; fourthly, it recommends to the Secretary of State ground engineers for licences; and fifthly, and most recently, it undertakes the examination of pilots for an extension of their licences for certain purposes.

3595. What is its income? From where is it derived?—Its income is derived from fees charged to the persons and firms to whom it renders services.

3596. Do you expect ultimately it will make both ends meet at the end of those five years?—I think the prospects of that are not very good because of the extension of functions that is either in view or that has happened quite recently.

3597. Because you mention in the last lines of the paragraph that there is a loss of £7,800; but I see £20,000 was

advanced in the year under review?—That is so. That £20,000 is an initial advance of £10,000 and four quarterly advances of £2,500. That accounts for the £20,000. The loss in the first year was £7,800, but as the Comptroller and Auditor General says in his Report, the functions that were transferred from the Air Ministry were partial. There was a partial transfer only. In fact, it was concerned in that particular year—the first year—with the renewal of licences only, and not with the granting of new licences, but this further delegation of functions is now taking place from the Air Ministry to this representative body and it must follow, I think, that its expenditure will go up and its loss will tend to increase and the estimate that is made of that loss will probably be exceeded.

3598. What about the £12,200 which was not required in the year under review?—That presumably is carried forward into the current year and is helping to finance the current operations of the Board.

3599. Have you anything to say on this, Sir Gilbert?—(Sir *Gilbert Upcott*.) Technically, I think this payment is an incorrect charge. The advance is not a Grant in Aid and therefore literally the total sum has not come in course of payment during the year. I have qualified my certificate to the Account, but as the arrangement is a running one and no doubt the affair will be adjusted over a period of years, I did not think it necessary to suggest the removal of the over-issue from the Account. I have no doubt that the Air Ministry will be careful to see that the advances are not larger than is necessary at any time.

Sir *Assheton Pownall*.] Are there any other questions?

Mr. *Culverwell*.

3600. Was this the work previously done by Lloyd's?—(Sir *Arthur Street*.) No, it corresponds to the work that is done by Lloyd's for shipping, but it was previously done by the Air Ministry itself.

3601. Was it not originally done by Lloyd's?—I cannot say offhand, but I am not aware that it was.

Sir *Haydn Jones*.

3602. I should like to know what the estimate is likely to be?—Five years hence? I could not give a figure. The estimate here in the Comptroller and

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

Auditor General's Report is something of the order of £60,000, but what the Board's working loss will prove to be after that five-year period and what the annual rate of loss will be, it is difficult to say at the moment. I made the point in answer to a question that I thought that loss would prove to be rather greater than we can see it to be now.

Sir *Isidore Salmon*.

3603. Would you mind explaining the second sub-paragraph, where it reads "the Board's working loss over the first five years, subject to a maximum total payment of £60,000. The remaining one-fifth of the loss will be met by outside interests concerned." What does that mean?—The outside interests concerned are those actually represented on this body. They are the insurers of aircraft, the aircraft constructors and the operating air lines. Those three interests defray between them—in proportions which they agree among themselves—this one-fifth of the loss from year to year.

Sir *Assheton Pownall*.

3604. Paragraphs 13 and 14: have you anything to say with regard to the present position of the Empire Air Mail Scheme?—No, except this, that the whole position will be profoundly affected by the proposed merger of British Airways and Imperial Airways, and the forming of a statutory corporation which will take over this air mail service.

3605. Do you think these figures will be final figures or that a fresh agreement will have to be arrived at?—I think a fresh agreement of a kind will have to be arrived at, but it will be a very different kind from the agreement referred to here. The whole basis of the agreement will have to be changed.

3606. With regard to the cost of ground equipment and maintenance, have you any figures with regard to those items at all. They are borne, I think, by the State, are they not?—Yes, they are borne by the State, but I have not the figures with me.

3607. Could they fairly easily be available? They will be of interest to the Committee, I think?—I can put in a short statement very quickly on that.

Sir *Assheton Pownall*.] I think we would like to have that.

Mr. *Lathan*.

3608. Do I understand that under the changed circumstances to which public attention has been drawn recently, the liability for this subsidy of £750,000 will cease?—The subsidy will not cease; the subsidy will continue, but it will be paid to the public corporation instead of to Imperial Airways Company.

3609. Will the necessity for the subsidy exist in the changed circumstances as was the case under the old conditions?—Whether the necessity for it will exist must, of course, depend on the extent of the services which the new corporation undertakes.

3610. Is it too much to ask whether in the new organisation the public interests will be served to the extent of participation in any advantages—financial and otherwise—derived from the re-organisation arrangements?—I think the answer is most decidedly yes, because the new corporation will have no shareholders in the ordinary sense of the term at all. There will be stockholders who will earn a certain fixed rate of interest on their stock, but the organisation will not belong to or be controlled by the stockholders.

3611. But if the operation of the concern proves sufficiently successful to render unnecessary the payment of the amount provided for in the agreement, will there be a modification of the payment?—Certainly. Payment will be made periodically as may be necessary.

3612. That is to say, you are not bound by the conditions which will now operate to contribute a minimum of the sum mentioned?—No, we shall not be bound.

3613. The contribution will be determined by the circumstances connected with the operation from year to year?—Yes.

Mr. *Jagger*.

3614. That, I take it, would apply equally in the event of a greater subsidy than this being required. It would have to be found?—Certainly.

Sir *Isidore Salmon*.

3615. Sir Arthur, if the corporation have big ideas, it is quite possible that

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

it may cost the State a great deal more money than has been anticipated under the private arrangement?—It is possible, yes.

Sir *Assheton Pownall*.

3616. Are there any other questions on paragraph 14. On paragraph 15, Sir Arthur, what is the present position of the Berlin night service? Is that functioning?—Yes, that is functioning.

3617. With regard to the South Atlantic services and the West African one: are they functioning also yet?—No, they are not functioning as services yet. You will see the reference in the Comptroller and Auditor General's Report is to surveys and experimental flying.

3618. Are you starting this summer?—I understand that we still hope to start this summer, but it would not be

possible to give a firm assurance on that point.

3619. Are there any other questions on paragraph 15? On paragraph 16, what is the present position about the North Atlantic?—The present position about the North Atlantic is that an air mail service, which we hope will be regular, is due to start this summer.

3620. Via Newfoundland?—Via Newfoundland, yes.

Sir *Assheton Pownall*.] Are there any questions on paragraph 16? Paragraph 17, Valuation of Stocks: there is an appendix on page 40 which we might take with that. Are there any questions on the appendix or on the figures on page 40? Paragraph 18 is purely formal. Will Members pass now to the figures themselves? Vote A is a statement of numbers. Pages 2 to 5 contain the Abstract.

VOTE 1.

PAY, ETC., OF THE ROYAL AIR FORCE.

VOTE 2.

QUARTERING, STORES, ETC.

(On these Accounts no questions were asked.)

VOTE 3.

TECHNICAL AND WARLIKE STORES.

Sir *Assheton Pownall*.

3621. On Vote 3, there is an item M, "Rewards to Inventors." The appendix is not published, I understand, possibly for reasons of State, but I understand that information is available confidentially to Members of this Committee?—(Sir *Arthur Street*.) That is so.

3622. I think it might be of interest to the Committee if they could be told something about these inventions?—(Sir *Gilbert Upcott*.) Perhaps I might say that the Chairman was informed by the Treasury that this appendix was not being published.

3623. Just a few main items might be of interest to us?—(Sir *Arthur Street*.) The main items are inventions

in regard to suction relief valve for instrument panel; holder and fittings for lamps used in bombing practice; cart-ridge positioning device for machine-gun belts; fittings for flash bulbs for practice bombing; communication device; portable communication device; improvements to machine guns, and so on.

3624. That type of thing?—Yes.

3625. These used to be published formerly, and now you think it wiser not to do so?—Yes.

Sir *Assheton Pownall*.] We can quite appreciate that, I am sure.

Sir *Robert Smith*.

(Questions 3626 to 3628 not printed.)

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.]

VOTE 4.

WORKS, BUILDINGS AND LANDS.

Sir Assheton Pownall.

3629. I have a question on Vote 4. It is on item J, "Portable Hangars," and if the Committee will look back to page 10 they will find also an amount for "Balloons and Hangars" of some £400,000. What is the reason for having two separate items with regard to hangars borne on different votes?—(Sir Arthur Street.) I think the explanation is that the hangars under "I" of Vote 3 are canvas hangars and the other hangars are permanent hangars. I think that must be the explanation.

Sir Assheton Pownall.] Are there any more questions on Vote 4?

Mr. Lathan.

3630. Under sub-head H there is a very substantial difference between the grant and expenditure which is very briefly explained: "The provision made for the equipment of factories was not fully required." Could that be expanded a little? Does it mean that the actual requirements of the situation were over-estimated to the extent of £650,000 odd?—There was probably an element of over-estimation in it, but I think the main explanation is that the weather generally was against rapid construction in that year.

3631. So that you were not able to get those responsible for the provision of the works and lands working to the requirements of the position, rather than that you over-estimated?—Yes, that is so.

3632. That, I imagine, has been made good in the meantime?—In the subsequent year.

Sir Robert Smith.

3633. On D, "Ordinary Repairs, Renewals, and Maintenance," I notice a deficit of £70,000 odd. It says in the note: "Additional drainage and remedial measures to aerodrome surfaces were necessary." So that the question of these aerodromes seems very uncertain, after what we have heard about Newfoundland. There seems to be difficulty here at home, too. You do not seem to be able to estimate very closely here, either?—I think the explanation lies in the fact that aircraft are all the time changing in size and weight, which tends to increase main-

tenance costs and necessitates changes to the aerodromes and to aerodrome facilities.

3634. Does that mean that as far as the subsoil and that sort of thing is concerned, you need better fitting-up of the aerodrome as a whole? Does it not seem unfortunate that you do not provide for that, because as you advance the wear and tear must be greater on the aerodrome, must it not?—That is so.

3635. Ought you not to be able to tell how much it is likely to come to?—It is very difficult to forecast with accuracy in such cases, because one cannot always foretell the trend of aircraft development or operational user.

Sir Assheton Pownall.

3636. Are there any other questions? Will the Committee now turn to page 42, which are the details of Vote 4, "Royal Air Force Works"? Those details run as far as page 67. I have a question on page 42. You have had a great expansion with regard to these services. Can you still get competitive tenders?—Yes, generally speaking we still get competitive tenders for these works services.

3637. There are a sufficient number of contractors in the field, notwithstanding your very big expansion, in order to give you reasonable tenders, as far as you can see?—Yes.

Sir Isidore Salmon.

3638. Whilst you may get apparently competitive tenders, is the competition effective?—Taking it on the whole, we think it is. (Mr. Meadowcroft.) We think it is as effective as it was a year ago.

Sir Assheton Pownall.

3639. Not so effective?—Reasonably effective, we think. Naturally, if the business expands very greatly competition is not quite so keen then, but there has not been, we think, any deterioration in the last year in that respect.

3640. What part is due to the rise in building costs? Has that affected things at all? There has been a rise in the last few years in building costs?—(Sir Arthur Street.) There has been no appreciable rise in building costs in the last year according to our information, except in Scotland, where there has been a small rise, something under 10 per cent.

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

3641. What check have you on costs?—In competitive tendering I take it we rely on the force of competition.

3642. And as far as you can see, it is a fair tendering?—Yes.

3643. Are there any questions on pages 42 to 51? On page 52, "Aircraft storage units," item 100, could you tell us something more about that very big figure?—I am not quite clear what information you would like on this.

3644. It is a big item. We should like a few details. What are "Aircraft storage units"?—Aircraft storage units are units which are constructed for the storage of aircraft that are not in the first line.

3645. Reserve aircraft?—Exactly: which are in reserve.

3646. Your total estimate will be £6,000,000—provisional estimate?—That is so.

Sir Robert Smith.

3647. Might I put a general question? With regard to Scotland, there seem to be very few Scottish places where there has been much work done. Are you cutting down the number of aerodromes in Scotland, or are you increasing them?—We are increasing them.

Sir Robert Smith.] It does not show.

Sir Isidore Salmon.

3648. On the broad proposition where you say "Progress less rapid than expected," are steps being taken to get acceleration of work?—Yes. Where any reference is made here to "Progress less rapid than expected," I think the Committee may assume that the work has been long since completed.

Mr. Culverwell.

3649. I do not know whether it is in this estimate because I do not know the name of it, but there is a large training camp just outside Marlborough?—Yatesbury.

3650. Next to the Bristol Flying Ground?—Yatesbury.

3651. Is there anything for that in this estimate? I am told it has only just been built and now it has been moved somewhere else?—There has been a considerable controversy going on in the Press and elsewhere about this establishment. The position is that Yatesbury is not being moved at the moment. It is now completed and in full occupation.

3652. It is being developed?—It is completed, and we are in occupation at the present time. There is a very large number of people there. There are 2,670 apprentices alone. The intention is that eventually Yatesbury should be closed down and the school and other facilities should be provided at a place called Wroughton, near Swindon. That has been the cause of the controversy.

3653. What astonished me was that the buildings only seem to have been put up in the last three or four months. I am told that already they are going to be moved?—They may not be moved for many years.

3654. Not for many years?—Not for many years.

Sir Assheton Pownall.

3655. Are there any questions on pages 53 to 67? The following three pages we do not take: they are Civil Aviation. They come later on. Will the Committee please turn to pages 71 and 72. On page 72, about half-way down, there is a £15,000 difference in respect of Linton—a total of £40,000 and you expected to spend £25,000?—The Linton site was owned by University College, Oxford, who claimed £43,626 and could not be persuaded to reduce that below £33,500, as against an offer which the Air Ministry made of £17,500. In default of agreement the matter was referred to arbitration and the award was £28,737 and £4,000 for injurious affection.

3656. On the previous page but one—page 70—I did not ask you about Sarawak, the last item but one, £18,600. Sarawak, of course, is not a British Colony?—No. In this case the contribution to the local government towards the cost of construction of three landing grounds in Sarawak on the air route between Singapore and Hong Kong had to be met from Air Votes. The Raja of Sarawak was unable, having regard to other commitments, to meet the entire cost involved, which was £53,000, but he accepted liability up to £25,000. The balance was to have been met from Air Votes, but owing to a change in policy with regard to Hong Kong, only one of the landing grounds has been completed to full scale and the further contribution that will be necessary will therefore be comparatively small.

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

3657. Is this a half-way house between Singapore and Hong Kong? Is that the idea?—It is on the route. It is not half-way.

3658. It will be used in connection with that service?—Yes.

3659. On page 72 there is one other item, "Malta (Luca)," the costs of which are £5,386. It seems a very big sum for costs?—Perhaps the Director of Accounts could answer that question. (Mr. Clothier.) I may say that the legal costs at Malta in connection with the purchase of land are always very high. Anything connected with the law in Malta costs several times more than it does in England. But you have a

greater difficulty. In Malta the first trouble is to find out who owns the land and when you have found out, in order to obtain quite a small quantity of land you may have to treat with possibly a dozen or twenty different owners. Of course, each one has to employ his own lawyer, and the cost, we find, of acquiring land at Malta is almost prohibitive.

Sir Isidore Salmon.

3660. It costs as much as the land?—Almost as much as the land. You have had this question, I think, before.

Sir Assheton Pownall.] Are there any further questions on pages 70 to 74 inclusive?

VOTE 5.

MEDICAL SERVICES.

Sir Assheton Pownall.] Will the Committee turn back to Vote 5? It is on page 17: "Medical Services."

Sir Isidore Salmon.

3661. Are you finding any difficulty in getting enough medical or dental practitioners for your register?—(Sir Arthur Street.) No, I think not.

VOTE 6.

TECHNICAL TRAINING AND EDUCATIONAL SERVICES.

(On this Account no questions were asked.)

VOTE 7.

AUXILIARY AND RESERVE FORCES.

Sir Assheton Pownall.] We will now take Vote 7. Are there any questions?

Sir Isidore Salmon.

3662. On Vote 7, what is the reason for the shortage of numbers of hours' training, that is, the smaller number of flying hours? Or do not you show the

number of flying hours compared with your last year's figures? On the face of it, it does not say that there was any training?—(Sir Arthur Street.) I think the explanation of that is that in 1937 the Auxiliary Air Force Reserve was only just being formed.

VOTE 8.

CIVIL AVIATION.

Sir Assheton Pownall.

3663. On Vote 8 there is a difference of £45,000 on sub-head C. That seems rather a big surplus, as you had a supplementary reduction?—Perhaps the Director of Accounts could give that explanation?

3664. Yes? — (Mr. Clothier.) The under-spending was due to the deferment of purchases of wireless equipment for

Newfoundland, following the slow progress of the work in Newfoundland, about which you have already heard this afternoon; also a deferment of purchase of signals equipment for inland air routes consequent on the belated inauguration of the Maybury Committee scheme for the provision of wireless services, meteorological services and control facilities for all the internal air

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

routes. There was also a curtailment of the programme of radio research due to difficulty in obtaining suitable aircraft to carry out the tests. The total under-spending was £56,000, but that was offset to the extent of £11,000 by acceleration in the supply of marine equipment on the Empire air routes.

Sir *Assheton Pownall*.] Are there any further questions on pages 22 and 23, Vote 8?

Mr. *Culverwell*.

3665. What is the basis of the contributions from the Dominions, Colonial and other Governments—sub-head H?—(Sir *Arthur Street*.) I am afraid I have not the information with me, Sir, to answer in any detail the question about the basis of these contributions, but I shall be very glad to put in a short note to the Committee, if the Committee so wish.

Sir *Assheton Pownall*.] Perhaps you would not mind doing that.

Mr. *Lathan*.

3666. On this Vote, Mr. Chairman, as on others, there are repeated explanations: "Progress was slower than expected," "Progress less rapid than expected"; over and over again we see that explanation. Is that due to those responsible for the estimates anticipating a development which was held up by some circumstance or other?—I think there is always a tendency for estimates to be framed on the optimistic side compared with what is possible and practicable, and difficulties are not always adequately discounted in the estimates.

That, I dare say, is the main explanation, coupled with the fact that the whole department at that time was, and still is, carrying a very great and increasing strain, and there must be some retardation of progress somewhere.

3667. Was that retardation due to change in policy, or something of that sort?—Not so much that, but a steady increase in the burdens to be carried must mean a slowing up at some points. (Sir *Gilbert Upcott*.) On the Air Accounts as a whole, as is pointed out in paragraph 2 of my Report, the gross expenditure is very closely estimated.

Sir *Assheton Pownall*.

3668. The details of this Vote are on pages 68 and 69. Appendix V, page 68: "Ground services," "Service deferred"; to what services do those refer, Sir Arthur? It is not Newfoundland again, is it?—(Sir *Arthur Street*.) No, it is not Newfoundland. That item relates to proposals for a terminal airport at Portsmouth which did not mature owing to the impossibility of reaching agreement with the municipal authorities.

3669. What is the present position?—The present position is that there is no longer any intention to develop an Empire air base at Portsmouth.

3670. Or in that neighbourhood?—Southampton; so far as can be foreseen at present, it will remain at Southampton.

Sir *Assheton Pownall*.] Are there any other questions on those two pages, 68 and 69?

VOTE 9.

METEOROLOGICAL AND MISCELLANEOUS EFFECTIVE SERVICES.

Sir *Assheton Pownall*.] Will the Committee turn to Vote 9, page 24? Are there any questions?

Sir *Isidore Salmon*.

3671. I notice that on page 25 you have an explanation which says: "J." "Due mainly to increased sales of instruments to the Admiralty." Do you buy instruments for the Admiralty?—(Sir *Arthur Street*.) Meteorological instruments: certain of those we do.

3672. It is the usual thing for you to purchase them for other Departments?—For other Departments. (Mr. *Clothier*.) We are regarded as the specialists in meteorological instruments. (Sir *Gilbert Upcott*.) That would be in connection with the new meteorological branch which the Admiralty set up in that year, as they explained when they were here the other day.

Sir *Assheton Pownall*.] Are there any other questions?

VOTE 10.

AIR MINISTRY.

VOTE 11.

HALF-PAY, PENSIONS AND OTHER NON-EFFECTIVE SERVICES

(On these Accounts no questions were asked.)

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

Sir *Assheton Pownall*.] Page 32: "Balances irrecoverable and claims abandoned." Are there any questions? Turn now to the "Losses Statement" on pages 76 to 79 of the Appendices. Are there any questions on any of those losses?

Sir *Irving Albery*.

3673. On page 79 I should like to ask a question. On the item: "Incidents of the Service," I was wondering, with regard to the loss of the aircraft picketed out in a gale, why no attempt had been made to guard against excessive storms. I take it aircraft can be picketed out in rough weather?—Yes.

3674. And that if they were lost under ordinary circumstances in rough weather it would be due to negligence?—(Mr. *Clothier*.) I think perhaps you have in mind that accident at Evanton last year—1938, possibly.

3675. I had not any particular one in mind?—There was such a loss, and in consequence of our experience we had a special technical committee set up to investigate the best means of picketing down aircraft in heavy weather, especially in gales. You will appreciate, Sir, that the difficulty is to find the part of the airframe to which you could attach a cable or anything like that which will not put an undue strain on the aircraft and possibly damage it seriously. But after some months of investigations and also a good deal of experimental work they have now got a screw-picket which will not pull out as happened at Evanton; and they have also come to certain conclusions as to the best apparatus to use and as to the part of the airframe to which you can attach a cable to hold down the aircraft and keep it from what they call kiting, and yet do no damage.

3676. The item below: "aircraft damaged by a storm while stowed on the catapults of three cruisers in the Mediterranean": is that exceptional?—That is quite different. That is a damage to aircraft on board cruisers—the catapult ships—and there is not stowage down below to take aircraft when a storm or a gale is likely to arise.

3677. Does that mean that, whenever there is any gale, we are going to lose them?—I am afraid there is always that danger; in fact, there have been several losses in the Navy (of course, in future

they will answer for those) owing to the fact that the aircraft on the catapults have been damaged in heavy weather.

3678. The last item I was going to ask you about is balloons, because we have seen so many reports this year of lost balloons?—Yes. Again a Committee has been formed to investigate the danger from atmospheric electricity in connection with balloons. I do not know how far they have got, but the whole question is now under investigation.

Mr. *Lathan*.

3679. Under the heading "Aircraft Losses," page 79, item 20, there is a very substantial sum of £71,000 shown for loss of or damage to aircraft under circumstances involving conviction under the Air Force Act: conviction of whom—of the pilots?—It is the conviction of any personnel at all belonging to the Royal Air Force who are in any way connected with the maintenance or the flying or the landing of that particular aircraft and who, through some act which is culpable, contributed to the loss. This item is an omnibus item which we put in by an agreement with the Treasury and with the Comptroller and Auditor General and also with the Service Departments by which we have made the military personnel themselves their own judges. Naturally, they are doing their utmost to get the very highest efficiency in flying and also the best flying discipline, and we have come to an agreement that, where they say in the interests of flying discipline it is necessary to punish anybody by even an admonishment, we shall regard that as being blameworthy for the purpose of recording the loss in Appendix VIII and reporting it to the Public Accounts Committee. So that, even if an aircraftsman has been slightly negligent but nevertheless his commanding officer has come to the conclusion that he ought to be admonished or reproved under the Air Force Act (a summary punishment), we take that, record the loss in there, we report it to you and the details are submitted to the Comptroller and Auditor General, your officer.

3680. There must have been a considerable number of those cases?—A substantial number; quite a number: they are very strict in flying discipline to-day. They find that to be most

16 May, 1939.] Sir ARTHUR STREET, K.B.E., C.B., C.M.G., [Continued.
C.I.E., M.C., Mr. L. V. MEADOWCROFT and Mr. H. W. CLOTHIER, C.B.E.

severe is the only way to keep down accidents. If there is the slightest culpable error of judgment, it is dealt with in that way.

3681. Conviction does not mean conviction in the courts, but by a military authority?—By a commanding officer.

3682. It may mean, in fact, admonition?—It might mean only admonition. (Sir Gilbert Upcott.) There may be a

Court of Inquiry. (Mr. Clothier.) No; a Court of Inquiry has no disciplinary powers. It would be an air officer commanding, a commanding officer or a Court-Martial.

Sir Assheton Pownall.] Appendices I, II and III, pages 34-39 inclusive: Are there any questions on those six pages? May I take it that these Accounts are approved? (Agreed.)

(Sir Arthur Street, Mr. Meadowcroft and Mr. Clothier withdrew.)

(Mr. Gilbert withdrew.)

Mr. H. BRITAIN called in and examined.

TRADING ACCOUNTS AND BALANCE SHEETS, 1937—DOMINIONS OFFICE.

(CONFIDENTIAL REPORT AND ACCOUNTS OF BRITISH PHOSPHATE COMMISSION FOR THE YEAR ENDED 30TH JUNE, 1938.)

Sir EDWARD HARDING, K.C.B., K.C.M.G., and Mr. A. S. GAYE, C.B., called in and examined.

Sir Assheton Pownall.

3683. Will the Committee please turn to the Trading Accounts and Balance Sheets, 1937, page iii of the Comptroller and Auditor General's report, in regard to the British Phosphate Commission. Sir Edward, there is just one point on the second sub-paragraph on page iv with regard to the large balance left without interest of £343,000: that is a rather unusual arrangement for a sum of that magnitude, is it not?—(Sir Edward Harding.) The £343,000 is a total which has been accumulated, so to say, over many years.

3684. Yes, I know, but is it going to remain indefinitely there without interest, because the interest will be £10,000 or £12,000 a year at 3 per cent.?—I do not know whether the British Phosphate Commission has ever considered that point. Perhaps Mr. Gaye could inform the Committee about that. (Mr. Gaye.) We have not specifically considered it in recent years, but it carries out an arrangement approved by all the three Governments concerned a great many years ago, and it has simply been allowed to continue since.

3685. These things may be all right in the early days, when you do not expect to find large sums, but over a third of a million pounds retained in the undertaking without interest does seem a little hard on the taxpayers of the United Kingdom, does it not? The

benefit of the sum being without interest, accrues presumably to those who buy the phosphate who are mainly in Australia and New Zealand; it reduces the price, does it not?—(Sir Edward Harding.) Yes. I can only say that that particular point is a new one to me, and naturally we shall be very glad to consider it in consultation with the Commission.

3686. Have the Treasury any view about this?—(Mr. Britain.) So long as the policy is that the United Kingdom remains a partner in this undertaking and so long as the United Kingdom takes a share in the development and further capital is required for development it is probably cheaper for us to leave money in out of surplus profits than to raise money outside and put it in again, but I agree it raises the general question of whether we should go on contributing to this undertaking.

3687. It was not on the general point I was asking but rather on the point of this very large sum?—(Sir Gilbert Upcott.) It is a matter of management policy; it is not for me to suggest what should be the conclusion. I have thought it my duty to report the very large amounts of profit which have been made and which have been put back into the business without any return to the British Exchequer.

Sir Assheton Pownall.] It is unusual, from the accounting point of view.

16 May, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G.
and Mr. A. S. GAYE, C.B.

[Continued.]

Sir Edmund Brocklebank.

3688. This is not a large sum of money of which no use is being made; it is put back into the business?—(Sir Edward Harding.) Yes. (Sir Gilbert Upcott.) It has been the practice for a good many years to put back surplus profits into the business.

3689. Have New Zealand and Australia also large surplus profits which are being used in the business? In that case, if that is so, it equalises itself out, does it not?—(Mr. Gaye.) They would have proportionate amounts.

Mr. Lathan.

3690. Is this money regarded as being necessary for the working of the business?—Yes; that is our view. The business has developed very fast in recent years, and we have needed all the money we could get in it.

Sir Assheton Pownall.] Are there any questions on sub-paragraph (ii)?

Sir Irving Albery.

3691. If I remember rightly, we actually get quite a good rate of interest on the money which this country has in the undertaking?—Six per cent. on the original capital invested.

3692. I must say that, taking that into account, if profits are retained in the business, it seems to me we ought to get something on the money which is retained in the business. I understood the Treasury to say just now that they did not think it would make much difference financially if we received our money and then had to raise money?—(Mr. Brittain.) What I think I said was that, so long as the policy is that the United Kingdom remains a partner in this business and takes a share in the development and further capital is required for development, it is probably as cheap for us to leave our profits in the business to advance that development as to raise money outside in order to re-lend it to the business.

Sir Irving Albery.] I cannot quite see that from the point of view of this country. If you take £300,000 out and lend it back again at 6 per cent., we should be getting 6 per cent. on it; in fact, we are getting nothing on it.

Mr. Jagger.] And depreciating the value of your holding by that amount.

Sir Irving Albery.] No; I do not follow that you are depreciating your holding.

Mr. Jagger.] You are appreciating it by this method and depreciating it by the other way.

Sir Irving Albery.

3693. It seems to me it goes back entirely to the basis of the working agreement which was made. As far as I can understand, the original idea was that the capital provided was to get 6 per cent. interest?—(Sir Edward Harding.) I do not think there was any definite arrangement that any additional capital put in should get interest. I do not think the Governments have considered that particular point.

Sir Robert Smith.

3694. Might I ask if the amount required for development is likely to be about the same as it has been in the past?—(Mr. Gaye.) I hesitate to prophesy.

3695. There is a possibility?—There is certainly a possibility, undoubtedly.

3696. If you have reached the limit of development, it would, according to Sir Irving's plan, be worth while to take the money out?—I am quite certain that we have nowhere near reached the limit.

Mr. Lathan.] Is Sir Edward arranging to let us have a note?

Sir Assheton Pownall.

3697. It is a matter for consideration in your Department?—(Sir Edward Harding.) Yes. It would have to be considered with the partner Governments, but we should be very glad to arrange that.

3698. On pages 64 and 65 are the Accounts. It would probably be convenient to consider them with the confidential accounts which have been circulated. I notice on the first page of your Confidential Report an appreciable increase in the shipments to the United Kingdom for this year, 1939?—(Mr. Gaye.) Yes.

3699. Is that tendency extending or continuing?—Extending now.

3700. For any special reason at all?—The highest figure up to now in one year was 22,000 tons, and by last Christmas we had already booked over 30,000 tons; since then there have been other demands.

3701. That is 30,000 tons in the six months since 1st July?—Yes, booked forward. It had not been delivered.

16 May, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G.
and Mr. A. S. GAYE, C.B.

[Continued.]

There is no doubt that, as the manufacturers have got to know our phosphate better, they have grown to like it better, and, so long as the freight position renders it possible, I think they will continue to import more of our phosphate than they have done in the past.

3702. Your freight position is shown in the bottom two lines of that page—an extraordinary reduction in costs from over 1s. 6d. per ton to under ½d. per ton. Is not that the special service ships' cost?—Those are our own ships which do more than carry phosphate. They have always cost us more than the ordinary chartered ships for that reason.

3703. You told us, I think, last year that you were considering raising your output to 1,500,000 tons from the present figure of 1,200,000 tons. Do you think the market can absorb these extra 300,000 tons?—It depends on economic conditions throughout the world, to some extent, but the increased demand has been very rapid in recent years, and I see no reason why it should decrease. It has doubled in the last five years.

3704. Mainly from where is it coming?—Australia and New Zealand.

3705. On the detailed figures there is a big balance sheet; I should like to know the present position with regard to royalties. It is on the detailed Trading Account, the second line on the left-hand side, under "Royalties"—£72,871? You were asked about it last year?—I think I was asked last year particularly about Nauru, and I said that negotiations were proceeding.

3706. What has happened?—It has been satisfactorily settled during this last year. These negotiations with natives always take a very long time, and now the full details of the settlement are set out in the Report to the League of Nations on the Administration of Nauru, which was published quite recently. It is rather long, but the full particulars are there given.

3707. On the following sheet, the detailed Balance Sheet, there is an item of outstandings, which have increased appreciably in the year under review. About half-way down the page on the left-hand side "Outstandings," £194,000, is now £337,000?—The difference between "Sundry Creditors" (which is three lines up) and "Outstandings" is that the debts which we owe and of which we know the amount precisely come under "Sundry Creditors";

and "Outstandings" are payments which we know will have to be made but which cannot be exactly estimated. Take, for example, royalty payments.

3708. The £140,000 difference between the two years on that particular item seems a very large one, does it not?—I will give you particulars of the larger ones. There is a sum of £25,000 provided for the cost of recruiting Chinese labour.

3709. A new item?—It is larger this year than the previous year.

3710. Much larger?—I am only taking the large ones. There is an item of £20,000 for the replacement of rubber band conveyors at the two islands. They are very expensive things, and a number of them had to be renewed in this year. There was £46,000 due to shipowners for freight.

3711. Without any comparable item the year before?—I am afraid I have not got last year's figures with me, but the ones I am giving are items on which I am pretty sure there is an increase on last year. (Sir Gilbert Upcott.) Mr. Gaye has not given what is the major balance in that rather miscellaneous collection of credit and debit balances, and that is the credit balance under what the business calls the Phosphate Freight Suspense Account. (Mr. Gaye.) That is on the next page of my notes: that is the reason I had not mentioned it. (Sir Gilbert Upcott.) This heading covers something like ten separate accounts of a very miscellaneous character, and that item "Phosphate Freight Suspense Account," which relates, I understand, to chartered ships, is the largest. (Mr. Gaye.) Yes, £156,000. (Sir Gilbert Upcott.) The main change from last year to the present year is the reduction of a debit balance in respect of new ships.

Mr. Lathan.

3712. Which figure is it in the detailed Trading Account which represents the turnover of the concern?—(Mr. Gaye.) In the right-hand column, the figure for the net proceeds for the year—£879,000.

3713. That is the total turnover?—That is our total sales.

3714. Is the capital employed, the £3,155,000 which is shown on the detailed Balance Sheet, the next Account?—Yes.

16 May, 1939.] Sir EDWARD HARDING, K.C.B., K.C.M.G.
and Mr. A. S. GAYE, C.B.

[Continued.]

3715. It is that capital to which we have been adding in the way that was suggested in the questions a few minutes ago?—Yes.

3716. In the memorandum, which I gather you will submit for consideration or comment, you will indicate whether, in your opinion, that capital is necessary for the turnover?—(Sir Edward Harding.) I thought the Committee's point was whether interest should be payable to the Governments concerned on that additional capital. I understood from Mr. Gaye that he felt the extra capital was necessary. (Mr. Gaye.) Yes, that is certainly my view.

3717. There is an item just below the Sinking Fund: "Sundry Staff Creditors, £75,390." I am a little intrigued by that. Could you give us an explanation?—The reason for that is that a great many members of our staff leave a large proportion of their salaries in our hands; we act as bankers for them when they are up at the islands, for example, because they have no use for their salaries there: we act as bankers for them down at Melbourne, and, when they want it, they draw out as much as they want of it.

Mr. Latham.] That indicates complete confidence.

Sir Assheton Pownall.] Are there any further questions on these Accounts?

Sir Irving Albery.

3718. On the Confidential Report and Balance Sheet, page 3, on the two new motor vessels you have written off a sum of £2,869. I take it you only got delivery of those vessels, of course, at the beginning of the year. You wrote a large amount off the old vessels (£34,000 out of £195,000) but only £2,869 off the new vessels?—The "Frienza," which was the first of those two new vessels, only arrived in the Pacific in April of last year, and the financial year ends in June, so she only had two voyages in the year. The "Triadic," the second one, did not arrive until after the end of the financial year, so she had not anything to be written off her cost.

3719. In the ordinary way what do you aim at writing off? What percentage do you write off: is it entirely dependent upon earnings or is it a certain

percentage?—We do it on earnings. We value each ship at so much per day, and anything that she can save in earnings over and above her running costs goes towards her writing off. I think I have detailed figures each year for that.

3720. You do not depreciate the value of the ships by so much per annum?—Not on a percentage basis. I think, as a matter of fact, we write off much more than ordinary shipowners do. The oldest of our ships, the "Triona," which has only been in commission for about seven years, is now written down to about £19,000.

3721. And it cost originally?—About £160,000.

Sir Assheton Pownall.

3722. Do you employ a big staff on the islands?—Yes; at Nauru we have 83 white staff, and on Ocean Island we have 69 white staff, and, of course, a very large force of coloured labour.

Sir Irving Albery.

3723. Might I ask the tonnage of that vessel, the "Triona"?—I will give it to you exactly: gross tonnage, 4,412 tons.

3724. She cost £190,000?—£160,000.

Sir Assheton Pownall.] That is £35 a ton.

Sir Robert Smith.

3725. What is the size of the other two newer boats: are they the same size?—No; they are considerably bigger. The "Triona" carries 6,500 tons of phosphate, and the two new ships carry 9,400 tons each.

3726. There comes a time when all cost is written off. You put the whole of your earnings to reducing the value of your ships?—The ships' earnings, yes.

3727. The whole of the ships' earnings?—They are the profits, I should say, more than earnings.

Sir Assheton Pownall.] Are there any further questions on these Accounts? May I take it that these Accounts are approved? (Agreed.)

(The witnesses withdrew.)

(Adjourned till Thursday, at 2.30 p.m.)

THURSDAY, 18TH MAY, 1939.

Members present:

MR. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.
Mr. Benson.
Sir Edmund Brocklebank.
Mr. Culverwell.
Mr. Jagger.
Mr. Lathan.

Mr. Lewis.
Mr. Mabane.
Sir Assheton Pownall.
Sir Isidore Salmon.
Sir Robert Smith.

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

TREASURY MINUTE ON PARAGRAPH 1 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir RICHARD V. NIND HOPKINS, K.C.B., called in and examined.

(On this Minute no questions were asked.)

PUBLIC INCOME AND EXPENDITURE ACCOUNT, 1937.

Chairman.] Please turn to the White Paper, Public Income and Expenditure Account. I have not any questions to ask Sir Richard on that. Are there any questions on this White Paper?

Sir Isidore Salmon.

3728. You remember last year, Sir Richard, the point was raised as to the National Savings Certificates. On page 4 it says: "By National Savings Certificates, £24,300,000", and on the opposite page occurs the same figure: "Repaid by issues, £24,300,000": what I do not quite understand is this: What does this "Repaid otherwise" under (b) mean?—(Sir Richard Hopkins.) I think the point is that in the course of the year we received the sum of £24,300,000 as payment from people who were taking out new certificates. At the same time a number of people were asking for repayment of old certificates. The latter was a larger class than the former. So far as the £24,300,000 went, it was used for the purpose of repaying certificates which were presented for encashment. For the rest there was a balance of £4,300,000 which was, of course, obtained from the general resources of the Exchequer.

Mr. Lathan.

3729. Embedded in that amount of £28,600,000 would be the interest that had accrued on those certificates which had matured or which had earned interest?—No. The amount of the interest would appear on the previous

page and would be included in the National Debt charge. This was the actual capital repayable. (Sir Gilbert Upcott.) The Finance Accounts, 1937, show a charge of £10,550,000 for interest, which is additional to this capital sum.

3730. Where does that appear?—(Sir Richard Hopkins.) That will be included in the item of £215,000,000 odd at the top of page 3.

3731. Is not the interest on the certificates regarded as an annual liability and is not an allocation made accordingly?—No.

3732. Or do you wait until they mature?—We wait until they mature and then pay the whole interest in the current year.

3733. That has a tendency to weight up the expenditure in that year?—If in any year the interest accrued and paid upon certificates which have been cashed is greater than the accruing interest, then it does, to that extent, weight up the interest for that year. On the whole the experience has been rather to the contrary.

Mr. Culverwell.

3734. With regard to the item of £39,000 odd for Suez Canal drawn shares, do the terms of the arrangement provide for the amortisation of the loan at the end of the lease period?—I do not think so. There is the provision for the drawing of a certain number of shares every year, and those as

18 May, 1939.] Sir RICHARD V. NIND HOPKINS; K.C.B.

[Continued.]

drawn are repaid, but there is no corresponding provision for the amortisation. We do not know but that at the end of the lease there may be an arrangement for renewal.

3735. I did not know whether it was designed to redeem the debt at the end of the lease?—No; it is not fast enough for that. I ought to have pointed out

that these are shares which are drawn, but I do not think the drawing of shares is anything like fast enough to liquidate the whole thing by the end of the period of the existing lease.

Chairman.] Are there any further questions? May I take it that these Accounts are approved?—(Agreed.)

CONSOLIDATED FUND ABSTRACT ACCOUNT, 1937.

(FINANCE ACCOUNTS, 1937.)

Chairman.

3736. Now will you take the Consolidated Fund Account. Turn to the report of the Comptroller and Auditor General on page 9. On paragraph 2 I should like to ask you, Sir Richard, about this: It says that "charges for interest were, however, nearly £5,500,000 greater than in 1936-37." Can you tell us why that interest charge went up by that substantial amount?—(Sir Richard Hopkins.) I think there was some increase in the interest paid upon Savings Certificates, but for the rest I think it was chiefly due to the funding of a certain amount of floating debt. In the year previous we had issued 2½ per cent. funding bonds, and the whole year's interest came in for the first time in this year. In relation to that year we issued the first issue of Defence Bonds, and those, being for a longer period than Treasury Bills, were more expensive than Treasury Bills in the previous year.

Mr. Mabane.

3737. The floating debt did not contribute to that increase in interest at all?—I do not think so. I think that between the year that we are considering and the previous year the rate of charge for the floating debt was almost the same.

Chairman.

3738. I do not think anything arises on paragraph 3. Are there any questions? On paragraph 4 perhaps you will give us an explanation generally of this paragraph and the effect of it?—When I come next time, the Tithe Accounts are going to be taken as a whole and I may have to go into it at rather greater length then.

3739. Are you not on the wrong paragraph?—I beg your pardon.

3740. It is paragraph No. 4, the question of the superannuation and retention

of office by certain people?—I think there is very little for me to add to what has been said by the Comptroller and Auditor General here. This case was taken and the member of the court who took it succeeded, and subsequently the matter was adjusted by legislation. In the meanwhile it was inevitable that he should remain a member of the court and also inevitable that he should not actually sit, because, until the legislation was passed, the litigation was under appeal, and in the event of a contrary decision having been given in a higher court, great difficulties would have arisen if he had been sitting in the meanwhile.

3741. Are you satisfied that the position has now been cleared up so that we are not likely to have a similar position again?—I think it is fully cleared up by the legislation which was passed.

3742. On this particular side, at any rate?—Yes.

Mr. Lathan.

3743. You were deprived during the interim period of the services of the gentleman concerned?—Yes.

3744. For how long?—Rather more than a year. (Sir Gilbert Upcott.) Not quite so much as that; about eight months. (Sir Richard Hopkins.) Eight months, I am told. I am sorry.

Chairman.

3745. Paragraph 5 is the tithe question, but, of course, the aspect which we are considering in this particular paper is not quite the same aspect as the one which we are going to consider next time when we come to the particular point on that day?—That is so.

3746. There are a few questions I think we should deal with to-day on it?—Yes.

3747. In the third sub-paragraph there arises a question of the amount involved in what is not strictly agricultural land. Can you tell us how much roughly that

18 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

is likely to amount to and whether in due course we shall get what is due under it?—The second question I can answer with precision. The exact calculations of the amount of tithe which was applicable to agricultural and non-agricultural land could not be made at the time, but they will have been completed before the end of this financial year, and a final adjustment will be made. The actual adjustment which is requisite still is, I think, an adjustment only in the region of £400 or £500. I am afraid I have not any figure with me here which would enable me to divide up the total tithe of the year between agricultural and non-agricultural subjects. I could, I think, bring one next time, if it would be of interest.

3748. No. I think the point was to know roughly the general figure of the amount which was involved in this paragraph; I think you said it was between £400 and £500?—Yes; that is so. That is the adjustment which still remains to be made.

3749. It is a comparatively small figure?—Yes; we are sure of that.

3750. And you are satisfied we shall get our due in the end?—Yes. It will be cleared up within the limits of this financial year.

3751. On the fourth sub-paragraph of paragraph 5, on the experience which you have now had of the working, do you substantiate the statement which was, I think, at one time made that the Exchequer would pay what it was paying before?—Yes.

3752. And not more?—I think that is so. I do not think anything has so far arisen to alter that calculation to any material extent.

3753. On the final paragraph the Comptroller and Auditor General speaks

of a non-recurring payment of £2,000,000. Will the Exchequer ultimately recover the whole of that amount?—I think so. The whole basis of the tithe scheme was that the incomings and the outgoings of each year would not balance; that there would be a substantial deficit in the initial years, but it was contemplated that they should balance and leave no liability to be met by the Exchequer or otherwise at the end of the 60-year period, and, so far as the scheme has gone up to the present, it has been going quite satisfactorily.

3754. You are satisfied, therefore, so far that there is no reason to doubt that it will work out as expected?—I think there is no doubt, no.

Chairman.] Are there any further questions on paragraph 5?

Sir Isidore Salmon.

3755. Only for information perhaps you could answer this: As regards Queen Anne's Bounty, what is the fund there? What amount of money is in credit under that fund?—The particular sum which was provided by statute and which is referred to here is a sum of £2,000,000, the whole of which was transferred at the outset of the scheme. It was a sum which was available within the limits of the financial competence of the scheme to be given to them for the purpose of mitigating the transition from the old rate of tithe to the new and lower rate of tithe in the case of clergymen with very small stipends.

3756. Will the fund be fed again by any means?—The Tithe Redemption Account is being fed every year by the tithe redemption annuities which are coming in, and by the annual payment from the Exchequer.

(TRADE FACILITIES ACTS, ETC. STATEMENT OF GUARANTEES AND ACCOUNTS, 1937.)

Chairman.

3757. Coming to paragraph 6, will you please take with paragraph 6 the White Paper on Trade Facilities? What, in your view, Sir Richard, is likely to be the total guarantee in respect of the Royal Mail Group, or what was the total guarantee?—(Sir Richard Hopkins.) The total amount which was at risk from the point of view of this Exchequer, as distinct from the Northern Ireland Exchequer, in the Kylesant Group was in the region of £5,000,000.

Most of it, of course, went wrong at the outset, and a very substantial sum has had to be paid upon those guarantees. Already material sums have been received in reimbursement, and, though the ultimate out-turn depends upon the possibilities of realisation of shares which we now hold as security, I have every hope that the losses will not be very large in the end.

3758. What in fact are you doing with the shares? These are the shares referred to at the end of the paragraph, I take it?—Yes.

18 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

3759. What are you doing with those: are you putting them on the market, or what?—No; they are not capable of realisation usefully or fruitfully at the present time. They are being nursed; they are not being watched merely by the Treasury; they are in very competent hands and will be marketed as soon as an appropriate time for marketing them comes.

Chairman.

3760. On the paragraph prior to that, the large paragraph on page 13 which begins "In May 1937", am I correct in assuming that this represents the final settlement with the companies?—This is the final settlement, yes. In effect, all the old dead wood of the Kylsant structure has been cut away and the companies are now operating as practical companies, and what used to be the debenture holders and fixed charge holders of the old companies have now become the ordinary shareholders of the companies as they now stand.

Sir Isidore Salmon.

3761. Would you mind saying first what is the capital loss that has been made out of the £5,000,000 that was originally advanced?—Out of total loans which were guaranteed by the Treasury in respect of this group of companies, which amounted to £5½ millions, we have made payments in fulfilment of the guarantee which amount to £4,000,000 for principal and some £700,000 for interest. The total amount which we have actually received so far in repayment is just short of £2,000,000. There is, therefore, something in the region of £3,000,000 (rather more) outstanding and to be recouped, not, of course, by reference simply to these two large shareholdings which are referred to in this paper, but also by one other very large shareholding which has been referred to at other recent meetings.

3762. But the fact is that outstanding at the present moment is, in round figures, £3,000,000, of which you have in shares something in the region to-day of £453,409 received in 1937. Is that the position?—(Sir Gilbert Upcott.) We hold shares of a nominal value of £1,700,000.

3763. The total amount is £1,611,000?—(Sir Richard Hopkins.) The Comptroller and Auditor General was speaking of the liabilities in respect of these two

particular companies which he is referring to here. What is due to us here is £1,600,000, and the nominal value of the shares we hold is £1,700,000. When I was speaking earlier, I was speaking not of the finance of these two particular companies only, but of the finance of the whole group.

3764. Therefore, so far as the Treasury is concerned, our liability is within the £3,000,000 which you refer to?—Yes.

Chairman.

3765. It is more than a liability, is it not? We have actually found the money?—Yes. The liability, which we have actually met and which has not yet been reimbursed to us, is in the region of £3,000,000.

Sir Isidore Salmon.

3766. That is money that we have loaned them; we have paid out the £3,000,000; we have fulfilled a guarantee?—We have fulfilled a guarantee.

Chairman.

3767. Against that, we have these £1,713,000 shares of these two companies and the further items to which you were referring just now?—We have a large interest in another company.

Sir Isidore Salmon.

3768. Do all these shareholdings bring in any interest to the Treasury?—Apart from the company I have just mentioned, there is Company "A" where nothing is being received at present, but a recent balance sheet shows that it is beginning to get into its stride again; the other is Company "B," the shares of which have been up at times as high as 25s. and are about par now.

3769. Are you getting any interest now?—Yes; Company "B" has been paying something in the region of 5 per cent for some time, but not Company "A."

Sir Irving Albery.

3770. I do not quite understand who the lenders are in this case, and secondly at the bottom of page 12 it says that the company repaid advances of £185,000 relating to a certain vessel completed, but was unable to repay £950,000 relating to two other vessels?—Yes.

3771. Was not that a case in which, if repayment could not be made, the vessels might have been disposed of?—Yes, I think it would have been theoretically possible for the Treasury and the

18 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

other creditors in 1929 or 1930 when the Kysant trouble arose to have enforced their security and sold the ships, in which case I think our losses would have been enormously greater than they are likely to turn out in the end. You will remember what actually happened was that the creditors as a whole got together (I think it was very largely on the initiative and certainly with the approval of the Treasury) and decided that they would try to make the best possible arrangements that they could under which the business would be carried on, and by releasing their mortgages and taking merely shares in new operating companies and the like they would hope to do better for themselves as well as for the British Mercantile Marine, and I think it has been generally accepted that the arrangement which was then made has proved to be for the best. If you had taken these ships out of these great organisations in 1929 and tried to sell them, of course you could have sold them, but you could not have got more than a fraction of what was lent upon them.

Mr. Mabane.

3772. You do anticipate, I gather from what you have just said, to realise eventually something like par on those £1,713,000 worth of shares?—That is what we hope to do.

Mr. Lewis.

3773. I understand that with regard to this group the position now is that that old debenture rights have all been settled and new share rights accepted in these new re-formed companies in place of them?—That is so.

3774. Did I understand you to say that up to the present none of these share rights have been sold?—I think there have been a few realisations mainly carried out by two realisation companies which were formed *pari passu* with these arrangements and of which the late Deputy Governor of the Bank of England is the Chairman.

3775. The intention with regard to all these holdings is to hold them until it is considered that conditions are normal and then to dispose of them and wind the whole affair up?—Yes.

Sir Robert Smith.

3776. With reference to the last subparagraph on page 12, are the terms of the guarantee of the Northern Ireland

Government the same as the terms of the Treasury guarantee?—They are very similar. They have acted in unison with us throughout the whole of this matter.

3777. Have not the Northern Ireland Government some under the Treasury?—No. This is not a reserved service from their point of view. It is their own responsibility. (Sir Gilbert Upcott.) The guarantee was given by the Northern Ireland Government, not to the Northern Ireland Government.

3778. By the Northern Ireland Government to the company?—Yes.

3779. It makes the actual amount advanced very much greater. You have to take the two together to get the maximum amount advanced to the company?—(Sir Richard Hopkins.) That is true.

3780. It reduces the value of our holding in the company. Have they any lien on the property?—No, they have taken shares just in the same way as we have. I would like to make perfectly clear that other secured creditors, banks and debenture holders generally, and so on, have all made the same type of arrangement as ourselves. We have not allowed other creditors who ranked *pari passu* with us to get ahead of us in any way. It has all been worked as a co-operative arrangement between the secured creditors as a whole.

Mr. Benson.

3781. When the Northern Ireland Government gave that guarantee did they have to get Treasury consent?—No, that is within their own competence. They have their own Act under which they have been in the habit for some time past of granting trade facility guarantees. They continued it long after we abandoned it and I think they grant them still. It is all within the competence of the Northern Ireland Government.

3782. That means that they may give any guarantees they like to Northern Ireland firms and the bill ultimately comes to us?—No, they have to pay the bill.

3783. Out of what?—To the extent that they suffer heavy losses and charged those to revenue it would be a matter for the Joint Exchequer Board to decide to what extent that could be allowed to affect their contribution to Imperial revenues.

Mr. Benson.] Exactly.

18 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

Mr. Lathan.

3784. The same point was arising in my mind. You have no estimate of the extent to which we have actually indirectly been penalised by the guarantees that they gave?—No, I must speak from memory now, because I have not the facts very clearly in my mind, but I think in the main these loans which have had to be met by the Northern Ireland Government have been met out of capital resources.

3785. There is a suspicion in certain quarters that they more readily meet requests of this kind in the belief that the responsibility will ultimately fall here rather than on Northern Ireland shoulders?—I do not think that is altogether justified. Certainly, the ultimate settlement of the contribution to Imperial Revenues by Northern Ireland from year to year, though it has so far been governed by fairly definite rules, is a matter for the Joint Exchequer Board.

3786. If your anticipations are realised, as I hope they will be, the nett result of the transaction that the British Government will sustain will be a loss of interest on the capital involved?—I think that is quite reasonable to hope, that it may come out in some such way. It is not unreasonable to hope that we shall get some interest too.

Chairman.

3787. Paragraph 7: Greek Loan. Can you tell us what the present prospects and position are?—That, as you know, has proved a very difficult question for years past. There has been no definite settlement between the general bondholders and the Greek Government since March 1937. We of course follow upon the lines of the general settlement if and when it is reached, but it is proving very difficult indeed.

Sir Irving Albery.

3788. This Greek Loan, I take it, is the gold loan which we are still paying in gold?—Yes, that is so, and it will still continue for about six years, when it is finally redeemed.

3788A. I do not know whether this is information which you mind going down, but most of it is already held by the Treasury, is it not?—Quite a bit of it is.

Chairman.

3789. Paragraph 8: I notice that of the item (b) at the top of the page, for working capital, for which £1,500,000 is

put down, only some £950,000 has as yet been asked for?—Yes.

3790. Is this a final amount or are they likely to ask for more later on?—The company have the right for some further period yet to ask for the balance, but they have not asked for it and of course we have not addressed any inquiry to them on the subject.

3791. On the sub-paragraph next to the one at the bottom, what is the rate of interest that is paid? It says in the last sentence of that paragraph: "Interest on the mortgage debenture stock has been paid at the rate laid down in the agreement". What is the rate?—If I remember rightly, the interest on the debenture stock was to follow bank rate until 1941, and then to be consolidated into a long term rate according to the terms ruling in 1941 for Government securities. (Sir Gilbert Upcott.) That relates to the "Queen Mary". It runs longer as regards the "Queen Elizabeth".

3792. As regards this transaction, have there been any demands or requests from other shipping companies concerned in the Atlantic trade on the ground that money is being found for their rivals and that it is acting detrimentally to their competitive position?—(Sir Richard Hopkins.) No, I cannot remember any application that has been put forward on that ground. From time to time, of course, representations are received by the Government from shipping interests upon one ground or another, but I do not recall that.

Sir Robert Smith.

3793. Is it not a fact that the Anchor Donald Line are making an application just now on these grounds?—I was not aware that this was a ground.

3794. That is one of the grounds that they are putting forward?—I am sorry; that was not within my knowledge.

Sir Robert Smith.] I think it is.

Mr. Benson.

3795. What percentage of the capital of Cunard do we hold, approximately?—You mean Cunard White Star, the amalgamated company?

3796. Yes?—The capital was fixed, I think, at £10,000,000, of which the Kylsant Group, the Oceanic had 38 per cent., and our interest in that is in the region of 50 per cent.

3797. We have 50 per cent. of 38 per cent.?—That is a rough calculation. It is in the region of that.

18 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

3798. That does not include these debentures?—No.

3799. I was meaning, what was our total approximate holding?—As regards debentures, when the thing is complete we shall have £9,000,000 on the "Queen Mary" and the "Queen Elizabeth" and say £1,000,000 for working capital.

3800. That is £10,000,000?—That will be on debentures or partly on income debentures.

3801. You have £12,000,000 in all, then, in the company?—That will be so.

3802. Do we appoint any directors?—No.

3803. Have we no control whatever over the directors?—Except, of course, in this way, that the directors of the company are appointed in part by the Cunard Company and in part by the

Oceanic interests, and, as I have said, the Treasury and the Northern Ireland Government have between them a large interest in the Oceanic interest and from that point of view it may be said that the Treasury has an indirect power, but it was definitely decided not to ask for anything in the nature of a Government director. We thought that it was wiser that a great international concern of this kind should be managed by an ordinarily appointed commercial board.

Chairman.] Are there any further questions on paragraph 8? I think paragraphs 9 and 10 are mostly formal. Does anybody wish to raise anything on them? Are there any questions on the Accounts, pages 2 to 8? May I take it that the Accounts are approved?—*(Agreed.)*

(NATIONAL DEBT: PAPERS RELATIVE TO THE POSITION AS AT 31ST MARCH, 1939, OF CERTAIN FUNDS LEFT IN TRUST FOR THE REDUCTION OF THE NATIONAL DEBT.)

(On this Paper no questions were asked.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

Chairman.

3804. We come now to the Civil Appropriation Accounts. We have the paragraphs of the Comptroller and Auditor General's Report, 1 to 3 on page iii. I have no questions on those. Now we take paragraph 4, at the top of page iv. I notice that the amount surrendered for this year under review was in the neighbourhood of £17,000,000. I think that is double what it was in the previous year and considerably more than it has been for some years past. Can you express any opinion as to why the amount is substantially more than it was before?—*(Sir Richard Hopkins.)* Yes, I think it was mainly due to the fact that we greatly over-estimated the amount required for Unemployment Assistance and that was due to the fact that during the course of this year the number of unemployed was very largely reduced. I am afraid the difficulty of making an accurate estimate in advance of the amount required for Unemployment Assistance is going to add greatly

to the difficulty of close estimating. In the year which followed this, there was again a large surrender, but not so great as in the year we are discussing.

3805. At the bottom of the page it speaks of the number of Votes on which large surrenders have been made, and I see that the number of Votes with such surrenders is very much greater. I take it the unemployment question would not affect more than one or at the most two Votes, would it?—No. That only affects one of them. There were two other items on which we were very largely out to the extent of over £1,000,000. First of all, the Home Office Vote. That was due to making a larger provision than could actually be spent for Air Raid Precautions. More, of course, came in for payment in the course of the next year. Secondly, the Beet Sugar Subsidy was over-estimated and that was due to the partial failure of the beet crop.

Chairman.] Are there any questions on paragraphs 5 and 6? I have no questions.

CLASS I.

VOTE 3.

EXPENSES UNDER THE REPRESENTATION OF THE PEOPLE ACTS.

Chairman.] Now we turn to the "Representation of the People Acts." Are there any questions? Accounts, page 8: "Expenses under the

18 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

Sir *Isidore Salmon*.

3806. Is there any special reason why you spent more in the year under review than you did the year previously—about £4,000, roughly?—(Sir *Richard Hopkins*.) I think that that would just be

the normal increase in the electorate that goes on from year to year. I do not think any exceptional things arose.

Chairman.] Are there any other questions? May I take it the Account is approved? (*Agreed.*)

VOTE 4.

TREASURY AND SUBORDINATE DEPARTMENTS.

Chairman.

3807. We now take pages 9 to 13: "Treasury and Subordinate Departments." The only question I have to ask on page 11 is: How is the War History getting on?—The War History is, I think, really reaching its end. Forty-three volumes have been published prior to this year; five were published in the course of this year, and I think six to eight are still in preparation or contemplation. I think that completes the whole thing.

Sir *Isidore Salmon*.

3808. Do you anticipate that by the end of this financial year it will have been completed?—No, I do not think it will be completed within the limits of this financial year, but I do not think it will go on very much beyond.

3809. In regard to the total expenditure of Treasury and Subordinate Departments, that expenditure is up on last year. The main increase is under Treasury, I notice, £11,000. I am just making the comparison between one year and the other?—I am afraid it is the case that the Votes have tended to increase. It has not been the case, of course, that the volume of work to be performed in the Treasury has been inclined to fall at all. There has been some increase in our staff and also some automatic growth in salaries, as increments came along. There was some increase in this year under the Ministers' Salaries Act.

3810. Two Counsel seem to have retired or resigned in one year, the first and third Counsel. Is not that a little unusual?—It just happened so. That was all.

3811. There was no special reason for it?—No. Sir Maurice Gwyer you know, went to India, and there was one other retirement.

Mr. *Mabane*.

3812. Where do the receipts from the sale of the War History appear?—Published by the Stationery Office and credited to the Stationery Office.

3813. They, as it were, make a profit on it if the sales cover more than the cost of printing?—Yes. The total sum which has been received over a series of years for the sale of War Histories is in the region of £30,000.

Mr. *Culverwell*.

3814. On page 12: "Interest and dividend on qualifying shares" of Suez Canal Company. What does that mean?—Those are a certain number of shares which have to be held by the Government directors and they surrender the interest as a special receipt to the Exchequer.

3815. How is it that they come to be redeemed?—No, they do not come to be redeemed.

3816. It says "Includes the redemption value of twelve drawn shares"?—So many of the shares happened to be redeemed in the year and the amount has been added there under the single item.

3817. Would you not have to buy new shares to replace them?—No, I think not. The statutes of the Suez Canal Company are difficult, and I am not sure that I could give a definite answer. I think not. (Sir *Gilbert Upcott*.) The shares are of a different kind, I think. (Mr. *Brittain*.) They are automatically replaced by a new kind of share by the company. (Sir *Richard Hopkins*.) Without cost? (Mr. *Brittain*.) Without cost.

3818. These are the qualifying shares which a director in an ordinary company has to possess?—(Sir *Richard Hopkins*.) It corresponds broadly to that, I think.

Sir *Isidore Salmon*.

3819. When I was asking you just now about the increase in the Treasury personnel, you said the work had not decreased and I think we will all admit that, but if you will turn to page 12 I notice that in the details of receipts you estimated that a certain figure, £6,000

18 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

odd, would be received, and in fact £7,936 was realised?—Yes.

3820. When you come to see the reason, it was because they had been seconded to other Departments?—Yes.

3821. Is it necessary for you on the one hand to have your own personnel seconded and then replace them by other staff?—It has been a regular practice in the Treasury for a number of years past to staff ourselves upon such a basis that a limited number of our people can be lent for periods of time to work in other Departments. That is quite a deliberate policy, because it is not desirable that

the Treasury should be entirely watertight and live always in itself and on its own thoughts. I think it is a very suitable arrangement as part of our organisation under which this is done.

3822. And when they come back you swell the Department, or do others go away?—When they come back somebody else goes out or else somebody who has been brought in from outside for the time being is sent back again. It is not the case that when they come back they are surplus to needs in any way.

Chairman.] Pages 9 to 13: may I take it that the Accounts are approved? (*Agreed.*)

VOTE 6.

PRIVY SEAL OFFICE.

Chairman.] Page 15: "Privy Seal Office." Are there any questions?

Mr. Mabane.

3823. What was the Supplementary for £1,850?—(*Sir Richard Hopkins.*) It was to meet the increase in the Minister's salary under the Ministers of the Crown Act, 1937.

3824. I thought it must be. I was wondering why you did not have to take the same Supplementary under Privy Council Office?—Because I think the Lord President was remunerated at a higher rate already.

3825. I wondered why you needed £964, that being so, in the Privy Council Office. I thought I was right in supposing that the £1,850 related to the Minister's salary?—(*Mr. Brittain.*)

There were savings elsewhere on the Privy Council Vote. That is why it was only £964.

3826. Was the Minister paid at the higher rate?—(*Sir Richard Hopkins.*) Yes, the Lord President.

3827. He was not paid higher before?—(*Mr. Brittain.*) There was an increase in the Privy Council Vote. (*Sir Gilbert Upcott.*) The Supplementary was for the increase in the salary. (*Sir Richard Hopkins.*) I am sorry.

3828. It was less than the Privy Seal Office, because of the savings in other directions?—I am sorry that what I said was wrong. It is now corrected.

Chairman.] Are there any further questions on the Privy Seal Office Vote? May I take it the Account is approved? (*Agreed.*)

VOTE 13.

GOVERNMENT HOSPITALITY.

Chairman.] Page 23: "Government Hospitality." Are there any questions?

Sir Irving Albery.

3829. In the item "Imperial Conference £38,000," is that merely the sort of administration and expenses over here, or does that include the travelling and lodging of the whole number of people who attend?—(*Sir Richard Hopkins.*) In the main it is the accommodation of people from overseas here. There is an item also for "car hire" and an item for the cost of various entertainments, but accommodation is the main part.

3830. Does it include the travelling here and back?—No, I do not think the travelling here is borne by us. It is the accommodation when here. (*Sir Gilbert Upcott.*) Transport in this country. (*Sir Richard Hopkins.*) Yes.

Mr. Mabane.

3831. In one or two years recently the British Industries Fair has made a profit. I was wondering why the cost of the dinner was borne here and not made as a charge against the British Industries Fair. It seems a part of the British Industries Fair rather than a part of this Vote?—I shall be happy to inquire into

18 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

that, but what has been done this year is what has in fact happened throughout and my impression is that it is quite a deliberate policy that the Government *qua* Government should entertain the foreign buyers who come to the British Industries Fair. I am afraid it would not have exactly the same effect upon the mind of the foreign buyer if he is only entertained by the Fair authorities.

Sir *Irving Albery*.

3832. If you have the figure handy, do you happen to know about how many people attended the Imperial Conference? It does not matter if you have not got it?—(Sir *Gilbert Upcott*.) I can give the number of persons for whom accommodation was booked; it is 917.

Sir *Robert Smith*.

3833. With regard to this note at the bottom, what are the number of the permanent officials of the Government Hospitality Fund? "The salaries of the permanent officials of the Government Hospitality Fund are borne on the Vote for Treasury, etc." What is the total number of officials?—(Sir *Richard Hopkins*.) There is the secretary who devotes himself whole time to it, and I imagine he has two or three clerks.

3834. It was apropos of the other remarks by Sir *Isidore Salmon*. That is carried on the Treasury Vote, and is shown there. Would it not be a better

way to show these people as a charge against this Vote? They are not ordinary Treasury officials in the exact sense of the word. It seems to me it would give a more exact picture of the cost of that Government Hospitality. These must be people whose time is entirely taken up by that work?—Certainly as regards the secretary.

3835. And his staff, surely? I should have thought it would give a more clear picture and that that is how it should be shown?—Perhaps you will allow us to consider that. I do not think it has been suggested before.

3836. It was apropos of your remark that they were transferred backwards and forwards?—I do not suppose these are people who are transferred backwards and forwards. (Mr. *Brittain*.) The Government Hospitality expenditure is met out of the Grant in Aid Account. These permanent officials are pensionable officials, and it is because their pension rights have to be preserved that they have to be kept on the Treasury Vote.

Mr. *Lathan*.

3837. "King's Birthday Dinner": what Birthday Dinner was that?—(Sir *Richard Hopkins*.) That, I think, is a dinner to the Diplomatic Corps. I think that is so. I am sorry if I am misleading you, but I think so.

Chairman.] May I take it the Account is approved? (*Agreed*.)

VOTE 20.

REPAYMENTS TO THE LOCAL LOANS FUND.

Chairman.] We now take Vote 20: "Repayments to the Local Loans Fund" on page 35. It is more or less technical. Are there any questions?

Mr. *Benson*.

3838. You are extraordinarily accurate

in sub-head B. Is that due to the fact that the Public Works Loan Bill in the previous year fixes the amount you propose to repay?—(Sir *Richard Hopkins*.) Yes, that is so.

Chairman.] May I take it the Account is approved? (*Agreed*.)

VOTE 21.

ROYAL COMMISSIONS, ETC.

Chairman.

3839. Pages 36 to 40: "Royal Commissions." Will you explain the circumstances under which the loan of £48,000 was written off? It is in the middle of page 39. It is the item which is described in that note: "Surplus Stores &c., Liquidation Department" in the middle of the page. It says that

£47,899, etc., has been written off?—(Sir *Richard Hopkins*.) This is all part of the business of clearing up debts which go right back of course to the time of the War. Nearly all of them now have been disposed of, with the exception of a very large one which will remain unpaid for a long time on the books. This is the balance of a loan which was

18 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

made towards the end of the War to a large trading company for the purpose of building a housing estate, and arrangements were contemplated under which the whole of the loan would be repaid over a period of time. The company got into considerably low water and there was a reconstruction scheme under which the various creditors, including the Government, were asked to come together and sacrifice a portion of their claims in order that the company might be set upon a working basis. On the settlement of that matter we received £65,000, the balance being agreed to be written off.

Chairman.] Are there any other questions on pages 36 to 40?

Mr. Lathan.

3840. On pages 36 and 37, is the Commission on Historical Manuscripts still sitting?—Yes, the one on Historical Manuscripts has been sitting ever since 1869.

3841. It seems to be doing very little else except sitting?—No. It makes catalogues of papers of historical interest in private collections and it has published year by year a very considerable number of volumes.

3842. £997 15s. 5d. was dispensed by way of salaries?—Yes.

3843. The travelling and incidental expenses, which are usually a considerable item in connection with Commissions, are very small—negligible, in fact?—Yes, that is so. I think that means that the main part of the work which was carried out during the year was able to be carried out in the office, the documents which they were studying having been lent from private collections to them.

3844. The office seems to be a permanent office rather than a Commission?

—It is, in effect. The total number of historical records which are worth studying in this country is enormous, even to this day, and I think it may be said on the other side that the work has been carried on at a very moderate pace, so that the actual cost which falls upon the Exchequer from year to year is a great deal less than it might be.

3845. That may be so. The point that arose in my mind was whether it was accurately described as a Commission or whether it had not become a department rather than a Commission?—No. There is a Commission which sits and studies these things and it has a secretary and paid workers who do the actual office work for them.

3846. Some of those have died out since it was formed?—Yes. The personnel has changed. (*Sir Gilbert Upcott.*) Some of these Commissions (the Ancient Monuments, the Museum and Galleries Commissions) are standing Commissions.

Mr. Benson.

3847. What are the Scottish Savings Committee and the Treasury Pool of Shorthand Writers?—(*Sir Richard Hopkins.*) They are quite different things. The Scottish Savings Committee corresponds to the English Savings Committee, which does the propaganda in connection with the taking up of National Savings Certificates. The Treasury Pool of Shorthand Writers is a little body of expert shorthand writers who are used for Government business, as may be necessary, in order to avoid the greater cost involved in engaging equally expert shorthand writers from outside.

Chairman.] Are there any further questions? May I take it that this Account is approved?—(*Agreed.*)

VOTE 22.

MISCELLANEOUS EXPENSES.

Chairman.] Now we come to pages 41-43, Vote 22: "Miscellaneous Expenses". Are there any questions?

Mr. Mabane.

3848. On pages 42-43, could you explain this? I am not quite clear whether there is a general remission of these payments, and, if not, why these particular remissions have been made? I am referring to the "Statement showing the amount of Stamp Duty and Fees on Appointments, etc., remitted by direction

of the Treasury in the year ended 31st March, 1938"? I wondered what guiding principle there was behind this statement?—(*Sir Richard Hopkins.*) I think it may be said that the great mass of remissions here are founded upon old practice which has gone on for a very great number of years, but it has recently been regularised. A committee sat which studied the question of stamp duties and fees and the like on the grant of various honours and dignities, and by two Acts which were passed, I think,

18 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

in 1936 and 1938, the mass of these fees and many of the duties have been repealed.

3849. If they are repealed, I wondered why it was necessary to make a statement here. Take, for example: "Royal Warrant, Letters Patent and Docket conferring Viscounty"?—(Sir *Gilbert Upcott*.) The repeal was subsequent. (Sir *Richard Hopkins*.) The repeal was subsequent, in 1938.

3850. Then what is the principle behind these remissions that, I take it, were made before legislation made the remission general?—Shall I take the two largest ones: the Royal Warrant in connection with the creation of the Dukedom of Windsor and the Royal Warrant conferred in the case of Lord Dawson of Penn?

3851. I thought the Duke of Windsor Warrant was announced in the House; we were informed about that?—Yes, but I do not think any statement was made about Lord Dawson of Penn. It has been a practice which has been in force, as I have said, for a great number of years, to remit the fees and duties in the case of peerages conferred upon soldiers, sailors, and the like, and also on persons of high distinction in the professions who have conferred some special benefit upon the Sovereign or upon the Government of the State. You will remember Lord Dawson was the doctor engaged at the time of the illness and death of the late Sovereign.

3852. There is one here appointing the Right Honourable Sir John Simon Chancellor of the Exchequer?—Yes, I know. It is probably 10s. or £1, or something of that kind. These smaller remissions have gone on from year's end to year's end through, I should say, some generations. Exactly what the original reason may have been I do not know, except that they are really not worth collecting.

3853. So really the fees and duties on these Royal Warrants and Dockets appointing an individual Chancellor of the Exchequer or Keeper of His

Majesty's Privy Seal are by practice remitted?—Yes.

3854. Always?—Yes.

3855. Another one is the "Warrant of Precedence in favour of Lady Margaret Cavendish-Bentinck"?—I could not honestly say whether fees and duties of that kind have been repealed or not, but I will find out and let you know next time, if you like.

[Sir *Assheton Pownall*.] The Stamp Duties were £99 10s. od.

Mr. *Mabane*.

3856. If I may pursue the note, I do not understand this: "Of the Stamp Duties shown above £1,910 6s. 7d. was paid from the Civil Contingencies Fund and included in the amount voted in July, 1938, for 'Repayments to the Civil Contingencies Fund'", and "£99 10s. from the Vote for Coronation of His Majesty". That does not make up the complete total. I thought probably the note would be complete. That makes a total of £2,009. Where does the other approximately £1,800 come from?—I think the rest was fees on appointment, which were remitted. [Sir *Gilbert Upcott*.] Crown Office and Home Office fees.

3857. The £2,000 represents stamp duties and £1,800 represents other fees on appointment?—[Sir *Richard Hopkins*.] Yes, I think so.

Sir *Isidore Salmon*.

3858. Where do the fees received at the Herald's Office go; into whose pocket; where is it shown?—It would not be shown here. It would be shown in connection with the Herald's Office Vote, which is a separate Vote from this. [Sir *Gilbert Upcott*.] I do not think the Herald's Office fees are public money.

[Sir *Edmund Brocklebank*.] No; they keep them themselves.

[Chairman.] Are there any further questions? May I take it that this Account is approved? (*Agreed*.)

VOTE 23.

SECRET SERVICE.

VOTE 24.

TREASURY CHEST FUND.

(On these Accounts no questions were asked.)

18 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

TREASURY CHEST FUND ACCOUNT, 1937.

Chairman.

3859. Now we come to the White Paper: "Treasury Chest Fund Account, 1937", page 7, the report of the Comptroller and Auditor General. Paragraph 2 refers to losses: what precisely is the cause of those losses?—[*Sir Richard Hopkins.*] This arose from a variation in the exchange from the normal par of exchange at Ceylon and in the Straits Settlements. It must be understood, of course, that this Treasury Chest Fund is only a little internal banking account of the Government, and, subject to a small qualification to which I will come in a moment, the fact that it shows a loss only indicates that the Government Department on whose behalf it was making a payment abroad has made a profit; in other words, it has had to pay less than it would otherwise have paid for the services it has commanded abroad. The only qualification in regard to that is that, where a person serving abroad is payable in sterling and the salary is calculated in the local exchange at the par of exchange to the disadvantage of the Government, then the loss is a real loss and the gain to the person is a real gain, but the proportion of the loss of £10,000, which is shown in this Account, which is due to that cause, is only a very small part of the whole.

Sir Isidore Salmon.

3860. Is the £10,000 realised loss the difference between the value of currency at the time of payment and the par of exchange?—Yes. For the Straits Settlements, they take the dollar at 2s. 4d., or whatever it may be when in fact it was acquirable during the year at 2s. 4½d.; that is the kind of difference.

3861. It is not possible to anticipate a thing like that?—No; and it is convenient for the purpose of working this Account to take the exchange in those cases at the par of exchange. In one year you will show a nominal profit on this Account and in another year you will show a nominal loss.

Mr. Lathan.

3862. Do I understand it is the custom to pay servants of the Government abroad in terms of pounds sterling?—No; you have to pay them in local currency, but, if their salary is expressed in pounds sterling, you have to

turn it into local currency at some figure. In these cases it was converted at the par of exchange, although the actual rate of exchange was rather more.

3863. If the value of the local currency is high, you pay them at the par of exchange?—Yes.

3864. Otherwise the loss falls on the individual?—Yes.

Mr. Benson.

3865. Do you have any salaries payable in the local currency?—Yes; if a man is out in Singapore, you pay him in local currency if he so wishes.

3866. Is his salary stated in terms of local currency or in terms of sterling?—The sailor or soldier is paid so many shillings a day or so many shillings a week.

3867. What about your Consul or permanent representative?—(*Sir Gilbert Upcott.*) Their salaries are payable in sterling. There are a large number of workmen employed who are paid in local currency.

3868. Any man who is sent out abroad is paid in sterling?—(*Sir Richard Hopkins.*) That is what it comes to, broadly.

3869. As I understand it, the net losses on this fund are really made good two years afterwards?—Yes; that is so.

3870. So that the amount we are now finding as a loss (£10,000) will appear in fact in the Estimates for the year which is at present current?—Yes.

Sir Assheton Pownall.

3871. On the figures on page 6, the Paymaster-General apparently ended up the year (March 31st, 1938), with £160,000 more balance than at the beginning of the year (April 1st, 1937). Was there any special reason for that increase from £193,000 to £351,000?—It merely depends where the balances of the Account are: whether they are in London in sterling, or to what extent they are held in local currency by the Treasury Chest officers elsewhere.

Chairman.] Are there any further questions? May I take it that this Account is approved? (*Agreed.*)

18 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS I.

VOTE 25.

CORONATION OF HIS MAJESTY.

Chairman.

3872. Turn, please, to the Civil Appropriation Accounts again, pages 46-47, Class I, Vote 25: "Coronation of His Majesty". I notice there the amount estimated was no less than £100,000 in excess of the expenditure. Can you give a reason why that large under-spending occurred?—(Sir *Richard Hopkins.*) I think it is simply this, that it was very difficult to form a definite view at the time in advance as to what would be requisite, and a good deal overmuch was taken.

3873. Taking the two years together over which the expenditure was incurred, could you tell us what was the total expenditure and what were the total receipts over the period?—Yes, I think I can give you that. The total was £328,000.

3874. That is the total expenditure?—Over the two years together. (Sir *Gilbert Upcott.*) That is net. (Sir *Richard*

Hopkins.) That is net, after taking account of the receipts.

3875. What was the gross expenditure before the receipts, and what were the receipts?—The gross expenditure before the receipts was just over £400,000. (Sir *Gilbert Upcott.*) £422,000 expenditure and £95,000 receipts.

3876. If you take the stands alone, what was the cost of the stands and what was received on account of them?—(Sir *Richard Hopkins.*) I think the idea was that the Government should recoup roughly one half of the cost of the stands, but, in fact, it worked out that the stands were less expensive than had been anticipated, and the receipts from them came to rather more than half. If I remember rightly, it was £117,000 and £76,000.

Chairman.] Are there any further questions? May I take it that this Account is approved? (*Agreed.*)

VOTE 28.

REPAYMENTS TO THE CIVIL CONTINGENCIES FUND.

CIVIL CONTINGENCIES FUND ACCOUNT, 1937.

(On these Accounts no questions were asked.)

(The witnesses withdrew.)

(Adjourned till Tuesday next at 2.30 p.m.)

TUESDAY, 23RD MAY, 1939.

Members present:

Mr. PETHICK-LAWRENCE in the Chair.

Sir Irving Albery.	Mr. Lewis.
Mr. Benson.	Mr. Mabane.
Sir Edmund Brocklebank.	Sir Assheton Pownall.
Mr. Culverwell.	Sir Isidore Salmon.
Mr. Jagger.	Sir Robert Smith.
Mr. Lathan.	

Sir GILBERT UPCOTT, K.C.B., Mr. H. BRITAIN and Mr. D. F. C. BLUNT, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 34 AND 35 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

Sir RICHARD V. NIND HOPKINS, K.C.B., called in and examined.

Chairman.

3877. The first question I should like to ask Sir Richard is this. When we had the Admiralty before us about a fortnight or three weeks ago, there was some possibility of their being able to report by now on the question of price negotiation involving the Minister for the Co-ordination of Defence and the Machine Tool Trade Association. I

should be glad to know whether there has yet come to hand any knowledge about that?—(Sir *Richard Hopkins*.) No; I am afraid there is nothing to add at the moment, but it may arise in connection with the Bill on the Ministry of Supply.

3878. There is nothing more to report?—No; there is nothing I can say, I am afraid.

TITHE ACT, 1936, ACCOUNTS, 1937.

Chairman.

3879. Now we come to the Tithe Accounts. I should like to ask you, Sir Richard, how the collection of annuities is proceeding?—(Sir *Richard Hopkins*.) As regards the current annuities, the new type of annuity under the new Act, the collection has been very satisfactory. As regards the first year of the new system, some 98 per cent. of the whole collection is already in the till. There was another question which was, I think, before the Committee when the County Courts Vote was being taken, about the collection of the arrears from the old system, that is to say, the arrears which were outstanding at the 30th September, 1936. The arrears at that time were probably rather unusually large. There were those who felt objections on principle to the old system, which probably increased the number of arrears. In regard to that, the total sum which was in arrear, as far as I can calculate, was in the region of half a million pounds. All of that has now been collected, or in some cases remitted, where there was no liability, with the exception of a residuum of about £130,000, and you may assume that the collection of that, although it may require some patience, will proceed in the

ordinary course under the direction of the Tithe Commission to whom it is entrusted. The actual number of cases which are in arrear and which may require some preliminary order of the County Court is, I think, somewhat less than 10,000. At another time I had experience of the collection of income tax, and this tithe arrears figure, of course, is a very small figure in comparison with the arrears that arise in connection with a great tax like income tax.

3880. At one time this Committee was told that about 70,000 possible cases might come into the court?—Yes.

3881. But it was understood then, I think, that a great many of them would not come in?—That is so.

3882. The figure now, in your view, is under 10,000?—It is under 10,000.

3883. That covers the first paragraph. On paragraph (3) of the Report of the Comptroller and Auditor General, can you tell us what progress is being made with the issue of Redemption Stock?—I think that the actual issue of Redemption Stock has not proceeded so far very much further than is shown in the Accounts which are before you now. The amount which was issued in that

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

year was £45½ millions out of an estimated total of £70,000,000. I think that in the main the further issue will have to be postponed until the final determinations of the liability have been made, but in the meanwhile provisional interest is paid, that is to say, interest on a provisional estimate of the sum due is paid by the Tithe Commission to the persons entitled.

Mr. Benson.

3884. I should like to ask whether there is any evidence of wilful withholding of tithe, whether there are any tithe strikers?—That, of course, is not exactly in my personal knowledge, because I am only responsible for the general Account, but the fact that 98 per cent. of the current annuities has been paid (98 per cent. of the first year and, I believe, 94 per cent. of the second year) shows that, so far as there are people still objecting on principle, or what they conceive to be principle, it lies within a small compass only.

Mr. Lathan.

3885. You said stock had been issued to the extent of £45½ millions?—Yes.

3886. It is £45,340,000 in this Account?—In this Account it is.

3887. Is it too early to say whether the Redemption Account is working out satisfactorily?—I think so. It is still very early, and we have had only a preliminary test of the original estimates, but so far it is working out satisfactorily, and there is no reason

to suppose that the Account at the end of the 60 years will end with a deficit. I should say the alternative was more likely.

Sir Assheton Pownall.

3888. 60 years?—60 years.

Chairman.] Will you turn to the Accounts themselves? Are there any questions?

Sir Isidore Salmon.

3889. I should like to ask, as regards the staff, which I believe, Sir Richard, are under the Treasury specially. Is the staff still as large as it was previously?—There is a very considerable permanent staff and there are all kinds of technical staff who are engaged, of course, in effect in mapping the country, and testing that the tithe which has so far been charged, issuing out of certain pieces of land, is really attributable to them. That work, of course, is the work of the Tithe Commission and not of the Treasury. I speak at second-hand, but it was always contemplated that it would be a work requiring a good number of years to complete. Once it is completed, of course, the only task remaining will be the comparatively modest task of collecting the Redemption Annuities and paying the interest on the stock which will have been issued.

Chairman.] Are there any further questions on these Accounts? May I take it that these Accounts are approved? (Agreed.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS II.

VOTE 10.

COLONIAL DEVELOPMENT FUND.

(On this Account no questions were asked.)

COLONIAL DEVELOPMENT FUND ACCOUNTS, 1937.

Mr. T. W. DAVIES called in and examined.

Chairman.

3890. Now we take the White Paper: "Colonial Development Fund Accounts, 1937." If you turn to the Report of the Comptroller and Auditor General at page 22, paragraph 1, I think, is narrative. Are there any questions on this paragraph? On paragraph 2: "British Honduras," I

notice that this was a very serious under-estimate?—(Sir Richard Hopkins.) Yes.

3891. The original estimate was £33,000 and the actual expenditure was about £109,000. Can you tell us a little about that?—As regards the under-estimate, I think there is little to say except that it speaks for itself. It was, I suppose, inexcusable. As you will appre-

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and [Continued.
Mr. T. W. DAVIES.

ciate, it is very difficult to exercise a control over details of these things from London. It must depend upon the competence of the person on the spot. As I think I mentioned last time when this case came up, the Director of Works in Honduras was, at any rate, *inter alia*, ill and has since been invalided out of the service, and no trouble of this kind, I think, will arise again. I should like to emphasise one aspect of the thing, and that is that this is an example of extremely bad estimating but it is not an example of extremely bad work; on the contrary. The new cost of the work, I am told, is not out of proportion to the cost of making other roads of a corresponding character in similar parts of the world, and it has proved to be a work which has justified itself on its merits.

3892. Following up the point that you say there is now a change in Honduras, I think you said last time that the Committee could rest assured that a similar mistake would not happen again?—Yes.

3893. Do you confirm that now? Are you satisfied that the arrangements are such that you will get a strong position in future?—I think I can say with a good deal of confidence that it will not occur again in Honduras, anyhow.

[Sir Edmund Brocklebank.] It is the only road that is wanted? Is that it?

Mr. Lathan.

3894. Is there no means of checking it in any way here? I appreciate, of course, the difference between labour costs and other considerations, but there ought to be some kind of yardstick surely to test an estimate of this character?—It is very difficult to do from here. We have not got the knowledge. In order to do it, it would mean sending expert people out. If cases of this kind recurred, it might be necessary to contemplate such a procedure, but I understand that a good deal of the increased cost in this case was due to the fact that the ground over which the road went for many miles was very swampy and, as soon as the traffic got on it, it was found that it required much firmer foundations than those which had been judged to be adequate.

3895. Mr. Benson: Was that the road regarding which last year or the year before last we had trouble about the quality of the work?—Yes.

3896. I cannot remember in which of these countries it was, but it came under the Colonial Development Grants?—Yes. There were two cases last year: one was a road in Newfoundland and one was a road in Honduras.

3897. It was the Honduras one.—It is the same case.

3898. It was not due to the contractor?—No; it was not due to the contractor. I think it must have been due, to the officials in Honduras who, as I say, have since been changed. (Mr. Davies.) I do not think there was a contractor. I think it was the Public Works Department themselves who built the road. (Sir Gilbert Upcott.) The cases I reported last year were in Honduras and Newfoundland, and I reported them because they are examples of bad estimating and inadequacy on the part of the local administration. In that respect they resemble the case of the Newfoundland airport, which the Committee had before them the other day.

Sir Robert Smith.

3899. Was there no action taken in between? We had the example of Newfoundland a year before this. Was no special action taken: one would have thought that attention would have been called to this under-estimating? Why should it have happened again? I understand we were assured last year that it would not recur. That was the impression I had on the Newfoundland case. It seems to me that no steps have been taken to check this in any way?—This case happened before last year.

3900. That is what I thought probably had happened?—This happened in 1937, whereas the Committee heard about Newfoundland last time in 1938.

Sir Isidore Salmon.

3901. Is the Colonial Development Advisory Committee an expert committee?—(Sir Richard Hopkins.) They are not an expert committee of engineers; they are a mixed personnel. The Chairman is Sir Alan Rae Smith; then there are Sir John Eaglesome, Sir John Chancellor, Sir Felix Pole (whose experience is particularly in connection with railways and electricity) and Sir Alan Pim.

3902. The reason for my asking that is this: The Colonial Development

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and
Mr. T. W. DAVIES.

[Continued.]

Advisory Committee presumably are those who deal with all the moneys provided under the Colonial Development Fund?—That is so; they recommend to the Colonial Office and the Treasury. They are not intended to advise upon the technical accuracy or the estimating accuracy of these things so much as upon their intrinsic merits as means of improving the Colonies and improving the opportunities of trade between this country and the Colonies.

3903. Do they, as an Advisory Committee, express an opinion upon what a particular Colony is asking for?—Mr. Davies, the Secretary to the Advisory Committee, is here and would answer with greater skill than I can. (Mr. Davies.) Yes, Sir, when the application comes before them, they do in fact consider it in all its details and sometimes in certain technical details. Sir Felix Pole, for instance, will bring his technical railway knowledge to bear upon a scheme if it has anything to do with transport, and they do look into all these aspects.

3904. I admit right away that it is easy to be wise after the event, but let us take this particular case as a concrete proposition. Did the Advisory Committee in this particular case give any consideration to the sort of foundations required and difficulties that might arise in a country such as Honduras?—They did give consideration to that, but they have, of course, only the data to go on which is supplied in the dispatches from the Governor of British Honduras. So far as they are able to on that data they certainly do give full consideration to it.

3905. On your agreeing to the proposition, you discuss it with the Colonial Office?—Yes. The Committee has a representative from the Colonial Office before it (it does not always find it necessary to call him) and, if it so happens that the Governor or a prominent official who is connected with the scheme in question is on leave, the Committee ask him to come before them.

Mr. Jagger.

3906. I wondered whether this Advisory Committee initiated anything at all or merely considered what was brought before it?—No; it does not initiate. (Sir Gilbert Upcott.) No scheme can go forward without their recommendation. (Sir Richard Hopkins.) That is so.

Chairman.

3907. Pass on to paragraph 3, "Newfoundland—Land Settlement". I should like to ask you how many was it intended to settle in this way: what sort of number of families?—The intention was to settle a somewhat indeterminate number up to 400, but the number that were in fact settled was very very much smaller. This again, of course, was a case of bad estimating, and it was found that the capital expenditure required per family to get these unfortunate people well settled upon the land was very much higher than had been anticipated.

3908. Something in the neighbourhood of £1,000, was it not?—Yes. The difference really lay between pounds and Canadian dollars, I am afraid.

3909. What prospect is there of the people that are settled being able to make a living? The size of the holdings (at any rate the amount cleared or partly cleared for cultivation) would appear to be much smaller than was originally estimated as necessary for livelihood?—We think that this has been a very useful experiment, and we think that the people will make a living. As you know, the position in Newfoundland has been one of very great difficulty, and one has to recognise that probably for the future it is hopeless to expect that that community will live entirely upon fishing and the sale of cod to foreign countries. Land settlement may have to be looked to in an increasing degree. That being so, two experts have been recently sent out from this country to have a look at those settlements, and one of them, Mr. Gorvin from the Ministry of Agriculture, has made a very favourable report upon the actual result. He has expressed great confidence that a success can be made of the settlements over a period of years, at a cost, which I think includes the capital cost, which will not greatly exceed the amount of dole which might otherwise be paid to these unfortunate people over a corresponding period.

Sir Irving Albery.] May we have a figure?

Chairman.] Mr. Gorvin said not more than the dole which might otherwise have to be paid to them.

Sir Irving Albery.

3910. May we have a figure?—I am afraid my information ceases there,

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and [Continued.
Mr. T. W. DAVIES.

although I could get that from the Ministry of Agriculture.

3911. It is very indeterminate. I do not know whether he estimates the dole over ten years or twenty years?—I do not know.

Chairman.

3912. Perhaps you will get some figures?—I will see if I can put a note in to amplify that a little, but certainly the view is taken that this is promising and has been by no means a waste of money.

Sir Assheton Pownall.

3913. In the last paragraph but one it says: "The Newfoundland Government"—which I understand at the moment are ourselves—"are continuing to finance the further development and maintenance of the settlement." Could you tell us to what extent they are financing it?—(Mr. Davies.) I do not know the amount. (Sir Richard Hopkins.) I think I will have to add particulars of that to the note.

3914. It is important to know to what extent we are financing them and for how long a period it is expected that this financing will have to take place?—I will make a note of those points and put a note in.

Mr. Culverwell.

3915. I gather the grant was only for the establishment of the settlement, not the maintenance?—For getting it on its legs and including the early years.

3916. Now the Newfoundland Government pay it?—No; I think the Newfoundland Government are contemplating spending further money on expanding the settlement, but I think these people are either self-supporting or are on the point of becoming so.

3917. In the last paragraph but one it says: "By that date, however, the number of families in residence at this settlement had fallen to 78," from a basis of 111 families. It does not look as if they are expanding?—(Mr. Davies.) I think they are considering expanding again in the future. There are two lots of settlements, one at Markland which is an old settlement, and four new smaller ones, and I think it is the hope of the Newfoundland Government that in each of these cases there may be some expansion in the future.

3918. In the smaller settlements? I cannot quite reconcile the idea of the hopes of expansion with the fact that the number has fallen from 111 to 78 families on the original settlement?—(Sir Gilbert Upcott.) My information is that the Newfoundland Government is still being obliged to spend money both on the maintenance and the establishment of these people, but whereas it may be possible (I do not know) to extend the smaller settlements, it will probably be necessary to reduce the larger settlement in order to make the people self-supporting. (Sir Richard Hopkins.) It is a question of the amount of land each family must have in order to become self-supporting.

3919. They are dividing up the land left surplus by the evacuation of the difference between 78 and 111 families among the remaining ones?—That is what I understand. (Sir Gilbert Upcott.) According to the Report of the United Kingdom civil servant who recently investigated this settlement, and who has now gone out as a Commissioner, the manager of the settlement would welcome the reduction of the number of people to 50.

3920. In order to give them more land?—Yes.

Mr. Benson.

3921. Is that on the 290 acres?—That is on the settlement of which 290 acres have been cleared.

Mr. Culverwell.

3922. What exactly do you mean by maintenance?—Are they supposed to be small holdings?—(Sir Richard Hopkins.) Yes, in effect they are small holdings. The question is not settled yet how many acres there must be to a family to provide them with subsistence, but maintenance, I think, means making up the income of the people to a subsistence level.

Sir Robert Smith.

3923. Might I ask you, with regard to these settlements, are they communal in any way?—(Mr. Davies.) No.

3924. Or are they separate holdings?—They are separate holdings. The early ones were on somewhat of a co-operative basis.

3925. Did they have any stock on a communal basis?—I think some of the stock was co-operative, because I know

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and
Mr. T. W. DAVIES.

475
[Continued.]

one of the reasons for its comparative failure is said to be the individualistic spirit of the Newfoundlanders.

3926. But it was not communal?—No.

3927. With regard to the five holdings, can you say what was the size of these holdings compared with the average small holdings in the Colonies?—I am not actually sure what is the average.

3928. We call a small holding under 50 acres in this country, but what do they call a small holding in Newfoundland?—They say that experience has shown that the optimum holding is 50 acres.

3929. I understood Sir Richard to say that some of them were on a paying basis already. What percentage of them are already on a paying basis?—(Sir Gilbert Upcott.) The Markland scheme, I gather, only contemplates 25 acres. (Mr. Davies.) Yes, but according to the dispatches from Newfoundland, they now say that probably that is too small.

3930. Reference was made to a member of the Ministry of Agriculture being sent out?—(Sir Richard Hopkins.) Yes.

3931. Does that create a lot of confidence in people's minds, because as far as small holdings in this country which are run by the Department of Agriculture are concerned, they have always been a failure; in fact, the Department of Agriculture is trying to cut them down?—I am not sure that that applies to other parts of the world, but I would not like it to be thought that my words rested exclusively on the opinion of an official of the Ministry of Agriculture. Professor Hanley of Armstrong College went out the year before and also formed a favourable opinion.

3932. Does it not seem to be an effort which should be carefully considered before being undertaken, considering the experience we have had both in England and Scotland with regard to the formation of small holdings? They have been a financial failure in both countries, and I think I am right in saying that the Department of Agriculture are doing their best to get rid of the land they have purchased for small holdings. One would have thought special care would have been taken before incurring capital expenditure on small holdings when they have proved so unsuccessful here?—(Sir Gilbert Upcott.) I do not think

there is any intention in either England or Scotland of getting rid of land which is now in the form of small holdings.

3933. I understood that the Department of Agriculture are reducing their farms. I understood that they were cutting them down, but I may be wrong. They have not been a success in this country; I think that will be admitted?—(Sir Richard Hopkins.) Perhaps I may be allowed to add one other observation in that connection, and that is that the problem of keeping the population gainfully occupied in Newfoundland under the new conditions, with the sinking away of the fishing industry, is a very very difficult one. I think probably the proper view may be that it is right, at any rate, to experiment in a number of directions in the hope of finding a satisfactory agricultural or industrial layout of the island as time goes on.

3934. Are you aware of the fact that we have been pressed very strongly for Government money to be expended in the Western Highlands of Scotland for exactly the same reason, because the fishing has gone wrong? I merely take that as an example. Is Sir Richard aware of that?—Yes.

Chairman.] We are getting a little far away from this Account.

Mr. Lewis.

3935. It is intended that these settlers should partly support themselves by taking any part in the fishing industry or in lumbering?—(Mr. Davies.) Yes, in certainly one of the settlements which is on the sea—one of the smaller ones—it is expected that they should do some fishing.

3936. The second question that I wanted to ask is this: In so far as it is intended that they should get their living out of the land, what crops is it proposed that they should grow?—I am afraid I do not know. (Sir Richard Hopkins.) We might try to include some information upon that in the note which I have said we will send in.

3937. I should like to know that, having regard to the climate and nature of the country?—(Sir Gilbert Upcott.) Mixed farming, I think.

Mr. Lewis.] I think a little information would be useful.

P

1517

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and
Mr. T. W. DAVIES.

[Continued.]

Chairman.

3938. Yes, I think so, Sir Richard?—(Sir Richard Hopkins.) I will try to include that in the note which I have promised to send.

Sir Irving Albery.

3939. I should like to ask one or two questions: first of all, as regards the original estimate of 1,200 dollars for settling a family, that seems to have been an extraordinarily small estimate to have made. Is there any evidence of any settlements having been made at such an extremely low figure?—No, I think I said at the outset that this was undoubtedly a case in which the original estimates have proved to be very far out.

3940. I cannot imagine that there could have been any evidence that could ever have justified such an estimate?—It is indeed a very small figure, although Newfoundland is a poor country and a country in which labour and materials are cheap.

3941. I gathered from what I heard that a suitable small holding had been regarded as 25 acres and was now regarded as 50 acres?—Yes.

3942. From the Comptroller and Auditor General's Report, if I have understood it correctly, it rather sounds as if something like 4,000 dollars per family has been spent on small holdings which turn out to be something over four acres. It is nothing like the 25 acres aimed at. I am wondering, if one were to translate that into terms of 25 acres, what the cost per small holding would be?—(Mr. Davies.) I think perhaps it is wrong to say that every settler does have 25 acres. I think what I should say is that he should have at least 25 and perhaps 50 acres.

3943. I take it in estimating for settlements of this kind the estimates must be based upon the supposition of a certain sized holding?—They were based on the supposition of a holding which subsequently proved to have been too small a holding to be a success.

Chairman.

3944. The point is this: I think we should be a little clearer if we were quite satisfied on this. The paragraph speaks of a certain area "partly cleared for cultivation." I think it would clarify the matter if we were to under-

stand: does that mean, when it says "for cultivation," that that is for the holdings, or do the holdings consist of a large part of uncultivated land, bush and scrub, which is quite useful in some way for the holding, and this is only one small part of it which is actually cleared?—I think only part of it is actually cleared, because the settlers were expected to do some labour in the manner of clearing.

3945. As I read this piece here, there are only about four acres per person cleared for cultivation?—Yes.

Chairman.] That contrasts very unfavourably with the 50 acres which are said to be necessary for each holding.

Sir Irving Albery.] And the cost of 4,000 dollars per family.

Chairman.

3946. Is that 4 acres per family comparable with the 50 acres they ought to have, or is there a special meaning attached to the words "partly cleared for cultivation," which means that out of a man's holding of 25 and 50 acres, four are cleared? Which is the right interpretation of that?—I think that is the right interpretation, that there is more of the holding besides the cleared part.

Chairman.] That is what I took it to be.

Sir Irving Albery.

3947. Arising out of that, I do not think that helps us very much, because a very small part of the expenditure would be incurred on behalf of the un-cleared holding. It would still seem to come out that the majority of the 4,000 dollars per family seems to have been spent on holdings of which only say five acres have been cleared?—(Sir Gilbert Upcott.) Of course, that includes the house. (Mr. Davies.) That includes the house, and implements, and seeds. I think for beginning the farming. (Sir Richard Hopkins.) May we look into this aspect of the matter at the same time?

Chairman.

3948. It would be a good thing if you would look into it and make a little report?—I think we could make a report which would cover the whole of the matters which have been discussed this afternoon, and make it much clearer.*

* See Appendix No. 16.

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and
Mr. T. W. DAVIES.

[Continued.]

Sir Irving Albery.

3949. This land settlement is taken out of the Colonial Development Fund. On the other hand, it refers to additional assistance which has had to be given by the Newfoundland Government, "which continues to finance further developments," and presumably that finance comes from the Home Government in another form. It seems to me that if these settlements are to be continued (and they may be very desirable), it would be far better that they should as far as possible be accounted for in one account, and not spread over a series of different accounts where one really loses sight of the total cost. This fund is given for that specific purpose?—This, of course, is a question which does not arise in the case of any Colony which is not grant-aided. It is a point which is liable to arise in the case of all Colonies which are grant-aided.

3950. May I suggest, Sir Richard, it seems to me in that case it would be better if the Colonial Development Fund made a grant to the Colony towards its settlements, so that it all appears in one account in the Colony Accounts, rather than the present system?—(Sir Gilbert Upcott.) I might perhaps interrupt by saying that that question has been settled in the sense which you advocate as regards Newfoundland. I reported last year: "It has recently been decided that further development expenditure by Newfoundland should be assisted in the main from grants in aid;" that is, borne upon the finances of Newfoundland, grant-aided so far as necessary from this country. The Colonial Development Fund is now practically out of the picture so far as Newfoundland is concerned. (Sir Richard Hopkins.) I think that is true in the main of grant-aided Colonies, but it is a point which has been raised here before and may come up again. Generally speaking, I think the Colonial Development Fund should make grants for schemes of a material size and importance which would be carried out within a reasonably limited period of time, but, so far as there was some continuing expenditure upon development or work of that kind, it might well fall to be regarded as part of the normal expenditure of the Colony's revenue, and be charged as such, even if for the time being the

Colony was grant-aided. I do not think the Comptroller and Auditor General would say that the rule that he has indicated, which was laid down last time in connection with Newfoundland, would necessarily govern all the Colonies. (Sir Gilbert Upcott.) Not at all. I was explaining that it was settled in that sense in the case of Newfoundland. The paragraph to which I refer in my Report last year related to the general question, and the Committee then accepted the view that it would be necessary in certain cases to have part of the expenditure borne on the Development Fund and part on Colonial revenues, even if they were grant-aided, but there are notes in the Accounts which show when that is so.

Sir Isidore Salmon.

3951. Sir Richard, I realise this was an experiment, but even with an experiment of starting a settlement in Newfoundland surely it would not have been unreasonable for the Advisory Committee to have satisfied themselves—if they had no personal experience—by the experience the State had in many of its Departments, of land settlement in the past. Who was really responsible for saying such a small sum of money should be allocated for this purpose?—(Mr. Davies.) I think the Commission of Government of Newfoundland was responsible for the statement.

3952. And you said "amen" to what they said?—I was not Secretary of the Committee at the time it came before them.

3953. But that was the effect, was it not?—Certain members of the Committee would have had a certain knowledge of settlement. (Sir Gilbert Upcott.) There have been changes among the Commissioners who were particularly responsible for this scheme.

Chairman.

3954. Shall we pass now to paragraph 4, "Bermuda—Air Transport Scheme"? I would like the Comptroller and Auditor General to indicate to us the point at issue in this paragraph?—This is a scheme for providing the cost of establishing an air base in Bermuda and purchasing a flying boat and two spare engines for use in a proposed air service between Bermuda and the United States. I am not raising the question

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and
Mr. T. W. DAVIES.

[Continued.]

whether that may not be a very desirable thing to do, both for Imperial purposes and for the good of the inhabitants of Bermuda, and I hope of the United States as well. What I do concern myself with is the question whether it is a service which was intended to be provided out of the Colonial Development Fund. Perhaps I might explain to the Committee that these grants are defined by statute to be "for the purpose of aiding and developing agriculture and industry in the colony or territory, and thereby promoting commerce with or industry in the United Kingdom, by any of the following means," and the means specified include "the improvement of internal transport and communications and the provision of equipment therefor: the construction and improvement of harbours and the provision of equipment therefor," and finally, after a list of specific objects, "any other means which appear calculated to achieve the purpose aforesaid." When I asked whether the Treasury were satisfied that this scheme was eligible for assistance from the fund, it had been classified by the Advisory Committee as a scheme for the improvement of internal transport, which seemed to me rather strange. In their answer the Treasury have not contended

that that was the purpose, but have argued that it falls within "any other means which appear calculated to achieve the purposes aforesaid." The Committee will no doubt appreciate that it is not unnatural that air transport did not play a very prominent part (indeed was not mentioned) in the Colonial Development Act of 1929, and, of course, it can reasonably be regarded as falling within internal transport. I think also that it would be scarcely reasonable to contest that a harbour may be a harbour for a flying boat as well as for a ship that swims on the sea. But I find it rather difficult to appreciate how the provision of a flying boat to ply between Bermuda and the United States can be regarded as falling within any of those categories, or indeed within such a general category as "any other means which appear calculated to achieve the purpose aforesaid," because, of course, the purpose must be a kindred purpose, and it must be for the purpose of promoting commerce with or industry in the United Kingdom. For that reason I thought the Committee might like to hear from the Treasury the views which lead them to the conclusion that this service is correctly regarded as within the ambit of the Colonial Development Fund.

(At this point Mr. Pethick-Lawrence withdrew and Sir Assheton Pownall took the Chair.)

Sir Assheton Pownall.

3955. Is there anything you would like to say on that, Sir Richard?—(Sir Richard Hopkins.) We say only that this provision falls within the final category of "any other means which appear calculated to achieve the purpose aforesaid", which is of benefiting the Colony, its industry, its agriculture, thereby making it a better member of the Commonwealth of Nations, and more fit to trade with us back and fore. I should agree at once that *prima facie* it appears rather a straining of the words to say that a flying boat which flies from Bermuda to America has much to do with it, but there is a further point to add which I regard as very material. Bermuda is a country which has to buy a great deal from abroad, from ourselves as well as from other countries, but it exports almost nothing. It lives on tourists, and it lives on tourists from America, and the one thing that Bermuda required to have in the past

was Lord Essendon's ships which ran there. What they require now in addition is an Imperial Airways Flying Service to take those Americans who regard the sea as too old-fashioned. That being so, while I think that the argument, if applied to a service of this kind in regard perhaps to almost any of the other Colonies of the British Empire, might be rather far-fetched, here it can be argued to be well within the general sense of the Act of Parliament.

3956. It has been my privilege to visit Bermuda as a Member of the Parliamentary Delegation, and I quite appreciate the desirability of providing facilities for tourists to go to Bermuda, but it almost appears to me that it was rather for the Imperial Airways to do this, possibly with a grant to Imperial Airways, rather than that it should fall upon Colonial Development. It seems to be stretching it rather far—"the purpose aforesaid"?—I think the subsidies that have been granted to Imperial Airways

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and
Mr. T. W. DAVIES.

[Continued.]

have so far been almost entirely in connection with services which take their origin from here, and spread out from here to various parts of the Commonwealth. It is going perhaps rather far to consider a subsidy to Imperial Airways as such for the purpose of running between a remote part of the Empire and America.

Mr. Lathan.

3957. Do I understand this service is now in full operation?—(Mr. Davies.) Yes, it is.

3958. The total amount of the grant is £62,335, of which £34,500 has been by way of a grant to Imperial Airways. Is that the total cost of this development, or what proportion does it bear to the total cost?—I have the figures of what the Committee originally recommended. They recommended half the capital cost of the air base, £15,000, and the capital cost of a flying boat and two spare engines, which came to £34,500. (Sir Gilbert Upcott.) Imperial Airways do get a subsidy from the Air Votes for running this service. This expenditure is for capital purposes.

Sir Ausheton Pownall.] That was my impression, that they get a subsidy also.

Mr. Lathan.

3959. That is the point I had in mind, because it appears that Imperial Airways first of all has a general subsidy for this service among others, and then when it comes to a question of providing (equipping an air base the money is found; when it comes to a question of providing engines and a flying boat money is found. I do not know whether I am correct in that assumption, but it seems to me that this property is almost entirely acquired by funds provided by the Government?—(Sir Richard Hopkins.) This particular venture between Bermuda and America? I am not quite sure that it would be a very profitable undertaking for any company to take up out of its own resources until it had been running some considerable time.

3960. If it did not cost them anything they would not lose much by it?—I agree that is the object which it has seemed necessary to aim at in order to get the service running.

3961. I wonder what figure this enterprise appears at in the balance sheet

14517

of Imperial Airways, and whether it was taken into consideration in fixing the purchase price?—(Sir Richard Hopkins.) You may be quite sure that in considering the price to be paid for Imperial Airways shares by the new company it has been borne in mind that this subsidy was amongst those that Imperial Airways has had. Of course, the whole question of the subsidisation was one of the questions which had to be borne in mind in fixing the price for the shares.

3962. And in estimating the capital value of the undertaking would the £62,000 be embodied in the capital?—No, the question there, I understand, was what was a fair price to pay to the shareholders, having regard to what they had contributed on the one hand and what the Government had contributed on the other. (Sir Gilbert Upcott.) The air base has nothing to do with that. The air base does not belong to them.

3963. The flying boat and engines do, I take it?—The flying boat and engines are part of their property.

3964. The air base is the property of the Government of Bermuda, is it?—(Sir Richard Hopkins.) Yes.

Mr. Benson.

3965. I should like to raise a question of the powers and responsibility of the Comptroller and Auditor General. I am not quite clear on the point, but I think no money can be paid out of the Consolidated Fund save on the signature of the Comptroller and Auditor General, who does not pay out unless he feels that there is statutory power for the expenditure. What happens in a case as here where he feels that statutory powers are being rather stretched and there is a division of opinion between himself and the Treasury?—(Sir Gilbert Upcott.) It is not a question here of paying money out of the Consolidated Fund. The money has already gone out of the Consolidated Fund and has gone into the Colonial Development Fund. The question here is whether this expenditure was a proper charge to the Colonial Development Fund. As I said, I considered it doubtful whether it was a proper charge to the Colonial Development Fund. I therefore raised the question and I have said that I certify these Accounts subject to the observations in my Report. Therefore my certificate as to the correctness of these

P 3

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and [Continued.
Mr. T. W. DAVIES.

Accounts is subject to the qualification that I feel doubt about this particular charge.

Mr. Lewis.

3966. How long has this flying service been actually in operation?—Since June, 1937.

3967. I should like to ask if there are any figures available which would show whether the result of the institution of the service has been to increase the number of tourists coming from America to the island or whether it has merely been to result in a certain number of citizens of the United States who would in any case have gone to Bermuda going by air instead of going by sea. (Sir Richard Hopkins.) We should not, of course, have any conclusive evidence over here at the present time. I will gladly see whether there is anything that could be usefully given, but I should have thought it was too early to form any statistical judgment on the question at present.

3968. If we could merely have the figure of the number of tourists visiting the island during the twelve months after the service began, compared with the number in the previous twelve months, it would not take us very far, but it would take us a little way. —(Mr. Davies.) We have the figures of the tourists year by year.

3969. Do they show any increase?—They show a regular increase from 1933 to 1937: 61,000 in 1933; 83,000 in 1937.

3970. That was before the service was instituted. What about afterwards?—(Sir Richard Hopkins.) We might be able to get figures for later years, but even if they bore my case out very strongly, I should not feel justified in placing any reliance upon them, because it might be due to the greater amount of money in Americans' pockets.

Mr. Lewis.] There might be other circumstances.

Mr. Jagger.

3971. Are not American aeroplanes flying between Bermuda and the United States?—(Mr. Davies.) Yes.

3972. I saw that one came down in the sea at Bermuda the other day?—I do not know.

Mr. Mabane.

3973. Were the considerations which Sir Richard has put before us included

in the reply from the Treasury, and did Sir Gilbert think they were convincing?—(Sir Gilbert Upcott.) Yes, the Treasury's reply given to me gave a lot of statistics about trade and tourist traffic between America and Bermuda, but frankly, it did not convince me and I left it to Sir Richard to give it to the Committee himself.

3974. The other question I wanted to ask was whether any suggestion was made that this service would in the future be self-supporting—that it would make a profit—and that if once started it would not need further subsidies?—(Sir Richard Hopkins.) I doubt whether any suggestion of that kind in regard to any oversea service can be laid down with any certainty at the present time.

3975. I asked whether any suggestion of that sort were made. In asking for the advance, as I take it somebody did, was it suggested that the purpose of this was not to enable American tourists to come to Bermuda on the cheap, but to enable them to come at a full fare once the service was established?—I think that was the intention, that it should run upon an ordinary competitive basis, but that it was likely to be a self-supporting proposition within the early future I do not think was contended.

3976. Was any suggestion made as to the number of years that might elapse in ordinary normal circumstances, other things being equal, before it became self-supporting?—Mr. Davies is looking to see if he can find any figures, but I expect not. (Mr. Davies.) I do not think so.

Sir Irving Albery.

3977. I do not know whether I missed some of the evidence, but am I right in understanding that this grant to Imperial Airways was in the nature of a subsidy grant? It was not for the purchase of a flying boat and engines?—(Sir Richard Hopkins.) Yes, it was for the acquisition of a flying boat and engines.

3978. I would rather like to be clear about that. Why was it termed a grant? Does it imply the running of a service?—Certainly, there would be terms upon which it would be granted.

3979. What I do not quite understand is whether the money was to purchase certain property from Imperial Airways or whether the money was as a subsidy to Imperial Airways for running a certain service?—(Mr. Davies.) It was a

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and [Continued.
Mr. T. W. DAVIES.

grant to the Government of Bermuda for the acquisition of this aeroplane for Imperial Airways to run the service.

3980. Is there an additional subsidy? As I understand it now, this money was granted to the Government of Bermuda in order that they might purchase the flying boat and the engines from Imperial Airways?—(Sir Richard Hopkins.) For Imperial Airways to run.

3981. Is there in addition a subsidy to Imperial Airways for running the boats which you have purchased?—The Comptroller and Auditor General said he thought it fell within the general subsidy which the Imperial Airways received. (Sir Gilbert Upcott.) I beg your pardon; they received a specified subsidy, which is set out in Command Paper 5870 of 1938, which relates to the Bermuda-New York Civil Air Transport Service. That is a subsidy for the cost of running the service. (Sir Richard Hopkins.) A maintenance subsidy.

3982. Is not that a most unusual procedure? Is it not the general practice that when Imperial Airways start a service anywhere they receive a subsidy, but is there any example where the material has been purchased for them and then they have had a subsidy on top of it.—(Sir Gilbert Upcott.) The materials for ground services are normally provided.

3983. I am not referring to that part. I am referring to the purchase of the machine and engines?—(Sir Richard Hopkins.) I expect not. The subsidy as a whole takes account of the running costs, which include maintenance, which in its turn includes replacement of machines at very frequent intervals, because a machine is a thing with a comparatively short life, but whether there was a subsidy to Imperial Airways which was at any time designed to meet part of the cost of the initial planes with which they started I could not say. I think it is perhaps doubtful. (Sir Gilbert Upcott.) The provision of a flying boat, I think, is very unusual, but I would not like to say that something of the sort had not been done in connection with the Atlantic service.

Sir Assheton Pownall.

3984. Was this the flying boat which crashed, the "Cavalier"?—(Mr. Davies.) I thought that was on its way to the Bahamas. (Sir Gilbert Upcott.) No, it happened on this service.

15417

Sir Irving Albery.] It seems to me we ought to know something more about the conditions of this service and subsidy. It does not seem to me to be a practical way of doing it. Presumably, if the machine and engines have to be renewed in two years, I suppose another grant will be necessary to renew them and the subsidy will continue.

Sir Assheton Pownall.] And so on *ad infinitum*.

Sir Irving Albery.

3985. I cannot recollect any similar case ever having been brought to my notice?—(Sir Richard Hopkins.) I think it would be quite easy to get a statement of the whole terms of the arrangement and let the Committee have it.

Sir Assheton Pownall.

3986. Of the amount of subsidy?—You shall have it.

Mr. Mabane.

3987. I should like to know the terms?—(Sir Gilbert Upcott.) The running terms are stated in Command Paper 5870 of 1938: "The maximum subsidy, payable by monthly instalments in arrear, will be at the rate of £48,000 in respect of the first year and £54,000, £53,000, £52,000 and £51,000 in respect of the four successive subsequent years." It is also dependent on the amount of flying done, and so forth. It is subject to the usual conditions upon which the Air Ministry subsidies are granted.

3988. Then it stops?—It is provided for that period.

Sir Irving Albery.

3989. I should also like to ask this. A fair example perhaps will be to take Newfoundland, where there is a very limited steamship service at the moment. May I ask whether in the opinion of the Treasury this Colonial Development Fund could be properly used for, say, purchasing a couple of steamships, and subsidising a steamship company for communicating between this country and Newfoundland?—(Sir Richard Hopkins.) Yes, I should say so. It would be within the limits of the Statute; whether it would be desirable in any particular case I think would be a more doubtful question.

3990. May I ask where you think it comes within the limits of the Statute?—It would simply come, as this would.

P 4

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and [Continued.
Mr. T. W. DAVIES.

under the general category at the end, "any other means designed to improve the industry and commerce of the Colony" and so on.

3991. That means apparently that you take the view that practically anything which is in the interests of the Colony comes out of the fund?—I have always understood that the underlying intention was that Parliament would place at the disposal of this fund a sum not exceeding £1,000,000 a year for the purpose of developing or assisting the well-being of any part of the Colonial Empire in practically any way which would go to the advantage of its industry or agriculture and thereby indirectly or directly benefit us.

3992. I speak with all deference, but I should have thought myself that it applied more particularly to any local development. After all, if this country is granting funds to develop colonial possessions to further communications between this country and the Colony, it seems to me to be rather the primary duty of this country that it should subsidise the Colony to perform them, but I do not want to pursue that. The only reason I mentioned it at some length is that it seems to me that the question raised by the Comptroller and Auditor General is one on which this Committee will probably have to express its views?—(Sir Gilbert Upcott.) I think I should draw the Committee's attention to the fact of the provision of a steamship, if such a thing were done, because I should regard it as very remarkable that, if Parliament intended to include such an important thing as a steamship in the Act, it did not mention it.

Sir Isidore Salmon.

3993. You speak of a flying boat. Is there only one boat working the service?—(Mr. Davies.) I do not know.

3994. But you have only provision here, presumably, for one boat?—The assistance was recommended by the Committee in respect of only one boat, yes.

3995. As a matter of fact, how many boats are being operated at the present moment?—That I am afraid I do not know.

Mr. Jagger.

3996. Do you know that there are any?—We know that. (Sir Gilbert Upcott.) Twice a week was the service contemplated.

Sir Assheton Pownall.

3997. Both ways?—In each direction.

Sir Isidore Salmon.

3998. Who would be responsible when this boat is worn out or the engines are worn out, and have to be replaced? Would the operating company replace the boat or would they expect the Development Fund to find the money for replacement?—(Mr. Davies.) They certainly would not expect the Development Fund to find it. They might possibly come back to the Development Fund and ask for a further recommendation. (Sir Gilbert Upcott.) I think the company is liable.

3999. To maintain and replace?—I think so.

4000. Is that so?—(Sir Richard Hopkins.) Yes, I should say so. I should take that view, more particularly as the liability of the company is to run the service. (Sir Gilbert Upcott.) "The company will be required," says the White Paper, "to keep the aircraft in airworthy condition, to insure it against all flying and ground risks and to repair or replace it if damaged or lost."

Sir Robert Smith.

4001. Take Sir Irving's case of running a steamship between this country and Newfoundland. I gather you say it would also apply to a case of running steamships between Newfoundland and the United States?—(Sir Richard Hopkins.) Yes, or Newfoundland and Canada.

4002. You put it as high as that?—Yes, I am not saying it is a thing we would necessarily do.

Sir Assheton Pownall.

4003. It is slightly hypothetical at the moment?—Yes.

Sir Robert Smith.

4004. But that is the parallel?—Yes.

Mr. Culverwell.

4005. You quoted the paragraph saying: "In the event of damage or loss", but that does not seem to me to answer Sir Isidore's question, which is: What happens when it is worn out?—(Sir Gilbert Upcott.) It has to be kept in an airworthy condition.

4006. I gather they do not last for ever?—The agreement only lasts for five years.

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and
Mr. T. W. DAVIES.

[Continued.]

Mr. Mabane.

4007. Am I correct in saying that the cost to the Government or this fund of running the service is somewhere between £50,000 and £55,000 a year?—(Sir Richard Hopkins.) That is the figure the Comptroller and Auditor-General has just given you.

4008. Could we be told how many people were carried per annum by this boat?—I am afraid I could not possibly give it at the moment, but that shall be included in the note which I have said will be put in on the subject.*

Mr. Jagger.] And the fares?

Sir Assheton Pownall.

4009. May we also know whether Pan-American Airways or any American service runs an alternative service, or, failing that, whether there is anything from them towards keeping the service going?—Certainly. (Mr. Davies.) I know it was said at the time the application was made to the Committee that Pan-American Airways were prepared to start a service without any subsidy at all from the British Government.

Mr. Culverwell.

4010. Could you state in the note whether it is a fact that they were prepared to start a service?—Certainly.

Sir Assheton Pownall.

4011. Paragraph 5: "Nigeria: Ground Organisation for Air Services". Do you wish to amplify the note, Sir Gilbert?—(Sir Gilbert Upcott.) I raised this question because I do not think the Treasury would claim that what they did in this case should be regarded as of universal application. It did seem to me that it was a rather unusual use again of the Act to give money to something which had already been done. The object of this Act, I should be disposed to suggest, was to promote the doing of something. In this case the work had been carried out at the expense of the Government of Nigeria, and the money was given to recoup the Government of Nigeria in part for the expenditure which they had incurred. The Treasury have, as the Committee will see, agreed that on general grounds advances should not ordinarily be made from the fund in respect of completed schemes, but they have felt that the present case was in some respects exceptional.

* See Appendix No. 17.

4012. Sir Richard, have you anything to say?—(Sir Richard Hopkins.) I agree in general with what Sir Gilbert has said. You will see, of course, that, although no formal application or formal adjudication upon it was made in advance, for the reason that it was difficult to put up a precise and definite plan and scheme, at the same time at an early stage in the proceedings the Chairman of the Advisory Committee was seen and no doubt after consultation with his colleagues he said that in the circumstances of this case the application would not be prejudiced. Generally speaking, no doubt it is desirable that the thing should be formally presented both to the Committee and to the Treasury before the work is carried out.

4013. What relation has this scheme to the Empire Air Mail Scheme?—(Mr. Davies.) It was to afford a link with it, to connect up Lagos on the south coast with the towns in the northern part of Nigeria.

4014. And a further link due east across to the Cape service: is that the idea, or do you go down the west coast?—Yes. I do not know whether it links up yet, but that is the idea.

4015. To go across?—Yes.

Mr. Culverwell.

4016. In the last paragraph it says: "It was added that the scheme in question was not only precisely similar to, but in fact formed part of, a ground organization scheme towards the cost of which the neighbouring Colony of the Gold Coast sought and received assistance from the Colonial Development Fund"?—(Sir Richard Hopkins.) Yes.

4017. In that case why were not the applications put in together?—I think merely because the Gold Coast had a more definite and complete scheme which they were able to put forward. The Nigerian one was more difficult to frame with exactitude and instead they made an informal approach to Sir Alan Rae Smith and did it in that way. (Sir Gilbert Upcott.) The Gold Coast scheme had been begun but not concluded, whereas the Nigerian one had been completed.

4018. The same thing applies to the Gold Coast scheme?—(Sir Richard Hopkins.) To a more limited extent.

4019. That is not mentioned in your Report, Sir Gilbert, is it?—(Sir Gilbert Upcott.) I raised the general question

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and [Continued.
Mr. T. W. DAVIES.

of the retrospective use of the fund using Nigeria as the complete type of case.

4020. I assumed that the Gold Coast had complied with the requirements of the fund, but they had not?—No. I did not refer to the Gold Coast as a justification. I should have said it was another illustration of the offence.

Mr. *Culverwell*.] I did not appreciate that.

Mr. *Lathan*.

4021. This grant, I gather, was made on the recommendation of the Colonial Development Fund Committee?—(Sir *Richard Hopkins*.) Yes, indeed all of them are made on that recommendation.

4022. The Committee appeared to be in some doubt as to whether it was within the customary conditions, judging by the Comptroller and Auditor General's Report. They required to be informed in advance or to be given an assurance that assistance would not be prejudiced by the fact that the expenditure had already been incurred?—No; I have not understood it quite in that way. In the ordinary course the full details of the scheme should be put up in a formal way to the Committee before the work is commenced. In this case they were not able to do so, and only an informal approach was made to the Chairman, who agreed that it must go on while the matter was further advancing, and an application, when it was received, would not be prejudiced because the work had started in advance.

4023. Either the Nigerian Government authorities or the Committee were in some doubt whether a scheme of this character would come within the range of the arrangements which provided for grants?—I do not myself think that was so. I think it was merely that the local government were not in a position to express themselves with precision as to how the work was going to develop.

4024. They ought to have been, surely?—As I said, this was to some extent irregular in that regard.

4025. Surely there is no difficulty there in estimating the possibility of completing the scheme?—(Mr. *Davies*.) The Committee always like to have as firm estimates as possible before them and for some reason it was necessary to get on with this work in Nigeria very quickly and the local government in Nigeria found it impossible to frame firm enough estimates to satisfy the Committee at

the beginning of the work. As the Committee normally take the same view as the Comptroller and Auditor General about not giving grants to finished schemes, the Chairman gave an informal assurance that in this case the fact that the work had been begun or nearly finished would not prejudice a favourable recommendation.

4026. There was no delay on the part of the Committee in considering the application?—No.

Mr. *Jagger*.

4027. Would it be considered that this was quite a businesslike way? Here is a Government which goes and spends some money; they say they must spend it before they have got permission, and informally the Chairman tells them it will be all right. Was not the Advisory Committee then committed either to turning down its Chairman or advancing some money that it did not want to advance?—(Sir *Richard Hopkins*.) Yes, but the Chairman, of course, would not give an assurance of that kind unless he were well satisfied that the members of his Committee would follow him and that the Dominions Office and the Treasury would see eye to eye with him on the general aspects of the matter.

4028. It seems to me that those are assumptions which no man can make?—Yes, he did. (Mr. *Davies*.) I think he would have given the assurances subject to the qualification that, of course, he can in no way commit the Committee, but he thinks that they will take the same view as he does.

Mr. *Lewis*.

4029. I take it the Committee were not under any obligation to make the grant if they did not wish to do so. The work would simply have been paid for out of the funds of the Colony?—(Sir *Richard Hopkins*.) That is so.

Sir *Assheton Pownall*.

4030. Paragraph 6 is purely formal, I think. Will the Committee turn to the Accounts, pages 2-10. On pages 8 and 9 I have questions. At the bottom of page 9 I see interest at 4 per cent., and then the loan has been re-lent at 6 per cent.: could you tell us something about the difference in those two rates?—(Mr. *Davies*.) The company was expected to be making a profit. The

23 May, 1939.] Sir RICHARD V. NIND HOPKINS, K.C.B., and [Continued.
Mr. T. W. DAVIES.

Government of British Honduras therefore thought that it would be legitimate to re-lend the money to them at a higher rate of interest than they themselves had borrowed it at.

4031. And make a profit of 2 per cent. in the process?—Yes, but they take a risk in the process.

4032. Are there any questions on pages 2-10. The same question is raised in the third item on page 11: interest at 3½ per cent.; the loan has been re-lent to the British Honduras Citrus Association

at 5 per cent.: is the reason the same there?—The reason is the same there, I think. The Association is a co-operative concern and the Government bears a risk, because, if the Association does not repay the loan to the Government, the Government still has to repay it to the fund.

Sir *Assheton Pownall*.] Are there any questions on pages 11-21?

May I take it that these Accounts are approved? (*Agreed.*)

(*Mr. Davies withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS III.

VOTE II.

MISCELLANEOUS LEGAL EXPENSES.

(*On this Account no questions were asked.*)

CLASS IV.

VOTE 10.

SCIENTIFIC INVESTIGATION, ETC.

Sir *Assheton Pownall*.

4033. Class IV, Vote 10, pages 181-3: "Scientific Investigation, etc." I see that £2,952 on page 183 is for Pension, Life and Disablement Insurance. Could you tell us something about that, Sir Richard?—(Sir *Richard Hopkins*.) This, of course, is the Account of the Medical Research Council, for which Mr. Goodenough is the Treasurer. These will be provisions, I think, which have been put on one side for certain of the workers connected with medical research, not the central staff which is dealt with in the item before. (Sir *Gilbert Upcott*.) There is a new scheme adopted by the Council, with Treasury approval, for contributory pensions and life assurance through an assurance company for staff which are not of the university grades, who are otherwise dealt with.

4034. It is necessary to have an outside insurance for them, is it? You cannot do it among yourselves?—It is not within the scope of the Superannuation Acts. (Sir *Richard Hopkins*.) No.

4035. Does it come within the provisions of the Superannuation Acts?—(Sir *Gilbert Upcott*.) No. (Sir *Richard Hopkins*.) These people are not civil servants; they are paid from the funds of the Medical Research Council, which

is merely grant-aided; they could not be brought within the scope of the Superannuation Acts.

Mr. *Lathan*.

4036. On page 181, there are two payments of £1,000 each to the British School at Athens and the British School at Rome. Am I correct in remembering that these schools are schools for the children of British citizens?—No. These are really learned societies; they are centres from which archaeological work is carried on, such as the digging up of the Palace of Minos, and so on.

4037. They are peculiar to Rome and Athens particularly?—Yes; they are.

Mr. *Benson*.

4038. With regard to the first item on page 183: "Salaries, Wages, Superannuation and Office Expenses," that is purely administration, and I gather it is nothing whatever to do with the research. It seems a very high percentage of the £160,000 that is spent on research. We spend £160,000 on research?—Yes.

4039. And £11,000 on administering; have you any information on that?—I can only speak quite generally, of course. This is a Council which receives a large grant from the State and income from

23 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

other sources, and we are not directly responsible for it, but from time to time in considering the amount of the grant we have considered in general terms the method of organisation of the Council as a whole and have found no ground to criticise it.

4040. You are satisfied with it?—Yes. (Sir *Gilbert Upcott.*) It includes medical staff engaged on research or control of research.

4041. It is more than administration?—Yes.

Mr. *Mabane.*

4042. How long has a grant been paid to the Royal Academy of Dramatic Art?—(Sir *Richard Hopkins.*) That is one which has been paid for a large number of years. I should think the Academy was set up five or six years before the War, and it was brought into this list of Scientific Institutions which receive contributions not very long afterwards. The British Academy, which appears just after it, is much more modern, and that has only recently been added to the

Scientific Institutions to which contributions are paid.

4043. Does this contribution to the Royal Academy of Dramatic Art imply any supervision in the management or direction of it?—No; no more than it does in the case of the Royal Society or the British School at Athens, but it has been thought worthy to take its place in this very distinguished list.

4044. How did you come to save £38 on firing the time gun at Edinburgh and for what period of time does that represent the saving?—This is over a period of a year. I think that the amount which is put in for a time gun is a more or less nominal sum every year. The actual amount varies.

4045. I wondered if you did not fire it when there was no Astronomer Royal as a token of respect?—(Sir *Gilbert Upcott.*) Last year you elicited the fact that they saved £37.

Sir *Assheton Pownall.*] Are there any further questions? May I take it that this Account is approved? (*Agreed.*)

VOTE II.

UNIVERSITIES AND COLLEGES, GREAT BRITAIN.

Sir *Assheton Pownall.*

4046. Vote II, pages 184-185: "Universities and Colleges, Great Britain." The amount voted last year was intended to be spread over five years for non-recurrent grants?—(Sir *Richard Hopkins.*) The amount of the balance year by year, you mean?

4047. Yes?—I think that regularly this Account shows some fairly considerable balance at the end of our year by reason of a time lag between our year and the academic year. The amount that comes in is paid out in respect of an academic year ending in October, and portions of the grant go out late. In addition to that, at the beginning of the present quinquennium when the £2,100,000 a year was agreed for a period of five years, an additional sum of £150,000 was put in in the first year to act as a kind

of reserve out of which special grants for capital purposes might be made; that is being gradually expended; for these two reasons the balance is rather high.

Mr. *Benson.*

4048. On what basis are these grants made? Do they vary from year to year, are they fixed or are they based on estimates of needs submitted by the Universities?—They are fixed for a period of five years by the University Grants Committee, which first goes round and looks at the needs and the value and the character of the work which is being done. They stand then for five years; they constitute about one-third of the income of the Universities.

Sir *Assheton Pownall.*] Are there any further questions? May I take it that this Account is approved? (*Agreed.*)

(At this point Mr. *Pethick-Lawrence* returned to the Chair.)

CLASS V.

VOTE 7.

WIDOWS', ORPHANS' AND OLD AGE CONTRIBUTORY PENSIONS.

VOTE 12.

SPECIAL AREAS FUND.

(On these Accounts no questions were asked.)

23 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

VOTE 12A.

FINANCIAL ASSISTANCE IN SPECIAL AND OTHER AREAS.

Chairman.

4049. Turn now to page 233, Class V, Vote 12a: "Financial Assistance in Special and other Areas". With this Account we will take paragraph 41 in the Comptroller and Auditor-General's Report at page xxiv. I notice, Sir Richard, that power was taken for a considerable sum of money, and a comparatively small amount was spent under sub-head C. Can you tell us a little about that?—[*Sir Richard Hopkins.*] Yes, Sir. This was for loans that might be granted to new industrial undertakings both in the Special Areas and the areas called Certified Areas. This was in 1937, the year in which the Act was actually passed. It was uncertain how many loans would be agreed and actually taken up in the year. Before the year was over loans to the amount of something like £800,000, I think, were agreed upon in principle, but they were

largely to concerns of considerable magnitude and they required time to get going before they required the money; in fact, none of it was called upon until the following year.

4050. But a considerable amount has been called upon now?—A considerable amount has been called upon now.

4051. It is going forward?—It is going forward; indeed the amount which has been agreed in principle is very nearly 1½ millions.

4052. On sub-head B there was no expenditure?—No; that was a question of Government assistance to site-companies formed in certain areas. There was great difficulty in getting them going. Indeed, the only one which has been got going is the one in Lancashire.

Chairman.] Are there any further questions? May I take it that this Account is approved? (*Agreed.*)

CLASS VI.

VOTE 16.

DEVELOPMENT FUND.

DEVELOPMENT FUND ACCOUNTS, 1937.

(On these Accounts no questions were asked.)

CIVIL APPROPRIATION ACCOUNTS, 1937.

CLASS VI.

VOTE 17.

DEVELOPMENT GRANTS.

Chairman.

4053. Now we come to Class VI, Vote 17, page 318: "Development Grants". I think this is a remanet of the commitments that were entered into before

1932: is not that so?—[*Sir Richard Hopkins.*] That is so: between 1929 and March, 1932.

Chairman.] Are there any questions? May I take it that this Account is approved? (*Agreed.*)

CLASS VII.

VOTE 12.

RATES ON GOVERNMENT PROPERTY.

(On this Account no questions were asked.)

TRADING ACCOUNTS—MEMORANDUM BY THE TREASURY.

Chairman.

4054. We take now a Memorandum by the Treasury on the Trading Accounts.*

I think you have all had that circulated. I should like to ask the Treasury whether they have anything further to say on the matter?—(*Sir Richard Hopkins.*) I

* See Appendix No. 18.

23 May, 1939.]

Sir RICHARD V. NIND HOPKINS, K.C.B.

[Continued.]

am afraid there is not much more that I can usefully say, Sir. I am sorry that we have not made greater progress than we have, but it is a matter of very great complexity and it requires a great deal of care; at the present time the Treasury is very occupied with a great many things which insist on being dealt with first. I think we refer in our note to the special case of the Accounts in regard to farm settlements, where the existing situation has really become almost ridiculous and there is a question whether those should be abandoned in their present form or whether the matter might be left to continue for a further year until the whole thing has been further considered. From the Treasury point of view, I do not think it matters which view you take upon the subject.

4055. Have you anything to say, Sir Gilbert?—(Sir Gilbert Upcott.) I should like to support the Treasury's suggestion, if the Committee would agree, that the general questions which have arisen on these Trading Accounts should be deferred for another year, because they are complicated, and it would be desirable to get a general measure of agreement and some uniform principles before proposals are placed before this Committee. I appreciate that the Treasury have had great difficulties in arriving at them recently. But, as regards the Ministry of Agriculture Farm Settlement Accounts, I think the Committee perhaps might wish to consider whether they would not be prepared now to accept the suggestion which was considered three years ago and postponed, namely, that these Accounts should be replaced by simple cash Accounts of the receipts and payments. I think that these Trading Accounts, the preparation and the audit of which give a good deal of labour, have served their purpose, and I do not think their continuance will show anything

(Sir Richard Hopkins withdrew.)

AGRICULTURAL RESEARCH COUNCIL ACCOUNTS, 1937.

Mr. E. H. E. HAVELOCK, O.B.E., called in and examined.

Chairman.

4057. We take now the White Paper, the Agricultural Research Council Accounts. I understand that Mr. Havelock, the Administrative Secretary, is here and will assist us as far as he can in the matter. Regarding the scheme that is referred to on page 6 in the Report of the Comptroller and Auditor-

more than, generally speaking, the fact that the undertakings meet their cash expenditure out of receipts but do not provide anything for interest on capital, or depreciation. I doubt whether any further lesson is to be learnt by their continuance. They only relate to a very small fraction of land settlement, the bulk of which in England has been effected through the County Councils. They are not, as they are in Scotland, a very important undertaking. Therefore, I think, perhaps the Committee might like to consider whether they might not be replaced by a simple cash Account now.

Chairman.] Are there any questions on this Memorandum?

Mr. Jagger.] Is there not some advantage in continuing them in their present form for another year if we are going to have some alterations next year when this Report is ready?

Chairman.] To whom are you addressing that question?

Mr. Jagger.

4056. I was addressing it to the Treasury witness who suggested that we might discontinue these Accounts?—(Sir Richard Hopkins.) As I said, I do not want to press any particular view on the Committee, but frankly we are in agreement with what the Comptroller and Auditor General said, namely, that these Accounts have reached the point at which they tell almost nothing at all. (Sir Gilbert Upcott.) I do not think the details of these particular Accounts will prejudice the Committee in considering the question of the other Accounts.

Chairman.] We are not deciding anything now, Mr. Jagger. We do not decide on anything until the Chairman's Report is prepared.

General, what precisely is this scheme and how is it that this Council is embarking on this direct undertaking on the scale apparently which is contemplated according to this note?—(Mr. Havelock.) The Council, of course, works under a Committee of Privy Council for Agricultural Research, and the whole of this question of principle has been before

23 May, 1939.]

Mr. E. H. E. HAVELOCK, O.B.E.

[Continued.]

the Committee of Privy Council. Of that Committee the two Ministers concerned with agriculture are members. After the Council had been at work for some little time (it was founded in 1931) and had surveyed all the agricultural research that was going on in Great Britain, it came to the conclusion that there was a case for establishing a new kind of field station, first of all and more particularly for carrying out experiments on a scale, especially with farm animals, which could not be done at any of the existing agricultural research institutes. For instance, if you are working on a disease such as contagious abortion, the Council thought it would be wrong if you wanted to do experiments with vaccines on, say, 200 cattle, to make a temporary addition to a particular animal disease institute for those experiments; it was much better to centralise the facilities for large-scale experiments of that kind. That was the first point. The second point was that the Council found that research institutes all over the country desired to obtain supplies of animals, both large and small animals, which were definitely of known history and free from certain specific diseases, so that they could work on those diseases on them. That is the second purpose of Compton, to breed healthy animals tested for certain diseases. I think those are the two main purposes.

4058. Could you just amplify that to this extent: what will be the relation between this body and the various bodies which are set out on page 4 which are carrying on research grant-aided by the Council?—Yes. Might I pursue the case of which I gave an example—contagious abortion? The Council has a Committee on Contagious Abortion Research on which are all the chief workers in the country on that disease. Certain of those workers are producing vaccines at one or other of these research institutes. When work with that vaccine has reached a point at which they wish to test it, not on small groups of 5, 10 or 20 cattle, but on 200 cattle, they will work through the Compton Field Station and will be given full facilities there. There will be a small laboratory there and isolation units for cattle, and the cattle will have been bred, we hope, free from that specific disease so that they are ready for experiments. In point of fact, the first set of experiments with which the Council is concerned relates to contagious abortion.

Mr. Culverwell.

4059. The only question I want to ask does not relate to the Report; it is only a matter of interest. Is there any Central World Research Council which studies such questions?—No; there are research bodies dealing with specific fields of agricultural research, but there is no world body dealing with a particular disease that I know of.

4060. I did not mean particular diseases, but general research work?—I think not.

Mr. Lathan.

4061. Is this the only field station of this character?—It is the only one I know of.

4062. Do I gather the view taken is that the results of experiments made on small groups of, say 5 to 10 animals are not sufficiently conclusive?—That is so, and, before going on to a farm scale, before releasing a vaccine, you must have further experiments on what might be called the semi-farm scale with 200 animals rather than with 10.

4063. Conditions would be different with the large number rather than with the few?—I think you can get much better controls. I think the statistician would say you must work with large numbers to get any reliable results.

Mr. Culverwell.

4064. Do you get any grants from other bodies which are interested in this work?—No, not from bodies outside Great Britain.

4065. But you subscribe to other bodies?—We do not receive any grants. The Council is, of course, represented at International Congresses of various kinds, but they have not received any funds other than from Great Britain.

4066. Have they ever asked for any subscriptions or donations?—Not outside this country. Were you thinking of a body like the Rockefeller Foundation?

Mr. Culverwell.] I notice in these Accounts very often we come across a contribution to such and such a bureau of research, not agricultural research necessarily. I have never understood why we subscribe and other countries do not seem to subscribe to our research work?

Chairman.

4067. Are the results available for persons in other countries?—Yes; the results of this work when it has been carried

23 May, 1939.]

Mr. E. H. E. HAVELOCK, O.B.E.

[Continued.]

out will be published in some journals of recognised international status or in the Council's own scientific series.

Mr. Culverwell.

4068. It is a point which might be considered?—Yes.

Mr. Lathan.

4069. I take it if the Agricultural Department of any Government abroad required information on an investigation that you were pursuing, that information, if supplied, would be charged for?—We have a regular exchange list of publications with such bodies.

Chairman.] Are there any further questions?

Mr. Jagger.

4070. I should like to know how many members there are of the Council and how these honoraria of £1,400 are allocated out of the grant of £8,600?—There are 15 members of the Council, and all the members of the Council receive an honorarium of £100 per annum, with the exception of the present chairman who is a civil servant; he receives no honorarium.

Chairman.] Are there any further questions? May I take it that this Account is approved? (Agreed.)

(The witnesses withdrew.)

(Adjourned till Tuesday, 4th July, at 2.30 p.m.)

LIST OF APPENDICES.

	<i>Page.</i>
APPENDIX No. 1.	
H.M. Treasury—Comparison of Audited Expenditure with Exchequer Issues and General Abstract of Appropriation Accounts	415
APPENDIX No. 2.	
H.M. Treasury—Minute on First and Second Reports of Public Accounts Committee, 1938... ..	425
APPENDIX No. 3.	
Post Office—B.C.C. (Bulk Contract Committee)	435
APPENDIX No. 4.	
Post Office—Bulk Contract Committee.—Memorandum	439
APPENDIX No. 5.	
Public Works Loan Commission—Value of properties, payment of accounts, etc.	440
APPENDIX No. 6.	
Exchequer and Audit Department—Public Works Loan Commission	441
APPENDIX No. 7.	
Ministry of Health—Supplementary notes on replies to Questions	442
APPENDIX No. 8.	
Post Office—Interest on capital liability in the Telegraph Commercial Account	443
APPENDIX No. 9.	
Ministry of Agriculture and Fisheries—Sugar Industry	445
APPENDIX No. 10.	
Ministry of Agriculture and Fisheries—Number of children receiving milk in Schools	446

	<i>Page.</i>
APPENDIX NO. 11.	
Office of Works—Osborne House	447
APPENDIX NO. 12.	
Dominions Office—Land Settlement Schemes in Canada ...	450
APPENDIX NO. 13.	
H.M. Treasury—Army Supplementary Estimate, 1937 ...	451
APPENDIX NO. 14.	
Admiralty—R.R.S. Research	452
APPENDIX NO. 15.	
Admiralty—Nautical Almanac	456
APPENDIX NO. 16.	
H.M. Treasury—Newfoundland ; Land Settlement ...	456
APPENDIX NO. 17.	
H.M. Treasury—Bermuda ; Air Transport Scheme ...	458
APPENDIX NO. 18.	
H.M. Treasury—Trading Accounts	458

APPENDIX No. I.

PAPER handed in by Mr. *H. Brittain*, on 2nd February, 1939.

1936.

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,

February, 1939.

COMPARISON of AUDITED EXPENDITURE in 1936 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.	263,083,385 2 6	263,083,385 2 6	—	—	—	—
NAVY... ..	81,092,000 0 0	80,976,124 1 8	115,875 18 4	—	—	—
ARMY	54,512,200 0 0	54,195,088 19 10	317,111 0 2	—	—	—
ARMY (ORDNANCE FACTORIES)	333,800 0 0	333,800 0 0	—	—	—	—
AIR SERVICES	50,134,000 0 0	49,995,696 11 11	138,303 8 1	—	—	—
	186,072,000 0 0	185,500,709 13 5	571,290 6 7	—	—	—
CIVIL SERVICES	367,710,900 0 0	367,810,099 13 1	—	99,199 13 1	—	—
REVENUE DEPARTMENTS ...	85,327,100 0 0	85,268,910 6 10	58,189 13 2	—	—	—
TOTAL	902,193,385 2 6	901,663,104 15 10	629,479 19 9	99,199 13 1	—	—
			530,280 6 8			

1936.

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, 1936.						Expenditure, 1936.						Differences between Exchequer Grants and Net Expenditure. (Columns 3 and 6.)											
	Estimated Gross Expenditure.		Authorised Receipts in Aid of Grants.		Exchequer Grants.		Gross Expenditure.		Actual Receipts in Aid.		Net Expenditure.		Surpluses.		† Deficits.									
	(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)	(9.)	(10.)	(11.)	(12.)	(13.)	(14.)	(15.)									
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.									
Navy	84,548,826	0	0	3,259,726	0	0	81,289,100	0	0	84,224,904	19	5	3,248,780	17	9	80,976,124	1	8	312,975	18	4	—		
Army	62,308,100	0	0	6,427,000	0	0	55,881,100	0	0	61,440,501	16	2	7,245,412	16	4	54,195,088	19	10	1,686,011	0	2	—		
Army (Ordnance Factories) ...	6,665,700	0	0	*6,331,900	0	0	333,800	0	0	†6,327,351	16	3	5,993,551	16	3	333,800	0	0	—	—	—	—		
Air Services	55,748,700	0	0	5,048,600	0	0	50,700,100	0	0	55,082,603	11	4	5,086,906	19	5	49,995,696	11	11	704,403	8	1	—		
TOTAL, NAVAL, MILITARY AND AIR SERVICES.	209,271,326	0	0	21,067,226	0	0	188,204,100	0	0	207,075,362	3	2	21,574,652	9	9	185,500,709	13	5	2,703,390	6	7	—		
Civil Services :																								
Class I.	5,347,471	0	0	2,918,127	0	0	2,429,344	0	0	5,087,892	19	0	2,817,317	2	3	2,270,575	16	9	158,768	3	3	—		
" II.	11,423,043	0	0	1,916,275	0	0	9,506,768	0	0	11,128,674	7	1	1,915,367	13	10	9,213,306	13	3	293,461	6	9	—		
" III.	21,715,534	0	0	2,466,165	0	0	19,249,369	0	0	20,876,465	8	6	2,417,021	2	0	18,459,444	6	6	789,924	13	6	—		
" IV.	65,127,100	0	0	6,578,423	0	0	58,548,677	0	0	64,997,107	16	10	6,539,777	16	9	58,457,330	0	1	91,346	19	11	—		
" V.	179,562,578	0	0	11,544,223	0	0	168,018,355	0	0	171,844,312	12	10	9,606,532	8	9	162,237,780	4	1	5,780,574	15	11	—		
" VI.	22,670,045	0	0	3,763,500	0	0	18,906,545	0	0	21,027,537	8	2	3,380,677	10	9	17,646,859	17	5	1,260,410	1	10	724	19	3
" VII.	12,131,590	0	0	2,619,210	0	0	9,512,380	0	0	11,979,154	17	10	2,618,827	18	5	9,360,326	19	5	153,776	7	11	1,723	7	4
" VIII.	44,999,472	0	0	11,364	0	0	44,988,108	0	0	44,983,889	10	4	11,364	0	0	44,972,525	10	4	28,306	1	5	12,723	11	9
" IX.	51,658,000	0	0	6,458,573	0	0	45,199,427	0	0	51,650,523	5	3	6,458,573	0	0	45,191,950	5	3	7,476	14	9	—		
TOTAL CIVIL SERVICES ...	414,634,833	0	0	38,275,860	0	0	376,358,973	0	0	403,575,558	5	10	35,765,458	12	9	367,810,099	13	1	8,564,045	5	3	15,171	18	4
Revenue Departments :																								
Customs and Excise	6,080,100	0	0	243,000	0	0	5,837,100	0	0	6,035,189	3	5	243,000	0	0	5,792,189	3	5	44,910	16	7	—		
Inland Revenue	7,930,200	0	0	275,500	0	0	7,654,700	0	0	7,884,674	16	2	274,020	0	3	7,610,654	15	11	44,045	4	1	—		
Post Office	75,174,176	0	0	3,230,176	0	0	71,944,000	0	0	75,096,242	7	6	3,230,176	0	0	71,866,066	7	6	77,933	12	6	—		
TOTAL REVENUE DEPARTMENTS.	89,184,476	0	0	3,748,676	0	0	85,435,800	0	0	89,016,106	7	1	3,747,196	0	3	85,268,910	6	10	166,889	13	2	—		
TOTAL FOR VOTED SERVICES	713,090,635	0	0	63,091,762	0	0	649,998,873	0	0	699,667,026	16	1	61,087,307	2	9	638,579,719	13	4	11,434,325	5	08	15,171	18	4

For details, see H.C. 16 of 1938.

CIVIL SERVICES.

1936.

ABSTRACT STATEMENT showing the APPROPRIATION OF GRANTS and RECEIPTS in AID of GRANTS, for the undermentioned CIVIL SERVICES after Audit by the Comptroller and Auditor General, and Review by the Public Accounts Committee of the House of Commons for the Year ended 31st March, 1937, and the Amounts of the UNEXPENDED BALANCES or DEFICIENCIES arising upon the same. (For details see H.C. 16 of 1938.)

Service.	Grants and Estimated Receipts, 1936.			Expenditure, 1936.			Differences between Exchequer Grants and Net Expenditure.	
	Estimated Gross Expenditure.	Authorised Receipts in Aid of Grants.	Exchequer Grants.	Gross Expenditure	Actual Receipts in Aid	Net Expenditure	Surpluses.	Deficits.
	(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)
CLASS I.								
CENTRAL GOVERNMENT AND FINANCE.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1 House of Lords Offices	66,908 0 0	16,130 0 0	50,778 0 0	65,271 0 3	16,130 0 0	49,141 0 3	1,636 19 9	—
2 House of Commons	362,285 0 0	15,500 0 0	346,785 0 0	351,518 9 4	15,500 0 0	336,018 9 4	10,766 10 8	—
3 Expenses under the Representation of the People Act.	245,000 0 0	—	245,000 0 0	240,651 0 8	—	240,651 0 8	4,348 19 4	—
4 Treasury and Subordinate Departments	373,700 0 0	11,587 0 0	362,113 0 0	364,378 2 4	11,587 0 0	352,791 2 4	9,321 17 8	—
5 Privy Council Office	17,345 0 0	4,240 0 0	13,105 0 0	16,550 18 5	4,240 0 0	12,310 18 5	794 1 7	—
6 Privy Seal Office	3,702 0 0	—	3,702 0 0	3,599 10 6	—	3,599 10 6	102 9 6	—
7 Charity Commission	42,421 0 0	2,600 0 0	39,821 0 0	41,323 5 9	2,600 0 0	38,723 5 9	1,097 14 3	—
8 Civil Service Commission	79,060 0 0	55,250 0 0	23,810 0 0	79,025 7 6	55,250 0 0	23,775 7 6	34 12 6	—
9 Exchequer and Audit Department ...	158,533 0 0	18,579 0 0	139,954 0 0	156,590 1 8	18,579 0 0	138,011 1 8	1,942 18 4	—
10 Friendly Societies' Deficiency ...	5,529 0 0	—	5,529 0 0	5,528 11 9	—	5,528 11 9	0 8 3	—
11 Government Actuary	37,270 0 0	4,250 0 0	33,020 0 0	35,522 10 8	4,250 0 0	31,272 10 8	1,747 9 4	—
12 Government Chemist	80,164 0 0	700 0 0	79,464 0 0	77,897 0 8	700 0 0	77,197 0 8	2,266 19 4	—
13 Government Hospitality	8,000 0 0	—	8,000 0 0	8,000 0 0	—	8,000 0 0	—	—
14 Import Duties Advisory Committee	59,014 0 0	—	59,014 0 0	58,616 2 6	—	58,616 2 6	397 17 6	—
15 Mint	2,717,000 0 0	2,617,000 0 0	100,000 0 0	2,555,090 9 2	2,555,090 9 2	—	100,000 0 0	—
16 National Debt Office	27,627 0 0	24,800 0 0	2,827 0 0	26,424 10 1	24,800 0 0	1,624 10 1	1,202 9 11	—
17 National Savings Committee	109,598 0 0	—	109,598 0 0	107,261 18 6	—	107,261 18 6	2,336 1 6	—

18	Public Record Office	40,317	0 0	575	0 0	39,742	0 0	39,229	13 7	575	0 0	38,654	13 7	1,087	6 5	—
19	Public Works Loan Commission ...	22,836	0 0	22,736	0 0	100	0 0	22,086	18 4	22,086	18 4	—	—	100	0 0	—
20	Repayments to the Local Loans Fund	72,604	0 0	—	—	72,604	0 0	66,803	11 11	—	—	66,803	11 11	5,800	8 1	—
21	Royal Commissions, &c.	42,030	0 0	1,530	0 0	40,500	0 0	36,605	12 5	679	2 0	35,926	10 5	4,573	9 7	—
22	Miscellaneous Expenses	35,255	0 0	13,500	0 0	21,755	0 0	29,650	1 3	13,500	0 0	16,150	1	3,604	18 9	—
23	Secret Service	350,000	0 0	—	—	350,000	0 0	349,000	5 8	—	—	349,000	5 8	999	14 4	—
24	Treasury Chest Fund	24,322	0 0	—	—	24,322	0 0	24,321	0 10	—	—	24,321	0 10	—	0 19	—
25	Scottish Office	100,721	0 0	2,160	0 0	98,561	0 0	99,248	14 7	1,896	16 1	97,351	18 6	1,209	1 6	—
26	Repayments to the Civil Contingencies Fund.	7,230	0 0	—	—	7,230	0 0	7,229	4 10	—	—	7,229	4 10	—	0 15	—
27	Tithe Redemption Commission ...	107,000	0 0	106,990	0 0	10	0 0	69,852	16 8	69,852	16 8	—	—	10	0 0	—
28	Coronation of His Majesty	152,000	0 0	—	—	152,000	0 0	150,615	19 2	—	—	150,615	19 2	1,384	0 10	—
	TOTAL	5,347,471	0 0	2,918,127	0 0	2,429,344	0 0	5,087,892	19 0	2,817,317	2 3	2,270,575	16 9	158,768	3 3	—
CLASS II.																
FOREIGN AND IMPERIAL.																
1	Foreign Office	322,818	0 0	143,072	0 0	179,746	0 0	322,056	3 1	143,072	0 0	178,984	3 1	761	16 11	—
2	Diplomatic and Consular Services ...	1,684,338	0 0	438,383	0 0	1,245,955	0 0	1,642,284	7 4	438,383	0 0	1,203,901	7 4	42,053	12 8	—
3	League of Nations	271,500	0 0	—	—	271,500	0 0	156,863	11 11	—	—	156,863	11 11	114,636	8 1	—
4	Dominions Office	52,122	0 0	258	0 0	51,864	0 0	51,115	12 0	258	0 0	50,857	12 0	1,006	8 0	—
5	Dominion Services	626,151	0 0	—	—	626,151	0 0	574,622	18 0	—	—	574,622	18 0	51,528	2 0	—
6	Irish Free State Services	3,043,067	0 0	—	—	3,043,067	0 0	2,992,219	12 2	—	—	2,992,219	12 2	50,847	7 10	—
7	Oversea Settlement	33,475	0 0	15,000	0 0	18,475	0 0	23,123	7 1	15,000	0 0	8,123	7 1	10,351	12 11	—
8	Colonial Office	170,259	0 0	2,300	0 0	167,959	0 0	166,338	0 6	2,300	0 0	164,038	0 6	3,920	19 6	—
9	Colonial and Middle Eastern Services	2,197,185	0 0	1,317,262	0 0	879,923	0 0	2,178,342	10 11	1,316,354	13 10	861,987	17 1	17,935	2 11	—
10	Colonial Development Fund	900,000	0 0	—	—	900,000	0 0	900,000	0 0	—	—	900,000	0 0	—	—	—
11	India Services	1,618,625	0 0	—	—	1,618,625	0 0	1,618,625	0 0	—	—	1,618,625	0 0	—	—	—
12	Imperial War Graves Commission ...	503,503	0 0	—	—	503,503	0 0	503,083	4 1	—	—	503,083	4 1	419	15 11	—
	TOTAL	11,423,043	0 0	1,916,275	0 0	9,506,768	0 0	11,128,674	7 1	1,915,367	13 10	9,213,306	13 3	293,461	6 9	—

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March, 1937—continued.

Service.	Grants and Estimated Receipts, 1936.			Expenditure, 1936.			Differences between Exchequer Grants and Net Expenditure.	
	Estimated Gross Expenditure.	Authorised Receipts in Aid of Grants.	Exchequer Grants.	Gross Expenditure.	Actual Receipts in Aid	Net Expenditure.	Surpluses.	Deficits.
	(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)
CLASS III.								
HOME DEPARTMENT, LAW AND JUSTICE.								
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1 Home Office	1,940,325 0 0	64,066 0 0	1,876,259 0 0	1,250,939 9 4	64,066 0 0	1,186,873 9 4	689,385 10 8	—
2 Broadmoor Criminal Lunatic Asylum	75,405 0 0	4,244 0 0	71,161 0 0	74,374 9 8	4,232 3 4	70,142 6 4	1,018 13 8	—
3 Police, England and Wales	11,812,969 0 0	210 0 0	11,812,759 0 0	11,796,264 19 10	210 0 0	11,796,054 19 10	16,704 0 2	—
4 Prisons England and Wales	1,346,542 0 0	228,500 0 0	1,118,042 0 0	1,316,730 13 1	228,500 0 0	1,088,230 13 1	29,811 6 11	—
5 Approved Schools, &c., England and Wales.	376,300 0 0	16,000 0 0	360,300 0 0	376,224 3 5	16,000 0 0	360,224 3 5	75 16 7	—
6 Supreme Court of Judicature, &c. ...	527,557 0 0	527,457 0 0	100 0 0	522,160 7 0	522,160 7 0	—	100 0 0	—
7 County Courts	780,484 0 0	780,384 0 0	100 0 0	773,925 1 6	773,925 1 6	—	100 0 0	—
8 Land Registry	275,619 0 0	275,519 0 0	100 0 0	244,532 17 4	244,532 17 4	—	100 0 0	—
9 Public Trustee	254,499 0 0	254,399 0 0	100 0 0	250,326 9 11	250,326 9 11	—	100 0 0	—
10 Law Charges	158,745 0 0	37,000 0 0	121,745 0 0	156,066 1 8	37,000 0 0	119,066 1 8	2,678 18 4	—
11 Miscellaneous Legal Expenses... ..	49,306 0 0	8,250 0 0	41,056 0 0	46,054 8 9	8,250 0 0	37,804 8 9	3,251 11 3	—
12 Police, Scotland	1,183,496 0 0	—	1,183,496 0 0	1,175,585 12 9	—	1,175,585 12 9	7,910 7 3	—
13 Prisons Department for Scotland ...	192,969 0 0	19,262 0 0	173,707 0 0	165,629 7 11	17,958 15 7	147,670 12 4	26,036 7 8	—
14 Approved Schools, &c., Scotland ...	66,730 0 0	4,130 0 0	62,600 0 0	65,753 10 4	4,130 0 0	61,623 10 4	976 9 8	—
15 Scottish Land Court	9,286 0 0	400 0 0	8,886 0 0	8,895 13 6	394 6 2	8,501 7 4	384 12 8	—
16 Law Charges and Courts of Law, Scotland.	191,931 0 0	146,850 0 0	45,081 0 0	185,777 15 3	146,850 0 0	38,927 15 3	6,153 4 9	—
17 Register House, Edinburgh	61,749 0 0	61,649 0 0	100 0 0	60,640 1 2	60,640 1 2	—	100 0 0	—
18 Northern Ireland Services	13,773 0 0	7,000 0 0	6,773 0 0	13,666 12 5	7,000 0 0	6,666 12 5	106 7 7	—
19 Supreme Court of Judicature, &c., Northern Ireland.	48,355 0 0	30,715 0 0	17,640 0 0	47,060 5 8	30,715 0 0	16,345 5 8	1,294 14 4	—
20 Land Purchase Commission, Northern Ireland.	2,349,494 0 0	130 0 0	2,349,364 0 0	2,345,857 8 0	130 0 0	2,345,727 8 0	3,636 12 0	—
TOTAL	21,715,534 0 0	2,466,165 0 0	19,249,369 0 0	20,876,465 8 6	2,417,021 2 0	18,459,444 6 6	789,924 13 6	—

CLASS IV.															
EDUCATION.															
1	Board of Education	53,738,476	0 0	5,672,750	0 0	48,065,726	0 0	53,685,024	6 7	5,672,750	0 0	48,012,274	6 7	53,451	13 5
2	British Museum	224,300	0 0	30,620	0 0	193,680	0 0	219,210	17 5	30,620	0 0	188,590	17 5	5,089	2 7
3	British Museum (Natural History)	116,896	0 0	1,980	0 0	114,916	0 0	115,262	14 7	1,980	0 0	113,282	14 7	1,633	5 5
4	Imperial War Museum	13,120	0 0	750	0 0	12,370	0 0	12,990	6 5	750	0 0	12,240	6 5	129	13 7
5	London Museum	6,922	0 0	1,150	0 0	5,772	0 0	6,896	2 7	1,150	0 0	5,746	2 7	25	17 5
6	National Gallery	33,426	0 0	1,945	0 0	31,481	0 0	32,874	15 10	1,945	0 0	30,929	15 10	551	4 2
7	National Maritime Museum	8,634	0 0	20	0 0	8,614	0 0	7,894	12 6	20	0 0	7,874	12 6	739	7 6
8	National Portrait Gallery	10,061	0 0	1,230	0 0	8,831	0 0	9,782	14 1	1,230	0 0	8,552	14 1	278	5 11
9	Wallace Collection	12,721	0 0	1,420	0 0	11,301	0 0	12,164	14 6	1,420	0 0	10,744	14 6	556	5 6
10	Scientific Investigation, &c.	288,425	0 0	56,900	0 0	231,525	0 0	249,476	3 6	18,254	19 7	231,221	3 11	303	16 1
11	Universities and Colleges, Great Britain	2,321,000	0 0	—	0 0	2,321,000	0 0	2,296,000	0 0	—	0 0	2,296,000	0 0	25,000	0 0
12	Public Education, Scotland	8,332,074	0 0	804,250	0 0	7,527,824	0 0	8,329,111	13 2	804,250	0 0	7,524,861	13 2	2,962	6 10
13	National Galleries, Scotland	12,830	0 0	391	0 0	12,439	0 0	12,532	1 0	391	0 0	12,141	1 0	297	19 0
14	National Library, Scotland	8,215	0 0	5,017	0 0	3,198	0 0	7,886	14 8	5,016	17 2	2,869	17 6	328	2 6
	TOTAL	65,127,100	0 0	6,578,423	0 0	58,548,677	0 0	64,997,107	16 10	6,539,777	16 9	58,457,330	0 1	91,346	19 11
CLASS V.															
HEALTH, LABOUR AND INSURANCE.															
1	Ministry of Health	22,937,710	0 0	1,309,560	0 0	21,628,150	0 0	22,703,082	3 3	1,309,560	0 0	21,393,522	3 3	234,627	16 9
1A	Grants to Public Assistance Authorities (England and Wales).	3,800,000	0 0	—	0 0	3,800,000	0 0	3,799,169	0 0	—	0 0	3,799,169	0 0	831	0 0
2	Board of Control	165,401	0 0	13,428	0 0	151,973	0 0	163,500	15 6	13,428	0 0	150,072	15 6	1,900	4 6
3	Registrar-General's Office	122,168	0 0	24,500	0 0	97,668	0 0	118,142	16 1	24,500	0 0	93,642	16 1	4,025	3 11
4	National Insurance Audit Department	170,550	0 0	4,110	0 0	166,440	0 0	169,504	8 5	4,110	0 0	165,394	8 5	1,045	11 7
5	Friendly Societies' Registry	53,313	0 0	4,750	0 0	48,563	0 0	50,801	11 1	4,750	0 0	46,051	11 1	2,511	8 11
6	Old Age Pensions	44,331,000	0 0	10,000	0 0	44,321,000	0 0	44,184,763	19 10	10,000	0 0	44,174,763	19 10	146,236	0 2
7	Widows', Orphans' and Old Age Contributory Pensions.	15,000,000	0 0	—	0 0	15,000,000	0 0	15,000,000	0 0	—	0 0	15,000,000	0 0	—	0 0
8	Ministry of Labour	29,862,000	0 0	6,143,000	0 0	23,719,000	0 0	29,632,574	0 1	6,017,651	6 8	23,614,922	13 5	104,077	6 7
9	Unemployment Allowances	45,000,000	0 0	—	0 0	45,000,000	0 0	40,065,859	0 4	—	0 0	40,065,859	0 4	4,934,140	19 8
10	Grants in respect of Employment Schemes.	4,100,000	0 0	—	0 0	4,100,000	0 0	4,066,331	3 0	—	0 0	4,066,331	3 0	33,668	17 0
11	Commissioner for Special Areas (England and Wales).	3,050,100	0 0	3,050,000	0 0	100	0 0	1,714,871	3 6	1,714,871	3 6	—	0 0	100	0 0
12	Unemployment Assistance Board	2,000,000	0 0	—	0 0	2,000,000	0 0	1,768,732	8 9	—	0 0	1,768,732	8 9	231,267	11 3
13	Special Areas Fund	3,000,000	0 0	—	0 0	3,000,000	0 0	3,000,000	0 0	—	0 0	3,000,000	0 0	—	0 0
14	Department of Health for Scotland	3,640,471	0 0	182,705	0 0	3,457,766	0 0	3,564,337	8 6	180,023	12 0	3,384,313	16 6	73,452	3 6
15	Board of Control for Scotland	15,875	0 0	470	0 0	15,405	0 0	15,317	4 9	422	19 5	15,094	5 4	310	14 8
16	Registrar General's Office, Scotland	19,890	0 0	1,700	0 0	18,190	0 0	19,239	2 7	1,700	0 0	17,539	2 7	650	17 5
17	Commissioner for Special Areas (Scotland).	800,100	0 0	800,000	0 0	100	0 0	325,515	7 2	325,515	7 2	—	0 0	100	0 0
18	Grants to Public Assistance Authorities (Scotland).	1,494,000	0 0	—	0 0	1,494,000	0 0	1,482,371	0 0	—	0 0	1,482,371	0 0	11,629	0 0
	TOTAL	179,562,578	0 0	11,544,223	0 0	168,018,355	0 0	171,844,312	12 10	9,606,532	8 9	162,237,780	4 1	5,780,574	15 11

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March, 1937—continued.

Service.	Grants and Estimated Receipts, 1936.			Expenditure, 1936.			Differences between Exchequer Grants and Net Expenditure.																	
	Estimated Gross Expenditure.	Authorised Receipts in Aid of Grants.	Exchequer Grants	Gross Expenditure.	Actual Receipts in Aid.	Net Expenditure.	Surpluses.	Deficits.																
	(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)																
CLASS VI.																								
TRADE AND INDUSTRY.																								
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.												
1 Board of Trade	837,737	0	0	573,797	0	0	263,940	0	0	828,587	1	7	572,196	8	1	256,390	13	6	7,549	6	6			
2 Mercantile Marine Services	596,854	0	0	211,022	0	0	385,832	0	0	597,578	19	3	211,022	0	0	386,556	19	3	—	—	—	724	19	3
3 Assistance to British Shipping	2,000,000	0	0	—	—	—	2,000,000	0	0	1,299,531	13	2	—	—	—	1,999,531	13	2	468	6	10	—	—	—
4 Department of Overseas Trade	606,960	0	0	148,580	0	0	458,371	0	0	585,131	8	5	145,043	13	6	440,087	14	11	18,283	5	1	—	—	—
5 Export Credits	254,816	0	0	254,716	0	0	100	0	0	95,302	12	1	95,302	12	1	—	—	—	100	0	0	—	—	—
6 Mines Department of the Board of Trade.	213,153	0	0	16,409	0	0	196,744	0	0	207,971	9	1	16,409	0	0	191,562	9	1	5,181	10	11	—	—	—
7 Office of Commissioners of Crown Lands.	35,270	0	0	—	—	—	35,270	0	0	34,681	8	8	—	—	—	34,681	8	8	588	11	4	—	—	—
8 Ministry of Agriculture and Fisheries	2,868,752	0	0	564,974	0	0	2,303,778	0	0	2,821,443	8	3	551,329	10	2	2,270,113	18	1	33,664	1	11	—	—	—
9 Beet Sugar Subsidy, Great Britain ...	3,305,100	0	0	—	—	—	3,305,100	0	0	2,980,978	9	5	—	—	—	2,980,978	9	5	324,121	10	7	—	—	—
10 Milk (England and Wales and Northern Ireland).	1,545,000	0	0	—	—	—	1,545,000	0	0	919,681	12	1	—	—	—	919,681	12	1	625,318	7	11	—	—	—
11 Cattle Fund	4,099,900	0	0	—	—	—	4,099,900	0	0	4,056,062	11	4	—	—	—	4,056,062	11	4	43,837	8	8	—	—	—
12 Surveys of Great Britain	415,710	0	0	143,880	0	0	271,830	0	0	413,799	19	9	143,880	0	0	269,919	19	9	1,910	0	3	—	—	—
13 Forestry Commission	700,000	0	0	—	—	—	700,000	0	0	700,000	0	0	—	—	—	700,000	0	0	—	—	—	—	—	—
14 Ministry of Transport	804,259	0	0	703,107	0	0	101,152	0	0	762,889	2	4	697,670	3	3	65,218	19	1	35,933	0	11	—	—	—
15 Development Fund	705,000	0	0	—	—	—	705,000	0	0	705,000	0	0	—	—	—	705,000	0	0	—	—	—	—	—	—
16 Development Grants	870,000	0	0	—	—	—	870,000	0	0	865,146	14	9	—	—	—	865,146	14	9	4,853	5	3	—	—	—
17 Department of Scientific and Industrial Research.	855,428	0	0	233,767	0	0	621,661	0	0	830,181	7	5	233,767	0	0	596,414	7	5	25,246	12	7	—	—	—
18 State Management Districts	512,950	0	0	512,850	0	0	100	0	0	509,986	2	6	509,986	2	6	—	—	—	100	0	0	—	—	—
19 Clearing Offices	47,000	0	0	38,000	0	0	9,000	0	0	46,055	17	3	38,000	0	0	8,055	17	3	944	2	9	—	—	—
20 Department of Agriculture, Scotland	753,925	0	0	97,223	0	0	656,702	0	0	726,638	14	0	94,668	14	6	631,969	19	6	24,732	0	6	—	—	—
21 Milk (Scotland)	212,000	0	0	—	—	—	212,000	0	0	124,794	10	2	—	—	—	124,794	10	2	87,205	9	10	—	—	—
22 Fishery Board for Scotland	128,231	0	0	15,166	0	0	113,065	0	0	112,224	7	8	14,972	7	8	97,252	0	0	15,813	0	0	—	—	—
23 Herring Industry	302,000	0	0	250,000	0	0	52,000	0	0	103,869	19	0	56,429	19	0	47,440	0	0	4,560	0	0	—	—	—
TOTAL	22,670,045	0	0	3,763,500	0	0	18,906,545	0	0	21,027,537	8	2	3,380,677	10	9	17,646,859	17	5	1,260,410	1	10	724	19	3

CLASS VII.																
COMMON SERVICES (WORKS, STATIONERY, &c.).																
1	Art and Science Buildings, Great Britain	418,820	0 0	42,580	0 0	376,240	0 0	404,282	11 7	42,580	0 0	361,702	11 7	14,537	8 5	—
2	Houses of Parliament Buildings ...	122,195	0 0	900	0 0	121,295	0 0	121,803	11 7	900	0 0	120,903	11 7	391	8 5	—
3	Labour and Health Buildings, Great Britain.	981,945	0 0	695,890	0 0	286,055	0 0	970,617	10 3	695,890	0 0	274,727	10 3	11,327	9 9	—
4	Miscellaneous Legal Buildings, Great Britain.	156,215	0 0	1,390	0 0	154,825	0 0	145,731	16 8	1,390	0 0	144,341	16 8	10,483	3 4	—
5	Osborne	16,900	0 0	5,430	0 0	11,470	0 0	16,684	1 0	5,430	0 0	11,254	1 0	215	19 0	—
6	Office of Works and Public Buildings	865,600	0 0	283,700	0 0	581,900	0 0	863,111	0 5	283,700	0 0	579,411	0 5	2,488	19 7	—
7	Public Buildings, Great Britain ...	1,731,545	0 0	251,200	0 0	1,480,345	0 0	1,668,057	10 1	251,200	0 0	1,416,857	10 1	63,487	9 11	—
8	Public Buildings Overseas	226,445	0 0	59,855	0 0	166,590	0 0	192,340	19 11	59,855	0 0	132,485	19 11	34,104	0 1	—
9	Royal Palaces	139,164	0 0	11,100	0 0	128,064	0 0	136,716	13 8	11,100	0 0	125,616	13 8	2,447	6 4	—
10	Revenue Buildings	1,668,210	0 0	31,915	0 0	1,636,295	0 0	1,665,820	19 3	31,915	0 0	1,633,905	19 3	2,389	0 9	—
11	Royal Parks and Pleasure Gardens ...	256,805	0 0	49,150	0 0	207,655	0 0	251,041	17 2	48,767	18 5	202,273	18 9	5,381	1 3	—
12	Rates on Government Property ...	2,460,682	0 0	134,300	0 0	2,326,382	0 0	2,457,911	4 10	134,300	0 0	2,323,611	4 10	2,770	15 2	—
13	Stationery and Printing	3,020,769	0 0	1,049,400	0 0	1,971,369	0 0	3,017,515	1 5	1,049,400	0 0	1,968,115	1 5	3,253	18 7	—
14	Peterhead Harbour	32,000	0 0	—	0 0	32,000	0 0	31,501	12 8	—	0 0	31,501	12 8	498	7 4	—
15	Works and Buildings in Ireland ...	34,295	0 0	2,400	0 0	31,895	0 0	36,018	7 4	2,400	0 0	33,618	7 4	—	—	1,723 7 4
TOTAL		12,131,590	0 0	2,619,210	0 0	9,512,380	0 0	11,979,154	17 10	2,618,827	18 5	9,360,326	19 5	153,776	7 11	1,723 7 4
CLASS VIII.																
NON-EFFECTIVE CHARGES (PENSIONS).																
1	Merchant Seamen's War Pensions ...	280,541	0 0	—	0 0	280,541	0 0	276,857	17 7	—	0 0	276,857	17 7	3,683	2 5	—
2	Ministry of Pensions	41,411,000	0 0	11,000	0 0	41,400,000	0 0	41,393,591	5 5	11,000	0 0	41,382,591	5 5	17,408	14 7	—
3	Royal Irish Constabulary Pensions, &c.	1,464,988	0 0	—	0 0	1,464,988	0 0	1,457,773	15 7	—	0 0	1,457,773	15 7	7,214	4 5	—
4	Superannuation and Retired Allowances.	1,842,943	0 0	364	0 0	1,842,579	0 0	1,855,666	11 9	364	0 0	1,855,302	11 9	—	—	12,723 11 9
TOTAL		44,999,472	0 0	11,364	0 0	44,988,108	0 0	44,993,889	10 4	11,364	0 0	44,972,525	10 4	28,306	1 5	12,723 11 9

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March, 1937—continued.

Service.	Grants and Estimated Receipts, 1936.			Expenditure, 1936.			Differences between Exchequer Grants and Net Expenditure.	
	Estimated Gross Expenditure.	Authorised Receipts in Aid of Grants.	Exchequer Grants.	Gross Expenditure.	Actual Receipts in Aid.	Net Expenditure.	Surpluses.	Deficits.
	(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)
CLASS IX.								
EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES.								
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1 Exchequer Contributions to Local Revenues, England and Wales.	45,275,000 0 0	5,775,053 0 0	39,499,947 0 0	45,269,563 10 0	5,775,053 0 0	39,494,510 10 0	5,436 10 0	—
2 Exchequer Contributions to Local Revenues, Scotland.	6,383,000 0 0	683,520 0 0	5,699,480 0 0	6,380,959 15 3	683,520 0 0	5,697,439 15 3	2,040 4 9	—
TOTAL	51,658,000 0 0	6,458,573 0 0	45,199,427 0 0	51,650,523 5 3	6,458,573 0 0	45,191,950 5 3	7,476 14 9	—

APPENDIX No. 2.

PAPER handed in by Mr. *H. Brittain* on 2nd February, 1939.

TREASURY MINUTE DATED 20TH DECEMBER, 1938, ON THE FIRST AND SECOND REPORTS OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1938.

My Lords read the Reports of the Committee of Public Accounts for 1938, dealing with the Appropriation Accounts and other Accounts for 1936, on which They make the following comments:—

First Report.

My Lords note the comments of the Committee on the excess expenditure incurred during the year ended 31st March, 1937, on the Votes for Mercantile Marine Services, Works and Buildings in Ireland and Superannuation and Retired Allowances.

Write to:—

The Paymaster General.

My LORD,

I am directed by the Lords Commissioners of His Majesty's Treasury to invite your attention to paragraph 7 of the First Report of the Committee of Public Accounts, 1938, in which the Committee comment on the excess expenditure incurred during the year ended 31st March, 1937, on the Vote for Superannuation and Retired Allowances.

The Committee recommend that in future enquiries as to the expenditure anticipated on Additional Allowances should be made towards the end of each year to ascertain whether abnormally heavy Awards are likely to lead to the necessity for Supplementary provision on the Vote as a whole. My Lords agree with this recommendation. They understand that Your Lordship likewise agrees and that the Committee's recommendation will be adopted in future.

I am, etc.

Second Report.

Paragraph 1.—Use of Cash Receipts to meet Expenditure.

My Lords note the comments of the Committee, and confirm the assurances already given to them. They have no doubt that They can rely on the Accounting Officers of the Departments concerned to ensure that those assurances continue to be observed.

Paragraph 2.—Post Office. Contracts placed without Competition.

Write to:—

The Postmaster General.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to invite your attention to the comments contained in paragraph 2 of the Second Report of the Committee of Public Accounts for 1938 on the subject of contracts placed without competition.

My Lords share the hope of the Committee that the discussions with the contractors, which, They understand, are still proceeding, will secure to you adequate facilities for assuring yourself that prices charged under these non-competitive agreements are fair and reasonable.

I am, etc.

Paragraph 3.—Post Office Commercial Accounts. Interest on Capital Liability.

My Lords have given careful consideration to the view expressed by the Committee at the end of this paragraph. They think it possible that undue prominence may have been given to one of the arguments advanced in favour of the change made in the Income and Expenditure Account of the Telegraph Service for 1936, namely, that the Post Office revenue as a whole is adequate to meet the depreciation charges in respect of all Post Office services. My Lords would not wish to claim in principle that the revenues of the Post Office services should be regarded, for the purposes of the Commercial Accounts, as available to provide indiscriminately for liabilities of the Postal, Telegraph and Telephone services. In fact They did not, for Their part, regard the above argument as an important consideration, and certainly not as the primary one, when They approved the change in question.

As the Committee state, the rule hitherto observed in drawing up the Accounts presented under the Telegraph (Money) Act, 1920, has been that interest should be allowed on the accumulated provision for depreciation only when that provision has actually been earned by the service concerned. My Lords continue to regard that rule as one which it would normally be right to follow. In approving the departure from this general rule in the case of the Telegraph Service, My Lords had regard primarily to the much closer relation between the Accounts of the Telegraph and Telephone Services which had arisen since the Act of 1920 was passed. That Act gave Their Lordships discretionary powers in regard to the form of the Accounts prescribed therein, and the matter now at issue would appear to be whether that discretion may properly be exercised to the extent of abrogating an accepted general principle when, as in the case of the Telegraph Service, its full application has become impracticable without introducing somewhat arbitrary assumptions into the Accounts.

The fact is that the development of transmission technique, which has greatly increased the extent to which line plant may be used in common by the Telegraph and Telephone Services, has for some years made the maintenance of a division of such plant between the two services increasingly difficult and artificial. Transfers to the Telephone Service of Telegraph line plant of substantial value were effected in the Commercial Accounts from 1932 onwards; and as from April, 1936, the remaining Telegraph line plant (except international submarine telegraph cables) was taken over by the Telephone Service, which from that date has provided all telegraph transmission channels as required, recouping itself by inclusive rental charges against the Telegraph Service. These rental charges take account of the fact that the depreciation provision accrued in the Telegraph Account and subsequently accruing in the Telephone Account in respect of the plant transferred from time to time is treated in the Telephone Account as earning interest in common with the depreciation provided in the Telephone Account itself. The transfers of plant, though induced solely by technical developments, thus had the financial consequence that the charge falling upon the Telegraph Account in respect of the line plant transferred was no longer subject to the withholding of interest credit on the accrued depreciation provision, whereas in so far as the much smaller quantity of other plant remaining in the Telegraph Account itself was concerned, the accrued depreciation provision did not (before the change in practice to which the Committee now refer) earn interest. Such a distinction appeared to be quite anomalous and My Lords thought it was difficult to justify the maintenance in this particular instance of the general rule previously followed, when that rule had in effect already been abrogated in the case of the high proportion of the Telegraph plant liability

which had been transferred to the Telephone Service. My Lords therefore did not think it an unreasonable use of Their discretion under the Act of 1920 when, in order to correct the anomaly, They authorised a departure of very small financial significance from the general rule and agreed that in preparing the Accounts of the Telegraph Service for 1936 and subsequent years interest should be credited on the amount of the accrued depreciation provision in respect of the plant remaining in that Account.

My Lords recognise that They must at all times be ready to justify to the Committee any use of Their discretion under the Act of 1920 on its merits, and that the change made in the 1936 Accounts was a departure from a general rule which They have just reaffirmed as reasonable. They would not, however, have thought that such a use of Their discretion involved any infringement of the provisions of the Act of 1920. They hope that in the light of this further explanation of the circumstances the Committee will be able to concur in this exercise of Their discretionary powers and They trust that the Committee will not object to the preparation of the Telegraph Accounts for 1937 on the same basis as those for 1936 pending the Committee's further consideration of the matter.

My Lords have in this connection considered the suitability in present circumstances of the provisions of Section 2 of the Telegraph (Money) Act, 1920, in regard to the Accounts of the Telegraph and Telephone Services. Subsequent to the passing of that Act Section 5 of the Exchequer and Audit Departments Act, 1921, gave Their Lordships authority to require a Government Department to prepare accounts, in such a form as They might from time to time direct, showing the income and expenditure of any commercial services conducted by the Department; such accounts were to be examined by the Comptroller and Auditor General and presented to Parliament. Most of the Commercial Accounts of the Post Office are prepared and presented under the Act of 1921, but it would appear that since the Act of 1920 had directed the preparation and presentation of the Income and Expenditure Accounts of the Telegraph and Telephone Services these latter Accounts cannot be regarded as falling within the provisions of the Act of 1921. The Act of 1920, moreover, contains no direction for the audit of the Accounts prescribed therein and, if the statutory position of the Accounts is as suggested above, it is not clear whether their audit by the Comptroller and Auditor General can be said to be conducted under the Act of 1921 or whether, as was the case before the passing of the Act of 1921, such audit rests merely on an agreement between Their Lordships and the Comptroller and Auditor General. On this question of audit, the Committee will no doubt wish to receive the views of the Comptroller and Auditor General. My Lords feel, however, that the position in regard to the preparation, presentation and audit of these two Income and Expenditure Accounts ought in any case to be clarified and with that end in view They think that Parliament should at the first suitable opportunity be asked to repeal the relevant provisions of the 1920 Act and that the two Accounts referred to therein should thereafter be prepared and presented under Section 5 of the Exchequer and Audit Departments Act, 1921. They would be glad if They could be favoured with the views of the Committee on this suggestion.

Paragraph 4.—The Mint. Special Purchase of Machinery.

My Lords draw the attention of all Accounting Officers to the comments of the Committee.

Paragraph 5.—Supreme Court of Judicature, etc. Tenure of Offices attached to Circuits of Assize.

My Lords have taken note of the observations of the Committee with regard to the tenure of offices attached to Circuits of Assize. They see no

reason to suppose that the undertakings to vacate office on attaining the age of 70, which have been required in the case of appointments to these offices in recent years, would not be generally effective. My Lords agree, however, that as soon as opportunity arises consideration should be given to the possibility of introducing legislation to revise the method of appointment of these officers, with a view to fixing definite conditions of tenure, and My Lords are glad to be in a position to inform the Committee that this view is shared by the Lord Chancellor.

Paragraph 6.—Disposal of surplus monies in the hands of the Public Trustee.

My Lords have been in consultation with the Lord Chancellor's Department and with the Public Trustee and They are glad to inform the Committee that arrangements have been made to introduce the necessary legislation forthwith.

Paragraph 7.—Public Trustee. Loss in the administration of a Trust.

Write to:—

The Public Trustee.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to invite your attention to the comments contained in paragraph 7 of the Second Report of the Committee of Public Accounts, 1938, on the subject of a loss in the administration of a certain trust for which you were a co-trustee. My Lords note the assurance which you gave to the Committee regarding the custody of title deeds in such cases in future.

I am, etc.

Paragraph 8.—Lunacy Administration in Northern Ireland.

A proposal for the assimilation of the financial arrangements for the administration of lunacy in Northern Ireland to those obtaining in England is at present the subject of discussion with the Northern Ireland authorities.

Paragraph 9.—Board of Trade Joint Committee of Inquiry into the Anglo-Argentine Meat-Trade.

The Accountant concerned was appointed, and made his investigations, under conditions which, as the Committee recognise, were most unusual. In all the circumstances, and having regard to the fact that his remuneration had been paid to him monthly in full throughout the period of his employment, My Lords think that it would have been difficult for the Board of Trade to withhold settlement of the amount due on the 30th September, 1937. My Lords would add that a request by the Accountant for an additional payment in respect of a further period after the 30th September, 1937, and of his journey home in June, 1938, has been refused.

My Lords note the Committee's regret that arrangements can be made for such a substantial expenditure as was involved in this case without it being ensured that commensurate value will be received, and They have considered the Committee's suggestion that in any future case of the kind steps should be taken to secure that full payment will not be made until the investigation has been satisfactorily completed.

Normally, when a Government Department engages the services of a professional accountant or firm of accountants for a particular investigation the whole of the agreed fee is paid after completion of the investigation. While an accountant must necessarily be allowed considerable discretion in regard to the technical methods employed in his investigations, My Lords have no doubt the Department will nevertheless always satisfy itself, in so far as lies in its power and before making payment, that the report received shows evidence of accurate and reliable enquiry, that it covers the ground agreed and that it is satisfactory in other respects.

It may, however, happen in future, as in the case on which the Committee has reported, that an investigation is likely to be protracted or of indefinite length, and that it also requires the whole-time services of the investigator. In such a case it may be reasonable that some payments should be made to him at intervals as the work proceeds. My Lords would then agree that, except in very special circumstances, such payments should not comprise the whole of the investigator's remuneration, but that some portion thereof should be retained until his report is satisfactorily completed. At the same time, strict control is required to ensure that the investigation proceeds satisfactorily. For the purposes of such control it is essential that the agreement with the investigator should run only for a limited period, at the end of which the state of the investigation can be reviewed and the agreement can be extended, if necessary, on such conditions as are then thought proper.

My Lords invite the attention of all Accounting Officers to Their comments above. They would further emphasize the need for ensuring that the terms on which the services of investigators or advisers from any profession are engaged should be clearly expressed and agreed in writing.

Finally, My Lords think it right to say that, within Their knowledge, the case referred to by the Committee is the first in which such questions have arisen as a result of the employment of a professional accountant. The services of members of the profession are very frequently invoked in connection with specific enquiries by or for Government Departments and My Lords gladly acknowledge the diligence and loyalty with which such services are rendered.

Paragraph 10.—Imperial Institute: Compassionate Grant to a Retired Officer.

My Lords share the view of the Committee that where public funds are concerned, it is undesirable, as a general rule, that departure should be made in favour of individual cases from the terms of a regulated scheme of Superannuation benefits. For the reasons which were explained to the Committee and which are mentioned in the Committee's Report, My Lords felt that, in the particular case under the consideration of the Committee, the circumstances were sufficiently abnormal to justify a departure from the relevant rules.

Paragraph 11.—Mines Department of the Board of Trade. Trust Funds endowed by the Miners' Welfare Fund.

Write to:—

The Under Secretary,
Mines Department.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request that you will draw the attention of the Secretary for Mines to the comments contained in paragraph 11 of the Second Report from the Committee of Public Accounts, 1938, on the subject of the publication

15417

Q

of the accounts of certain Trust Funds endowed by the Miners' Welfare Fund. The Accounts in question are those of the Mining Research (Safety and Health) Endowment Fund, the Miners' Welfare National Scholarship Endowment Fund and the Miners' Welfare National Students' Exhibitions Fund.

My Lords agree with the Committee in thinking that it is not necessary that these accounts should be published with the Appropriation Accounts and They would suggest that the accounts for the year 1937-38 and future years should not so be published. They consider however, that, as from a convenient date in each case, the Accounts should in future be published in the annual Reports dealing with the activities of the respective Funds.

My Lords also consider that it is unnecessary to publish in any form the account of the receipts and payments of the Board of Inland Revenue in respect of the Royalties Welfare Levy for the years 1937-38 and future years.

The above proposals have been discussed with officers of your Department and My Lords understand that the Secretary for Mines concurs in them. The changes will, of course, not affect the existing arrangements whereby the accounts referred to are rendered to this Department and are audited by the Comptroller and Auditor General.

I am, etc.

Write to:—

The Comptroller and Auditor General.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to invite your attention to the letter of even date which They have caused to be addressed to the Under Secretary, Mines Department, regarding the comments contained in paragraph 11 of the Second Report from the Committee of Public Accounts, 1938, on the subject of the publication of the accounts of certain Trust Funds endowed by the Miners' Welfare Fund.

I am, etc.

Paragraph 12.—Duties imposed by Private Legislation.

My Lords agree with the recommendation of the Committee and They would ask that each Accounting Officer will arrange that They shall in future be consulted upon any clause in a Private Bill or Provisional Order which seeks to impose functions on his Department or to entrust money to it under special conditions. Such consultation should, of course, take place before the Department reaches final agreement with the parties concerned and before, therefore, the proposed arrangements take legislative form. In some cases the functions referred to may merely involve the application in particular cases of functions explicitly conferred on the Department by existing general legislation, and Parliament may, in that legislation, have already authorised the charge to Votes of the administrative expenses involved. My Lords would be glad if Departments would inform Them of any such cases which are likely to be of frequent occurrence in order that arrangements may be made, if necessary, to dispense with the submission to Them of each individual case.

My Lords desire to be consulted in all cases, without exception, where it is proposed that funds should be entrusted to a Department by a Private Bill or Provisional Order. In order, however, to avoid a multiplicity

of applications to Them in individual cases, They will be ready to consider representations from any Department relating to general categories of cases where legislative provisions of the kind now in question may be expected to be of frequent occurrence. My Lords would add that, as a general rule, funds entrusted to a Department, from whatever source they are derived, should be audited by the Comptroller and Auditor General and with that end in view They would propose to consult the Comptroller and Auditor General on all cases brought to Their notice in accordance with the above arrangements.

Paragraph 13.—Royal Palaces. Grant in Aid: Palaces in the Personal Occupation of the Sovereign.

My Lords note the comments of the Committee. They have arranged that in future the Estimates shall show separately the amounts proposed to be voted for external and internal works respectively and that the Appropriation Accounts, in addition to making a similar distinction, shall show the amount carried forward under each head.

Paragraph 14.—Crown Lands Accounts. Arrears of Rents.

Write to:—

The Commissioners of Crown Lands.

GENTLEMEN,

I am directed by the Lords Commissioners of His Majesty's Treasury to invite your attention to the comments on the subject of the arrears on the London Rental, contained in paragraph 14 of the Second Report from the Committee of Public Accounts, 1938.

I am to ask that you will be good enough to cause Their Lordships to be informed by the 1st February next, of the extent to which settlements have been made in cases where these arrears are due.

I am, etc.

Paragraphs 15 to 19.—Navy. Conversion of Ships: Control of Cost.

Write to:—

The Secretary,
Admiralty.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Lords Commissioners of the Admiralty to the observations contained in paragraphs 15 to 19 of the Second Report of the Committee of Public Accounts, 1938, regarding the cost of the conversion of two commercial vessels to naval use.

It will be observed that, after reviewing the causes which led to large excesses over the original Admiralty estimates of the cost of these conversions, the Committee conclude that they afford evidence of a failure in the system of financial control within the Admiralty. The Committee stress the importance of keeping the financial aspect fully in mind both at the inception and during the carrying out of schemes involving expenditure, and they strongly recommend that the existing arrangements for financial criticism and control at the Admiralty should be carefully examined in order to secure that they operate effectively at all stages.

My Lords have already called attention in Treasury Letter of the 14th April, 1938 (S. 41187) to the failure of the Admiralty to keep them informed of the development of the cost of the conversion of the Majestic, and they have no doubt that the Lords Commissioners of the Admiralty will make such arrangements as will ensure that My Lords are so informed in future cases.

15417

Q 2

My Lords entirely agree with the Committee of Public Accounts that the evidence taken by that Committee on the conversions of the *Majestic* and the *Vulcan* gives ground for anxiety as to the effectiveness of the arrangements for financial control within the Admiralty and calls for a careful examination of those arrangements. My Lords understand that the Lords Commissioners of the Admiralty have appointed a Departmental Committee under the Chairmanship of the Parliamentary Secretary to the Admiralty, with instructions to review existing Admiralty arrangements for financial control and any standing instructions on which they are based, and to make recommendations for their improvement. It is understood that the Committee will take into account the observations contained in the Second Report of the Committee of Public Accounts and will examine any defects in the present financial system revealed in the cases of the conversions of the *Majestic* and the *Vulcan*. My Lords further understand that a representative of the Treasury will be brought into consultation at an appropriate stage before the Committee finally formulate their recommendations.

My Lords have no doubt that the Lords Commissioners of the Admiralty will agree that in view of the magnitude of the expenditure on naval services at the present time it is particularly important that this enquiry should proceed with all possible despatch.

I am, etc.

Paragraph 20.—Navy. Staff of Training Establishment, H.M.S. Caledonia.
Write to:—

The Secretary,
Admiralty.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to ask that you will be good enough to invite the attention of the Lords Commissioners of the Admiralty to paragraph 20 of the Second Report of the Committee of Public Accounts for 1938, relating to the staff of the Training Establishment, H.M.S. Caledonia.

My Lords appreciate the possibility that the staffing of this Establishment may present features not common to naval training establishments at large, but They agree with the Committee in thinking that there is a *prima facie* case for a detailed investigation as suggested by the Committee. My Lords understand that such an investigation is now being carried out and They desire to be informed of its results as soon as possible.

I am, etc.

Paragraphs 21 and 22.—Navy. Misappropriation of Cash.

My Lords note the comments of the Committee.

Paragraphs 23 and 24.—Dockyard Accounts: Estimated Cost of Shipbuilding.

Write to:—

The Secretary,
Admiralty.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request that you will invite the attention of the Lords Commissioners of the Admiralty to the comments contained in paragraphs 23 and 24 of the

Second Report from the Committee of Public Accounts, 1938, on the subject of the publication of certain information relating to the estimated cost of shipbuilding.

My Lords share the view of the Committee, as expressed in paragraph 23, that the aggregate anticipated cost of the ships proposed to be built in each year's new Programme should be regularly given in the Estimate or Supplementary Estimate in which the Programme is introduced, and They trust that the necessary arrangements may be made accordingly.

My Lords will be glad to be favoured with the views of the Lords Commissioners of the Admiralty on the further suggestion, in paragraph 24 of the Committee's Report, that the Dockyards Accounts should show, when a ship is complete, the original estimate of the cost of the ship and the reasons for any variation between that estimate and the final total expenditure.

I am, etc.

Paragraphs 25 and 26.—Army. Sale of Army Mares.

Write to:—

The Under Secretary of State,
War Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Army Council to the comments on the subject of the sale of cast Army mares contained in paragraphs 25 and 26 of the Second Report from the Committee of Public Accounts, 1938.

As the Committee point out, My Lords were informed by the Army Council in November, 1931 (War Office letter of the 24th November, 1931, No. 116/Gen./7371) that although sales were then being conducted through the Hunters' Improvement and National Light Horse Breeding Society instead of being made to private breeders, the original conditions for the sale of cast mares sanctioned by Them in 1926 were being rigidly adhered to and that the change of procedure was not allowed to entail loss to public funds. My Lords cannot but regret that, in view of such assurances, They were not informed of the conditions under which sales were actually effected to the Society in subsequent years, since it is apparent that such conditions involved a radical departure from those sanctioned by Them in 1926.

My Lords note, from the Committee's Report, the modified arrangements which have now been made for sales to the Society and They share the hope of the Committee that the Army Council will be able to ensure that those arrangements will be subject to careful supervision.

I am, etc.

Paragraphs 27 to 29.—Air Services. Airframe Contracts.

Write to:—

The Under Secretary of State,
Air Ministry.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Air Council to the comments, on the subject of airframe contracts, contained in paragraphs 27 to 29 of the Second Report from the Committee of Public Accounts, 1938. My

Lords share the hope of the Committee that your Department will deal as speedily as may be practicable with the contracts for which final prices have not yet been settled.

I am, etc.

Paragraphs 30 and 31.—Air Services. Shadow Factories.

Write to:—

The Under Secretary of State,
Air Ministry.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Air Council to the comments, on the subject of the expenditure being incurred at the Shadow Factories, contained in paragraphs 30 and 31 of the Second Report from the Committee of Public Accounts, 1938.

My Lords have no doubt that the Air Council will, as and when it may be necessary, bring to the notice of the agents who are responsible for the construction and operation of the Shadow Factories, the facts that your Department must account for all expenditure from public funds to the satisfaction of the Comptroller and Auditor General and of Parliament and that for this purpose it is necessary that such agents should accommodate themselves to the accounting requirements of your Department.

I am, etc.

Write to:—

The Under Secretary of State,
War Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Army Council to the comments, on the subject of the expenditure being incurred at Shadow Factories erected and managed for the Air Ministry, contained in paragraphs 30 and 31 of the Second Report from the Committee of Public Accounts, 1938.

My Lords have no doubt that the Army Council will, as and when it may be necessary, bring to the notice of the agents who are responsible for the construction and operation of similar factories for the War Office, the facts that your Department must account for all expenditure from public funds to the satisfaction of the Comptroller and Auditor General and of Parliament and that for this purpose it is necessary that such agents should accommodate themselves to the accounting requirements of your Department.

I am, etc.

Paragraphs 32 and 33.—Defence Services. Audit by Departmental Accountants.

Write to:—

The Secretary to the Admiralty,
The Under Secretary of State, War Office, and
The Under Secretary of State, Air Ministry.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Lords Commissioners of the Admiralty (the Army Council) (the Air Council) to the comments, on the

subject of the audit of the various types of expenditure involved in the expansion of the sources of supply of warlike stores, contained in paragraphs 32 and 33 of the Second Report from the Committee of Public Accounts, 1938.

My Lords have no doubt that the Committee are rightly confident that the Comptroller and Auditor General may rely fully on the co-operation of your Department to supply him with all the material he may need to satisfy himself that the expenditure in question has been properly examined and that the various checks and safeguards designed to protect the public purse conform to approved procedure and are being made effective for that purpose.

I am, etc.

Paragraphs 34 and 35.—Defence Services. Purchase of Plant and Machine Tools.

My Lords have noted the Committee's suggestion. The matter is at present being actively considered.

APPENDIX No. 3.

PAPER handed in by Sir *Raymond Birchall*, K.B.E., C.B.
(Question 84, 7th February.)

B.C.C.
(BULK CONTRACT COMMITTEE.)

3rd February, 1939.

W. R. Birchall, Esq., K.B.E., C.B.,
G.P.O. Headquarters' Buildings,
St. Martin's-le-Grand, E.C.1.

Dear Mr. Birchall,

We have now had a considerable number of meetings to discuss with you and other officers of the Department the request made by the Post Office to the equipment manufacturers for additional facilities in extending the check the Department already imposes to satisfy itself and Parliament of the reasonableness of the prices quoted for supplies to the department.

At our last meeting on the 11th January we indicated that we were prepared to afford still further facilities, but that until we knew how any investigation would, in practice, be carried out, we still felt considerable fear regarding the extent to which the department's investigation might constitute an interference with our management functions and managerial responsibility. Before amplifying this latter point we feel that both in fairness to ourselves and to the department there are a number of matters on which we should place on record our views so that there may remain no doubt regarding the reasons for the reluctance of the manufacturers to afford additional costing facilities—a matter on which various distorted and uninformed pronouncements have been made in the Press from time to time, to the detriment of our export and general foreign business interests.

15417

Q 4

The development, which may be dated to 1923, of the Bulk Agreement form of contract resulted from the desire of the Post Office to ensure that with an Automatic Telephone system covering the whole country, there would be standardisation of the facilities, equipment and circuits, embodying the best of all the several systems available. The overriding consideration was, however, that such standard equipment should be bought at the lowest possible level so that it would become possible to extend the benefits of the Automatic system economically to towns where this was out of the question at the prices then obtaining. There was also the important feature that improvement was desired regarding the programming of work with a view to a speedy completion of orders placed.

Prior to this date, two manufacturers owned the master patents for automatic working and later a third manufacturer obtained rights to exploit another system in this country; all three were in active and keen competition for any work available. At a still later date a fourth contractor came into the market with a modified system as a competitor with the other three.

From this point until the fifth firm arrived in the market with yet another system, continuous and exceedingly costly development was being undertaken by all the manufacturers with a view to solving the problems thrown up by the Department, e.g. the development of satellite exchange working to enable line plant economies to be made; the building up of different types of non-director schemes to enable the Department to operate automatic schemes in large cities with centralised manual switchboards gathering together through the machine all the facilities hitherto provided by the teams of operators in manual exchanges; and the development of a Director system (to which there was, we may remind you, a competitor in the American Panel system which was being exploited by one of our number) with all the ramifications and problems of a London network before the circuit designers. These developments have been mentioned as the basic elements in the creation of this country's automatic telephone system and they were carried out under conditions where each contractor was striving to have his ideas adopted in keen competition from a price standpoint, as well as technical prestige.

In outlining these developments, we would like to pay a tribute to the Department for its initiative and support to the industry in tackling a series of complicated problems in a way which entirely altered the future of telephone development in this country and we cannot avoid paying tribute also to its foresight in its selection of the particular date 1923 for the creation of the London agreement which ensured supplies of a new system at keenly cut rates, and with sufficient speed to minimise expenditure on obsolete manual equipment. The price standard had been established by the process—not altogether free from criticism from the Manufacturers' point of view—of selecting the lower price for each item in the schedules previously submitted by each of two manufacturers. From the Post Office aspect this method obtained for them the lowest possible competitive prices with a substantial discount imposed on those prices.

The first bulk agreement 1928-33 followed the London agreement and we were invited to tender for exchanges of all types to our own design with the inducement that the successful tenderer received a bonus, but that he made all his rights available to his competitors and to the Department, that the business would be shared among the group, but that the price paid to all members of the group would be the lowest price quoted by any tenderer.

It has been argued by the Department that there was not genuine competition, but we most emphatically assert that the competition was genuine and that the inducement to a manufacturer to keep his tender as low as possible was overwhelming in order that he might establish and be able to carry on with the system he had designed and so avoid the waste of research, engineering and manufacturing development, also design, drawing office, tool and production experience.

Since that time the automatic system has been developed almost beyond recognition, to the great advantage of the telephone service, and the developments have been carried into the system on current jobs, a costly operation to the manufacturer and one which has never been adequately recognised.

We are confident that no industry in the country has undertaken development comparable with what has been done during the past 10 years in the telecommunications field, and the rate at which these developments have been applied has taxed our technical resources seriously. At the same time, the Department has pressed for and obtained not only a reduction in price level from 100 to 82½ but also has had discounts on a volume of business basis bringing the effective price level down to 70. On the top of this the full benefit of development of cheaper means of giving service has been passed on to the Department and we usually find that such improvements are designed to give greater facilities than existed before. We put this benefit at what we feel is a modest figure of 10 per cent., giving a unit figure of 63 as compared with 100 in 1927, without taking into account line plant savings made possible by our developments. No one can imagine that such reductions have been possible without immense effort on the part of our organisations and while we acknowledge that credit is due to the co-operation so readily given by officers of the Department, we feel that we can claim emphatically that we have spared no effort to make effective the rationalisation which the Department's requirements called for. We are certain in any case that the Department will not deny that it has had the fullest benefit possible from every field of research open to the manufacturers.

Much has been said at our discussions about the lack of knowledge of costs. We feel that you do the Department's staff some injustice in this respect. The Department created a technical costing group when the first agreement was negotiated some 12 to 15 years ago. These officers had had some experience at earlier dates on such work but since then they have acquired a detailed knowledge of our processes and of our costs. Furthermore, over this period of years, they have obtained a mass of information from us in response to their enquiries on particular items. We recognise that this has been necessary in order to carry out their duty as they see it, but it is somewhat strange to us to hear that their knowledge is believed to be scanty, knowing as we do how they tackle their job with our people.

The effect of all this has been that together with increasing discounts and consequently lower overall prices, we have had to increase progressively our manufacturing efficiency and have been forced to reorganise our methods, plants, machines, tools and processes in order that we could make a profit at the rates paid.

We have felt it necessary to record our views on these matters in view of the request for additional facilities made to us. That request could to our minds mean only that the Department held certain views about our organisation and methods, and that with greater knowledge as to the incidence and distribution of overhead charges, its policy would be to take steps in directions which would constitute an interference with our control

of our businesses. On that point we have felt it necessary to offer uncompromising opposition and that opposition would remain if the attitude of your department were such as to suggest that the view is held that we have in the past acted in a manner which would amount to exploitation of the needs of the department. We have, however, been assured in the course of our discussions that the objective is to secure reasonable facilities to the department to satisfy itself as to the reasonableness of prices quoted: that the department recognises the fair and open manner in which the contractors have always endeavoured to act in their business relationships; and that it is not the intention of the department to conduct any investigations which it may be enabled to make in the attitude of attempting to teach us how to run our business. We fully accept these assurances; the only reservation in our minds arises from the difficulties—only too obvious—of ensuring that at the different levels at which such matters have to be conducted, the spirit of these assurances will always be observed.

We have sought for ways and means of affording you facilities which would give you the completest satisfaction while at the same time reasonably protecting our position. In offering you auditors' certificates in addition to the work of your existing pricing group we felt that such a scheme would give you all the information necessary but would avoid the risks we had in mind. In view of your rejection of this proposal, we have come to the conclusion that we should need to have experience of the practical working of a scheme involving access to our books in relation to a form of bulk contract extending over a period of years, before giving our unqualified consent. We are prepared, however, in the desire to meet you as far as possible, to afford facilities for the building up of a workable scheme but we suggest that at this stage it cannot be defined with exactitude since a scheme must in practice be related to the varying accounting methods in operation in our factories, of which neither the department nor the writers have at present so complete a knowledge as to be able to envisage the detailed procedure.

We are prepared to set aside a small group of highly responsible officers to co-operate with corresponding technical and accounting officers from the department to this end. They would, we suggest, first of all explore the various ways of tackling the job and determine to what extent it would be necessary to go into detailed investigations of figures. They would have full provision of the basic data on which pre-costs are determined and would discuss and, if necessary, agree on the adequacy or inadequacy of the various percentages used for loadings having in mind that the Department is not in a position constitutionally to guarantee the volume of business to be placed ahead, and that risks of fluctuation are left for the manufacturer to carry. They would be able to examine the method of pre-costing so that their check on overhead expense might be complete. The distribution and collection of these overhead charges over our various lines of business are, however, matters for managerial control, and while we are prepared to discuss these from the point of view of adequacy and reasonableness, we are not prepared to hand over the distribution to the Department's officers.

The next stage we feel will be how best to apply such information to the 40,000 items representing an automatic exchange and we are not at all sure of our ground on this point. The rate schedule as it stands gives a reasonable price for exchanges as a whole, but it may not give the proper price level on every part. This follows from the fact that it has been built up over a long period of years and each item has been subjected rigidly to accumulating discounts since 1928. Each item could not bear this discount rigidly as the incidence of work in factory and on

site has entirely changed, while in numerous instances the items are not in sufficient numbers in any one exchange to admit of mass production and changes of processes to meet discount conditions have not been practicable.

In view of the fact that the equipment to be supplied under a future Bulk Agreement will be of the recently adopted 2,000 type, it is essential that the satisfaction to be given to the Department shall be in relation to this type of equipment.

We therefore propose to prepare a new schedule of the 2,000 type system based on a true representation of the physical equipment, thus removing the anomalies that at present exist.

We think that an approach may be possible by testing representative blocks of equipment (which would represent a very high proportion of the expenditure involved) and that full satisfaction will be obtainable along such lines. We suggest that the details of application might be examined by the proposed groups of officers with a view to finding the best solution. In this connection we must point out that such information is highly confidential and that officers of responsibility should be selected for such work.

Owing to the different organisations and methods within the Companies involved, it is hoped that the Department will be agreeable to carry out the initial work at only one of the two factories which have been contemplated and for the sake of convenience the London Factory of Standard Telephones & Cables, Ltd., is recommended.

We trust that these proposals will commend themselves to the Department as a practical attempt to solve a difficult problem. If the Department is prepared to embark on a solution on these lines we will offer the utmost support in an endeavour to make the scheme a success and to ensure the continuance of our many years of cordial co-operation.

Yours faithfully,

T. G. SPENCER.

T. A. EADES.

APPENDIX No. 4.

PAPER handed in by Sir *Raymond Birchall*, K.B.E., C.B.

BULK CONTRACT COMMITTEE.

MEMORANDUM BY THE POST OFFICE.

(Question 88, 7th February.)

In the course of the evidence given on the 7th February, 1939, regarding negotiations with the equipment manufacturers for extended facilities for checking the reasonableness of prices, I was asked to inform the Committee by the 1st May how matters then stood (Question 88).

The letter from the Bulk Contract Committee which was handed in to the Committee at that meeting explained in some detail the suggestions put forward by the equipment manufacturers with a view to reaching a satisfactory solution of this problem. The Committee will have noted that

the manufacturers proposed to set aside a small group of highly responsible officers to co-operate with corresponding technical and accounting officers from the Department, and that the groups should, in effect, have full provision of the basic data relating to pre-costs including facilities for a complete check on overhead expenditure.

The contractors were informed that the Postmaster General accepted the offer of the contractors and steps were immediately taken to constitute the Post Office group of officers which would undertake the discussions and investigations. This group consists of officers who will deal respectively with accountancy and technical costing aspects. On the accountancy side, the Admiralty has kindly made available to the Post Office the services of a senior professional accountant of wide experience on this type of investigation, and this officer will assume general charge of the group's investigations. In addition, the Admiralty has agreed that their principal professional accountant should be available for consultation as required.

This group has now entered into active discussions with the group constituted by the manufacturers and the investigation is therefore proceeding on the general lines envisaged in the contractors' offer. In view of the importance of this investigation, the group will report to the Director General of the Post Office through a Committee consisting of the Principal Assistant Secretary, Telecommunications Department, the Comptroller and Accountant General, the Deputy Engineer-in-Chief and the Controller of Stores.

W. R. BIRCHALL.

29th April, 1939.

APPENDIX No. 5.

PAPER handed in by *Mr. H. G. H. Barnes*.
(Questions 1131, 1134-5, 1153-7, 2nd March.)

PUBLIC WORKS LOAN COMMISSION.

1. As requested by the Chairman of the Committee the following information is supplied regarding the properties of which the Public Works Loan Board are mortgagees in possession.

	£	s.	d.
Aggregate value of the properties at dates of advances	898,528	0	0
Aggregate of amounts advanced	670,956	0	0
Aggregate of balances outstanding on the 31st December, 1938	594,229	11	6

2. Enquiries have been made of certain of the Board's Receivers as to the general practice amongst agriculturists as to payment of accounts and from such information as has been received it appears that it is quite a usual practice to incur debts with merchants for artificial manures, seed corn, seed potatoes, etc., these being paid for after the harvest has been realised.

With regard to the question of discounts the advice given is that if accounts were paid monthly it might be possible in some cases to obtain a discount of from 2½ per cent. to 5 per cent. but that discount of 10 per cent. could not be obtained.

It has also been pointed out to the Board that as against the advantage of these small discounts there would have to be set the disadvantage of having to pay interest on Bank overdrafts on the amounts necessary to pay the accounts in order to obtain the discounts.

In the circumstances it might be fair to argue from the practice of agriculture that bills for manure, seeds, etc., are not regarded as due for payment when delivered, but after the harvest has been realised.

H. G. H. Barnes,

Secretary and Accounting Officer,
Public Works Loan Board.

APPENDIX No. 6.

PAPER handed in by Sir *Gilbert Upcott*, K.C.B.

PUBLIC WORKS LOAN COMMISSION.

Delay in payment of accounts by Receivers.

(Question 1136, 2nd March.)

Cases of delay in payment of accounts by Receivers are noted on each of the three farms which were primarily the basis of comment on the system of financing by overdraft. Specific instances are shown in the following list:—

	<i>Date of supply (if stated).</i>	<i>Date of bill.</i>	<i>Date of payment.</i>	
Farm 1 (a)		29.4.1933	4.8.1934	
		31.5.1933		
		8.8.1933		
	(b)	25.4.1933	16.10.1933	30.10.1934
	(c)	May, 1934	17.12.1934	
	(d)	April—Oct., 1932	Dec., 1932	20.8.1934
Farm 2 (a)		Apr.—Sept., 1935	30.9.1935	2.3.1936
		(b) Feb.—July, 1935	31.12.1935	9.4.1936
		(c)	7.4.1936	14.10.1936
Farm 3 (a)		20.9.1935	23.10.1935	22.1.1937
		(b) 16.8.1935—19.2.1936	March, 1936	19.12.1936
		(c) 3.9.1935	4.9.1935	2.9.1937
		(d)	Oct. & Dec., 1935 March, 1936 July, 1936	7.1.1938

In the case of Farm 3, a report from the Receiver dated 16th December, 1938, shows in addition to the overdraft (£3,355) "bills owing as per accounts received £645 10s. 4d.: Receiver's fees 1936-37 £177 19s.", while in a later letter (6th January, 1939) the Receiver states "I was obliged to pay a bill for a 2-years-old account of £131 15s." This particular instance had not come to notice at the time of Report on the Civil Accounts, 1937.

The individual accounts are sometimes for a few pounds only, but, as stated to the Committee (Q. 1122) it is a principle of public accounting that bills should be paid with reasonable promptitude. Attention was called to the delay principally in its relation to the question of financing by overdraft.

APPENDIX No. 7.

PAPER handed in by Sir *George Chrystal*, K.C.B.

A.G. 29.3.39.

MINISTRY OF HEALTH, CLASS V, VOTE I.

Supplementary notes on replies to Questions (7th March).

Question 1219.

Under Section 96 of the Housing Act, 1936, the Minister of Health is empowered to recognise, and to make an annual grant to, a central association for the purpose of promoting the formation and extension of housing associations and giving them advice and assistance. The National Federation of Housing Societies has been recognised for this purpose and a grant of £1,000 has been made in each of the last three years. The expenditure of the Federation, which is mainly on salaries, office accommodation, printing, travelling, conferences, etc., amounted to about £1,600 in the year ended 31st December, 1938, towards which they received subscriptions and fees from affiliated societies amounting to about £550 and the Government Grant of £1,000. The amount of expenditure on the salary of the Secretary (£500 per annum) and the wages of one Clerk was £669.

Questions 1238-1240, 1243 and 1244.

The term "extra remuneration" on page 204 of the Civil Appropriation Accounts 1937 refers to the remuneration paid to officers in addition to ordinary salary and is paid for services regarded as being outside or in excess of the normal duties of the grade. The amount payable depends on the circumstances of each case and is related to the additional responsibility undertaken. Under "extra remuneration" are also included payments in respect of overtime and pensions payable in respect of service in the Home or Colonial Civil Service. The amount received may be a lump sum in respect of a specified piece of work or may be in respect of an allowance at an annual rate.

The services of an Assistant Secretary in this Department, were loaned to the Commonwealth of Australia on a repayment basis in connection with legislation on National Health Insurance in the Commonwealth for the period 10th December, 1937 to 17th October, 1938. No charge falls on the Exchequer in respect of this officer's salary, etc., while on loan to the Commonwealth Government as the salary paid to him by this Department during this period was recovered from the Commonwealth Government and appropriated in aid of the Ministry's Vote for 1937/8 and 1938/9. A sum in respect of superannuation was also recovered and paid to the Vote for Superannuation and Retired Allowances. The £262 18s. 4d. (sterling) shown in the Appropriation Account as extra remuneration refers to a payment to this officer direct by the Commonwealth Government of a special allowance granted by them at the rate of £850 (sterling) per annum in respect of the period 10th December, 1937 to 31st March, 1938.

The payment of £73 7s. 5d. relates to an allowance at the rate of £100 per annum for the period 7th July, 1937 to 31st March, 1938 paid to an Assistant Administrative Officer from the Department by the Royal Commission on Geographical Distribution of the Industrial Population to whom his services were loaned on a repayment basis. The salary paid to the officer by the Ministry of Health was recovered from the Vote for Royal Commissions and appropriated in aid of the Ministry's Vote in the usual way.

APPENDIX No. 8.

PAPER handed in by Mr. G. Ismay.

(Questions 238-282, 9th February; Questions 1517-1525, 9th March.)

MEMORANDUM BY THE POST OFFICE.

INTEREST ON CAPITAL LIABILITY IN THE TELEGRAPH
COMMERCIAL ACCOUNT.

In the consideration of this question a good deal of the discussion has turned on the form of the accounts. The Comptroller and Auditor General apparently feels that if the form had not been altered, the real nature of the transaction would have been evident. He asserts that the Post Office has departed from the recommendations made by Sir W. Peat both in the spirit and in the form. The question of form amounts to this. Prior to the change, the Telephone account showed Loans outstanding net after deducting depreciation: the Telegraph account showed Loans gross and an Exchequer liability for depreciation. When the Post Office altered the practice as regards calculating interest (and not before) they brought the accounts into line and showed the Loans gross in all cases with an Exchequer liability for depreciation. The matter was discussed by the Public Accounts Committee last year and no objection was then taken to the change.

It is, of course, true that this is a departure from the recommendation made by Sir W. Peat when the accounts were in a state of evolution. A reference to the history of the matter shows, however, that this distinction in the form of the accounts was not a question of principle. Various Committees had considered the form of the accounts and the many questions arising. The Post Office records at the time summed up the eventual position in the following words: "It was at first assumed that the balance of the Depreciation Account would be allowed to accumulate as a Fund, on which Interest could be credited, but, ultimately on Sir W. Peat's advice, it was decided to treat the accrued balance of the Fund as invested in the business, i.e., as devoted to the repayment of loans. (This decision avoided the difficult questions whether the rate of interest at which a loan was borrowed was to be continued for all time and whether it was to be supposed that the Depreciation Fund was invested in short term or permanent securities.)"

This is, in the Post Office view, conclusive that the form adopted was a matter of expediency and not of principle, and that the real reason for the advice was to shelve questions which in the then state of affairs were extremely difficult to settle. Further, when Sir William Peat gave his evidence in 1914, he assumed that the telephone account would show a surplus and the telegraph account a deficit, and his assumptions have, in general, held good so far, except that in certain years either during or shortly after the War, there was a deficit on the Telephone service. But if the state of an account should oscillate between a surplus and a deficit, the application of the rule that interest may be allowed on accumulated depreciation only when the latter has been earned would have to be modified in some way; and the precise modification to be made would clearly depend on questions of convenience and expediency as much as, if not more than,

on questions of accounting principle. In point of fact, the rule was not applied in the Telephone accounts in the years in which a deficit was recorded, although for a period of some years the operation of the service since the institution of the Commercial Accounts in 1912 had resulted in a net deficit. Actually, as the Comptroller and Auditor General has said, the Depreciation Fund is in the Exchequer and the Post Office prefer that the accounts should recognise that fact. They submit that the form of the account on this matter cannot possibly be decisive in determining the real nature of a transaction. As already indicated, the change in form received no objection when it was discussed last year.

The only other question on which the Post Office desires to add any comment is as to the true nature of the transaction involved in the transfer of plant between the Telegraph and Telephone accounts. The Post Office have in effect argued that that transfer has brought an interest relief to the Telegraph account which is practically unavoidable but which, so to speak, breaches the principle that interest should not be allowed on the Depreciation in the Telegraph account. The Comptroller and Auditor General says that that interest relief is a natural consequence of a sale of plant between the accounts and therefore in effect that the principle of not allowing interest on the depreciation in the Telegraph account has not been breached. What has happened, the Comptroller and Auditor General says, is that the Exchequer "has carried the baby, but there is no real loss to the Exchequer because it had already lost the money. It had already lost the depreciation which had not been provided." Actually the Post Office has made a transfer of plant for technical reasons. Whether the form of account is the present or the earlier form, the Exchequer has had to write off £3,000,000 of capital in one way or another. The fact that it has so written off capital means that the Telegraph account for the future gets the benefit of user costs calculated on the written down value and not on the prime cost. That account is thereby relieved. Nevertheless that relief has been brought about by something which is not a real sale but a process of adjustment between the accounts dictated by technical developments. That an accounting adjustment of this nature should produce a fortuitous relief otherwise denied to the Telegraph account is, in the Post Office view, strong evidence of some unreality in the accounting principle which they are accused of breaking.

As regards the balance of depreciation remaining in the account, the question whether it should be recognised as carrying interest remains. The Post Office has no more to say on this than that the other matters to which reference has been made produced a state of affairs which led to re-examination of the whole question and to the conclusion that the rule could not reasonably be maintained. There is no difficulty at present whatever in reverting, as regards that balance, to the old rule if the Committee so direct. But it is submitted, nevertheless, that it is a rule rather than a principle. It is only a convention in these Telegraph accounts that the Exchequer meets the deficiency on the running costs currently, without charging the Post Office with interest, but does not meet the depreciation until it is actually needed. If the Exchequer chooses in effect to say that it will currently place the depreciation at the disposal of the Post Office as well as the sum required to meet current expenses, that seems to the department to be a question of policy rather than of accounting correctness.

APPENDIX No. 9.

PAPER handed in by Sir *Donald Fergusson*, K.C.B.

THE PRESCRIBED RATE OF ASSISTANCE FOR 1936-37 UNDER SECTION 14 (1) OF THE SUGAR INDUSTRY (REORGANIZATION) ACT, 1936.

(Question 1747, 16th March.)

The calculations made in July, 1935, leading up to the prescribed rate of assistance of 5s. 3d. a cwt. for 1936 announced in paragraph 14 of the Government's White Paper on Sugar Policy of July, 1935 (Cmd. 4964), and subsequently incorporated in the Sugar Industry (Reorganization) Act, 1936, may be summarised approximately as follows:—

An analysis of the trading accounts of the individual factory companies for the 1934-35 campaign made for the Treasury by Messrs. Thomson McLintock and Company, Chartered Accountants, indicated that a rate of assistance of approximately 5s. 5³/₄d. per cwt. of sugar would be necessary on the basis of the 1934 factory results to allow the companies to pay a dividend of 5 per cent. on their existing share and permanent loan capital of approximately £6,000,000 before providing for depreciation. An allowance of 7d. per cwt. was added for depreciation. In applying these figures to 1936 conditions the following adjustments had to be made:—

(1) 1d. a cwt. addition, as the average price for raw sugar realised in 1934 was 4s. 7d. a cwt. while the prescribed rate for 1936 was to be related to a raw sugar price of 4s. 6d. per cwt.

(2) 2d. a cwt. addition in view of the increase in costs per cwt. of sugar following on a reduction of output from 603,074 tons of sugar in 1934 to the standard quantity of 560,000 tons.

(3) 5¹/₂d. a cwt. reduction on account of reduction in the average beet price of 36s. 9d. per ton (basis 15¹/₂ per cent. sugar content) in 1934 to an estimated average price of 35s. 4¹/₂d. per ton in 1936.

(4) The value to the British Sugar Corporation of the arrangements outlined in paragraph 21 of the White Paper on Sugar Policy of July, 1935 (Cmd. 4964), which were subsequently embodied in the Sugar Refining Agreement approved by the Minister's Order of the 22nd March, 1937 (S.R. & O., 1937, No. 221) was estimated to exceed the value of the corresponding arrangements under the former industrial agreement between the factory companies and the Refiners by an amount equivalent to approximately 6⁷/₄d. per cwt. of campaign sugar.

The calculations can accordingly be summarised as follows:—

	<i>Per cwt.</i>
	<i>s. d.</i>
On basis of factory results for 1934 the assistance required to allow the companies to pay a dividend of 5 per cent. on outstanding capital	5 5 ³ / ₄
<i>Add</i>	
Depreciation	0 7 ⁰ / ₄
Difference in raw sugar price	0 1 ⁰ / ₄
Increase in costs on lower output	0 2 ⁰ / ₄
	<hr/> 6 3 ³ / ₄
<i>Deduct</i>	
For lower beet price	5 ⁵ / ₄
Increased value of refining agreement	6 ⁷ / ₄
	<hr/> 1 0 ² / ₄
	<hr/> 5 3 ¹ / ₄

No specific allowance was included for reserves (apart from the allowance for depreciation) but it was appreciated that the calculations were on a somewhat generous basis, e.g. no account was taken of profits on off-season refining.

Estimates made in February, 1936, based on further information then available indicated that the 5s. 3d. rate of assistance embodied in the Bill already before Parliament might be expected to enable the Corporation in its first year, after paying a dividend of 4 per cent. and placing £240,000 to depreciation, to create substantial reserves. These estimates were communicated to the Sugar Tribunal who, at the time, were negotiating with the Beet Sugar Factories Committee as to the arrangements for the amalgamation of the beet sugar manufacturing companies, and in connection with the negotiations the Tribunal and the Beet Sugar Factories Committee took account of the fact that the Corporation might, with the 5s. 3d. rate of assistance, reasonably expect to be able to create substantial reserves in its first year.

APPENDIX No. 10.

PAPER handed in by Sir Donald Fergusson, K.C.B.

NUMBER OF CHILDREN RECEIVING MILK IN SCHOOLS.

(Questions 1958-1965, 21st March.)

The following statement, compiled from returns obtained by the Board of Education from Local Education Authorities, shows the number of children and young persons receiving milk in schools in England and Wales at the end of March in the years 1935 to 1938 inclusive. The returns for 1935 relate to the 29th March; in other years to the 31st March.

	Numbers of children at end of March			
	1935	1936	1937	1938
<i>Under Milk in Schools Scheme</i>				
Public Elementary Schools	2,629,945	2,406,459	2,510,886	2,671,056
Other Schools	138,464	138,162	156,130	182,914
Total under Scheme...	2,768,409	2,544,621	2,667,016	2,853,970
<i>Outside Milk in Schools Scheme</i>				
Public Elementary Schools	162,837	170,179	180,356	163,044
Other Schools	17,635	22,156	21,537	22,110
Total outside Scheme	180,472	192,335	201,893	185,154
<i>Grand Total</i>	2,948,881	2,736,956	2,868,909	3,039,124

The above returns do not include children and young persons receiving milk at Juvenile Instruction Centres, Army Schools, Occupation Centres for Mentally Defective Children, and Residential Poor Law Schools. The number obtaining milk at these institutions in March, 1938, under the Milk in Schools Scheme is estimated at approximately 15,000. The Board of Education will be including these institutions in their returns for 1939 and subsequent years.

APPENDIX No. II.

PAPER handed in by Sir *Patrick Duff*, K.C.B., K.C.V.O.

(Questions 2066-2079, 23rd March.)

MEMORANDUM BY H.M, OFFICE OF WORKS.

OSBORNE HOUSE.

Osborne House, formerly the residence of Queen Victoria and the Prince Consort, was given to the Nation in 1901 by King Edward VII and in 1902 the Osborne Estate Act was passed under which Osborne House with the grounds attached thereto was placed under the management of the Commissioners of Works and the rest of the Osborne Estate, comprising over 1,500 acres under that of the Commissioners of Crown Lands.

The Act directed that as a memorial to Queen Victoria the Commissioners of Works should preserve and keep open to the public the State Apartments which had been in the personal occupation of Her late Majesty and that the rest of Osborne House and the grounds should be used for the benefit of Officers of His Majesty's Naval and Military forces or their wives, widows or family. A further Act was passed in 1914 providing that His Majesty may, by Order-in-Council authorise classes of persons other than members of the Defence Services who are qualified on account of their public services to be admitted to the Convalescent Home. Under various Orders-in-Council the Convalescent Home has been opened: (a) to Civil Servants and Retired Civil Servants who have had to serve abroad, (b) Cadets and certain subordinate Officers of His Majesty's Forces, and (c) to Established members (men) of the Civil Services of Great Britain and of Northern Ireland.

It will be observed that though the classes of public servants who may be admitted to Osborne may be varied by Order-in-Council, legislation would be required to devote the use of the Estate to other purposes.

Description of Grounds and Buildings.—Area of land under control of the Commissioners of Works 435 acres. This consists of (a) 240 acres of park-lands (partly used as a Golf Course and partly let for grazing), an Italian Garden, lawns, and a walled kitchen garden, (b) 60 acres of land formerly used as a Royal Naval College, now let partly for grazing and partly for recreational purposes, bringing in a revenue of £135 p.a. and having on it the extensive stabling block, partly used by sea-scouts and local authorities in connection with A.R.P. services and also a car park for charabancs conveying visitors, and (c) 135 acres, mainly woodland, which was transferred to the management of the Forestry Commissioners in 1937. The land so transferred contains the greater part of sea frontage of the Estate and only about 200 yards used as a bathing beach has been retained under the Commissioners of Works. The cost of protecting this section from the sea has been borne by the Officers' Fund. The total receipts from lettings amount to £308 p.a.

Osborne House itself is a large and imposing building with a frontage of 343 feet in the North and 271 feet to the West. It possesses three floors and a basement and two towers 98 feet high, and consists of three wings:—

- (a) The main block used as the Convalescent Home.
- (b) A separate wing connected by corridors on each floor and containing on the ground floor the State Apartments, open to the public, on the first floor the Matron's and Nurses' quarters and the private

apartments formerly occupied by Queen Victoria which are not used and on the second floor the House Governor's flat.

(c) A block containing married quarters for six of the subordinate staff.

Apart from the House proper there are also:—

(a) The staff block and other permanent buildings formerly used as part of the Royal Naval College (see previous page).

(b) The Swiss Cottage and Museum to which the public are admitted in summer, with residence for the Custodian.

(c) New Barn Cottage, now let as a hostel for relatives of patients in Osborne House.

(d) Two lodges and a number of other outbuildings, some of which are let.

Osborne House now serves, therefore, a dual purpose (a) as a place of recreation and enjoyment to the public and (b) as a Convalescent Home for Officers of the Forces and other Servants of the State.

Upkeep of Grounds.—The cost of maintaining the grounds covers the following:—

(1) Upkeep of roads and paths on the Estate, of which there are $11\frac{1}{2}$ miles.

(2) Upkeep of lawns and gardens adjacent to the House, for the benefit of both public and patients.

(3) Upkeep of kitchen gardens, which provide cut flowers and vegetables for the Convalescent Home. The value of all vegetables provided is taken into account in the victualling cost.

(4) The lopping and clearing of fallen timber from the coppices and avenues on the estate, which is notable on account of the many fine specimen trees planted by the Prince Consort.

(5) The maintenance of the Swiss Cottage gardens practically solely for the benefit of the general public.

The cost of maintaining the golf links, bathing beach and hut, tennis courts, bowling green (as well as the provision and renewal of the Official Car and indoor activities, such as Rifle Range, Billiards, Cinematograph, Newspapers, etc.) is borne by the patients themselves.

It will be appreciated that visitors do not come to Osborne only for the State Apartments but also on account of the amenities offered by the grounds and the associations of the whole place. It would be reasonable, therefore, to attribute a proportion of the cost of maintaining the grounds and buildings generally to the enjoyment and instruction afforded by Osborne to the public.

State Apartments.—The State Apartments and the Swiss Cottage and Museum, with the parts of the grounds affording fine views leading thereto are open to the public for three days a week during summer, a charge of 6d. per head being made for adults and 3d. for children and organized parties of schoolchildren being admitted free. The number of the public visiting Osborne generally varies from 40,000 to 50,000 per annum and the annual receipts run up to £1,000.

The gross cost allocated to the State Apartments in 1937-8 was £1,054 and the net receipts from admission and sale of postcards, etc., £1,205, leaving a profit for the year of £151.

Until 1934 the cost of maintaining Osborne was divided as to three-fifths to the Convalescent Home and as to two-fifths to the State Apartments.

As from April 1st, 1934, however, all expenditure and receipts were allocated in accordance with a schedule and the balance of common expenditure by a system of percentages under which roughly three-quarters

were allocated to the Convalescent Home. As a result approximately three-quarters of the gross expenditure has been allocated to the Convalescent Home, three-sixteenths to the Grounds and one-sixteenth only to the State Apartments. Of the net expenditure the State Apartments allocation is a minus quantity.

A recent survey of the buildings shows that approximately one-third of the superficial area of the buildings at Osborne are either let, unused, or used for departmental purposes serving the whole of the Isle of Wight.

One-fifth is either let or occupied rent free in return for services by members of the staff. Of the remainder—just under one-half of the whole—approximately one-fifth is open to the public and used for no other purpose, and four-fifths are used for Convalescent Home purposes.

No part of the salaries of the House Governor, Matron and Clerk, who are responsible for the contents of the State Apartments and accounting for receipts, nor any proportion of the other administrative expenses has been allocated to the State Apartments, nor yet the salary of the Custodian of the Swiss Cottage. By taking, however, 50 per cent. of the cost of maintaining the grounds (which are maintained jointly for the pleasure of the patients and public) 20 per cent. of the cost of building and engineering maintenance and the House and 10 per cent. of the administrative costs, a sum of £2,948 (gross) is arrived at as representing the cost of the public amenities and £13,841 as representing that of the Convalescent Home.

The corresponding net figures would be £1,622 and £10,122.

Convalescent Home.—The House provides accommodation in normal times for 45 patients but owing to the need for redecorating rooms, etc. and to vacancies between the coming and going of patients the average number of officers in residence must be less than this. During 1937-8 the average number of officers in attendance was 32 and the average period of residence was 32 days or approximately one month.* The number of patient weeks was thus 1,664 and the allotment to the Convalescent Home being £8,799 the cost to the Department per patient week amounts to £5 5s. 9d.—or, if the grounds are included and the cost divided as suggested in the previous paragraph, £6 rs. 8d.

Having regard to the cost of maintaining officer patients in Service Hospitals these figures are considered to be reasonable, particularly when regard is had to the fact that small institutions are more expensive to maintain per head than large, many amenities are found at Osborne which are not provided elsewhere and Osborne having been designed as a Royal Palace and not as a Convalescent Home must always, owing to its expansive layout and spacious proportion, be expensive to run as such. Moreover, it is felt that were Osborne not available to receive patients, a longer period of hospital treatment would in many cases be necessary. It was calculated that 13 per cent. of Officers discharged from Military Hospitals went on to Osborne.

The cost of Osborne to the taxpayer has for many years been the subject of concern to the Board and in October, 1933, a Sub-committee was appointed to examine the possibilities of effecting economies at Osborne. Mr. Eason, formerly Medical Superintendent of Guys Hospital and now Principal of the London University was, with Treasury approval, invited to investigate and advise on the nursing and domestic organisation of the Home. As a result of his investigations and of a departmental inquiry held simultaneously, savings to the amount of £1,000 per annum were effected.

* The average attendance in 1938-39 was 34 and the average period of residence 30 days.

During the War, Osborne was converted into a hospital with accommodation for 96 patients and this would again be done should the necessity arise. Its use in peace time as a Convalescent Home, involving separate rooms instead of wards, makes an average of about 40 patients the maximum.

In all the circumstances the Board consider that no more useful purpose could be evolved for the use of Osborne House than at present exists. Though a large number of Officers may not make use of the Home in peace time, many of them, in view of the conditions of their service, being anxious to spend any period of convalescence with their families, there remain the residue who have no homes in England and to whom Osborne is an inestimable boon. It was no doubt due to the absence of any such Institution in the past that the Convalescent Home at Osborne was established and if it were abolished the Board feel convinced that the hard cases that would remain would lead to a demand for some similar establishment. With the increase in the strength of the Forces, a larger number of candidates for admission may also be anticipated.

APPENDIX No. 12.

PAPER handed in by Sir *Edward Harding*, K.C.B., K.C.M.G.

LAND SETTLEMENT SCHEMES IN CANADA.

(Question 2731, 20th April.)

In the course of the last year a comprehensive review has been made of the various land settlement schemes now in existence in Canada with which the United Kingdom Government is financially concerned; and the Canadian authorities have also been consulted through the United Kingdom High Commissioner in Ottawa regarding those of the schemes in question to which the Canadian Government is one of the parties.

From this review it has become clear:—

- (1) that under all the schemes a comparatively large proportion of the original settlers have, for one reason or another, unfortunately failed to make good;
- (2) that such failure is chiefly, though not wholly, due to the unusually unfavourable economic and climatic conditions which have prevailed in Canada since the schemes were initiated, particularly in the Prairie Provinces where many of the migrants were settled;
- (3) that other contributing causes have been want of adaptability amongst the settlers and attraction to other forms of work (though these are factors which are found in all land settlement schemes);
- (4) that the schemes have been under constant supervision in Canada by the Canadian Government and by the Railway Companies and other institutions concerned—the United Kingdom Government being kept in touch with all developments;
- (5) that much additional assistance has already been afforded both by the Governments and by the Companies, etc., in the way of writing off capital indebtedness and of remission of interest, the object in view being to adjust the debt burden of the settler to the existing producing capacity of his holding;

(6) that assistance in the way of further advances has also been given to settlers, more especially in cases where there was a prospect of ultimate success;

(7) that it has been the practice throughout for settlers from the United Kingdom to receive the same concessions under Canadian legislation, and the same sympathetic consideration in their difficulties, as have been extended to native-born Canadian settlers generally.

DOMINIONS OFFICE,
3rd March, 1939.

APPENDIX No. 13.

MEMORANDUM BY THE TREASURY.

ARMY SUPPLEMENTARY ESTIMATE, 1937.
(Questions 2918-2924, 2nd May.)

In paragraph 2 of his Report on Army Votes, 1937, the Comptroller and Auditor General mentioned that the token Supplementary Estimate (H.C. 62 of 1937-38) required for the authorisation of new Works Services under Army Vote 10, made no provision for the distribution of funds under other Votes in respect of anticipated variations from the original estimate.

The Treasury agreed in evidence on 2nd May to look into the matter and they find that the point was in fact taken up by them with the War Office in connection with the forecast of the outturn for 1937 submitted to the Treasury on 11th March, 1938.

The Supplementary Estimate had by that date already been submitted to Parliament but the Treasury thought it right, nevertheless, to represent to the War Office for future guidance their view that it was as necessary to exhibit major surpluses and deficits in a token Spring Supplementary Estimate, taken for a specific purpose, as in a substantive Supplementary of more general application. They pointed out, further, that the Air Ministry and Admiralty had in like circumstances proceeded in accordance with this view.

The War Office accepted this statement of the position and, while expressing some doubt whether the particular deficits were such as to require inclusion, they noted the Treasury views on that aspect of the matter and stated that they would give due weight to them on a future occasion.

TREASURY.
19th May, 1939.

APPENDIX No. 14.

PAPER handed in by Sir *Archibald Carter*, K.C.B., K.C.M.G.

R.R.S. RESEARCH.

ESTIMATES OF COST.

(Question 3262, etc., 9th May.)

1. The following table shows the cost of providing the non-magnetic research ship as estimated by the Admiralty in September, 1935; as contracted for in September, 1936; and as estimated by the Admiralty in March, 1939:—

	<i>Admiralty Estimate Sept., 1935.</i>	<i>Accepted Contract Price— Sept., 1936.</i>	<i>Admiralty Estimate March, 1939.</i>
	£	£	£
Hull	51,900	136,955	164,408
Machinery	10,800	21,675	29,465
Dockyard labour and material	—	—	12,480(c)
	62,700	158,630	206,353
Scientific instruments and re- lated stores.	2,500	2,500(b)	9,000 20,000(d)
Total	65,200(a)	161,130	235,353

Notes.

(a) Given to the Treasury as "between £60,000 and £70,000."

(b) Scientific instruments were not included in the contract price.

(c) This sum includes about £4,800 for teak, spars, etc., supplied by H.M. Dockyards, which is in effect a part of the cost of the hull.

(d) Wages fluctuation clause (say) £10,000. Expected additional items (say) £10,000. Both these amounts are necessarily speculative.

The difference between the Admiralty Estimate of September, 1935, and the Contract Price of September, 1936.

2. This difference is partly accounted for by the general rise in ship-building costs between 1935 and 1936, but mainly by the fact that the Admiralty estimate was given when very slight data were available in respect of so very unusual a type of vessel, so that the framing of an estimate of building costs was necessarily largely a matter of conjecture. When an estimate was first given to the Treasury, specifications had not been considered, and the only guide in estimating costs was the expectation that the "Research" would have to be designed on the lines of the "Carnegie," built in 1909. The design of the new vessel was, in fact, broadly on these lines, but considerable variations were found desirable to ensure in the light of the latest knowledge and experience, that the vessel should fulfil her purpose as far as was practicable. These variations resulted in a ship somewhat larger than the "Carnegie."

3. It had been the intention to build the ship entirely of wood, but it was found that wooden shipbuilding had become such a lost art in this country that no firm would undertake to build a satisfactory wooden ship of the size required. It was accordingly decided to use naval brass framing with wood planking, a system entirely new to the industry, and one which on account of special difficulties involved greater cost than was originally expected.

Difference between the Contract Price of September, 1936, and the Admiralty Estimate of March, 1939.

Hull.

4. It is usual during the construction of H.M. Ships to make certain alterations and additions, with the specific approval of the Board of Admiralty, as details of the design are worked out. In the case of the "Research," in which the problems are entirely novel, the equipment and fitting out have had to be carefully considered during the course of construction in the light of current scientific requirements. The increase under this heading is accounted for by the alterations and additions which are expected finally to be included on this account. It covers such items as a lead keel instead of a wooden one and revised rigging arrangements.

Machinery.

5. The increase in the cost of machinery is due to modifications to the design and materials contracted for, which have proved essential during the construction of the first auxiliary engine. It has been very difficult to find non-magnetic materials of sufficient strength, and the manufacture of such a novel engine has been in the nature of pioneer work. Some of the original proposals could only be judged after experience of them in the actual engines.

6. The increase covers such items as a main engine crankshaft of special steel, fresh water cooling systems, etc.

Dockyard Labour and Material.

7. This heading includes special stores normally supplied by the Admiralty for ships under construction, such as anchors and cables. As explained in paragraph 1, it also includes the cost of the teak used in building the vessel and of certain spars, etc., supplied by H.M. Dockyards. It also includes an estimated sum for the cost of any work which may require to be done when the vessel reaches one of H.M. Dockyards.

Scientific Instruments and related stores.

8. The original estimate of £2,500 under this heading was for magnetic instruments only, as at that time the magnetic research work of the ship was the paramount consideration. Later, however, after consultation with the Carnegie Institute it was decided that other research, mainly oceanographical and meteorological work could be undertaken, for which certain other instruments were required.

9. The sum of £2,500 was, however, an underestimate for magnetic instruments alone, partly because there was no experience of the manufacture of the majority of them in England, and also it was not until a representative of the Carnegie Institute came to this country to advise the Admiralty that it was known exactly what instruments would be required for magnetic observations.

10. A copy of the letter sent by the Admiralty to the Treasury on the 20th March, 1939, is attached.

11th May, 1939.

R.R.S. Research: Copy of Admiralty Letter to the Treasury.

M.F. 29856/38.

20th March, 1939.

SIR,

I am commanded by My Lords Commissioners of the Admiralty to refer to Treasury letter S.39144 of the 12th February, 1935, authorising the construction of a non-magnetic ship as part of the 1935 new construction programme. In that letter, Their Lordships of the Treasury stated that they would await the submission in due course of the detailed proposals of the Lords Commissioners of the Admiralty in regard to the construction, equipment and maintenance of the vessel. A subsequent semi-official letter from the Treasury, dated the 23rd July, 1935, asked for an up-to-date estimate of the constructional and maintenance costs, and in a semi-official reply dated the 13th September, 1935, the Admiralty stated that "the materials and method of construction of a non-magnetic ship differ so much from the ordinary steel ship that it is very difficult to estimate the probable cost, but although every endeavour is being made to keep it as low as possible, the cost is likely to be between £60,000 and £70,000." The figure for running expenses remained £9,000, though an increase in the number of ratings from 8 to 23 was reported as being necessary. It was not, however, until September, 1936, that an order for the vessel could be placed, by which time shipbuilding costs generally had advanced materially.

2. This increase in itself invalidated to a considerable extent the basis of the original estimate, which, moreover, as Their Lordships will realise, had been given at a stage when very slight data were available in respect of so very unusual a type of vessel and the framing of an estimate of building costs was a matter very largely one of conjecture.

3. Specifications had not at that time been considered and the only guide in assessing prices was the expectation that the vessel (Research) would have to be designed on the lines of the earlier American non-magnetic ship "Carnegie," built in 1909 at a cost reported as in the region of £23,000. The design for the new vessel was in fact worked out broadly on these lines though considerable variations were found desirable, with a view to ensuring, in the light of the latest knowledge and experience, the production of a vessel which might be expected to fulfil as far as practicable the purpose for which she was required.

4. The variations referred to in the preceding paragraph resulted in a ship larger than the "Carnegie." It was intended to build the ship entirely of wood, but when firms were approached it was found that wooden shipbuilding had become such a lost art in the country that no firm would undertake to build a satisfactory wood ship of this size. It was accordingly decided to adopt naval brass framing with wood planking—a system entirely new to the industry, and one which on account of special difficulties involved greater cost than originally anticipated. No firm showed any keen desire to undertake the work, and only four sent in tenders on an acceptable basis. Of these, the lowest was that of Messrs. Philip & Son, Ltd., of Dartmouth, at the price of £175,830. As a result of negotiations, which at the present time the firm regrets, this figure was reduced to £158,630 (Hull £136,955, Machinery £21,675), subject to the introduction into the contract of a wages fluctuation clause, under which variations in labour costs would be allowed for in the event of any increases or decreases of a general character.

5. This revised tender price was certified to be fair and reasonable, the Admiralty professional officers being of the opinion that it would not have been possible to have secured a lower price for this very special vessel and that it was very doubtful whether having regard to the increase in

orders for ships generally, any other competent firm would have agreed to undertake the construction of so unusual a ship at a comparable price.

6. My Lords, in these circumstances, approved the acceptance of Messrs. Philip & Son's tender and the vessel is in course of construction. As work has proceeded, however, great difficulty has been experienced in securing suitable non-magnetic material, particularly in connection with machinery requirements. In consequence, a number of modifications in specifications, involving substantial extras, have had to be made.

7. On the basis of the latest figures available, the estimated total cost of the ship, as shown in the programme portion of the Navy Estimates, 1939, is £206,353 made up as follows:—

	£
Contract Hull costs	164,408
Contract Machinery costs	29,465
Dockyard material, etc., plus oncosts	12,480

These figures compared on the contract items with the accepted quotations show increases of £27,453 on Hull and £7,790 on Machinery, the principal anticipated extras contributing to these increases being due to (1) a decision to adopt a revised and larger rig and consequent additional ballast; (2) certain alterations found necessary in accommodation, bulwarks, planking, etc.; (3) the necessity for redesigning the auxiliary machinery; and (4) a modification to the original design of the oceanographic winch.

8. In addition to the cost of £206,353 mentioned above, the Contractors will be entitled to additional payment, under the wages fluctuation clause, owing to the increase which has taken place in shipyard wages since the tender was accepted. The actual sum involved is not known precisely, as no claim has been received, but it is expected to be of the order of £10,000. It is also probable that a further sum of about £10,000 may be required to cover additional items of work which may arise while the ship is under construction. These totals do not allow for the special equipment of scientific instruments and stores which will it is thought cost about £9,000. The dockyard costs arise mainly in respect of issues not covered by the contract.

9. The cost of maintenance was originally estimated at £9,000 per annum. The present estimate is £11,400 per annum, the principal items being:—

	£
(a) Salaries, wages and allowances	5,560
(b) Salaries of scientists	1,650
(c) Messing and victualling	1,800
(d) Docking, repairs, etc.	1,500

Proposals under (a) will be made to the Treasury in due course and it is hoped that the Air Ministry will meet part of the cost of the salaries of the scientific staff.

10. My Lords desire me, in reporting the position, to explain that it had been their intention to furnish a statement of the financial aspects of the construction of the vessel at a very much earlier stage and that they regret that owing to the relevant official documents being mislaid this was not done.

I am, Sir,

Your obedient Servant

(Sgd.) R. H. A. CARTER.

The Secretary,

H.M. Treasury, S.W.1.

APPENDIX No. 15.

PAPER handed in by Sir *Archibald Carter*, K.C.B., K.C.I.E.

NAUTICAL ALMANAC.

PAYMENT FOR REPRODUCTION OF INFORMATION CONTAINED IN THE NAUTICAL ALMANAC OR FURNISHED BY THE NAUTICAL ALMANAC OFFICE.

(Questions 3355-6, 9th May.)

The information published in the Nautical Almanac is crown copyright, and can only be reproduced by permission of the Controller of H.M. Stationery Office.

2. For simple reproduction, a copyright fee of 5s. is demanded per page of the Almanac, but for this purpose certain sections of the Almanac are treated as one page, for example, times of sunrise, sunset, moonrise, or moonset.

3. Receipts from these fees are credited to Stationery Office Votes, and last year amounted to about £180.

4. Where information is desired which is not directly available from the Almanac, or is required in advance of publication, the necessary calculations are undertaken on request by the Nautical Almanac Office and in these cases, in addition to the copyright fee, a charge is made to cover the cost of preparation of the data. This is assessed on the basis of the length of time spent by the staff on the work, with a percentage addition to cover overhead expenses.

5. A typical example of special work thus undertaken is the supply to the Automobile Association of lighting up times for a number of cities and towns in various parts of the country.

6. Receipts of fees for special work of this nature are credited to Navy Votes, and last year amounted to about £60.

10th May, 1939.

APPENDIX No. 16.

PAPER handed in by Sir *Richard Nind Hopkins*, K.C.B.

COLONIAL DEVELOPMENT FUND ACCOUNTS, 1937.

NEWFOUNDLAND; LAND SETTLEMENT.

(Questions 3907-3953, 23rd May.)

At the meeting of the Public Accounts Committee on the 23rd May, 1939, questions were asked on the following points:—

(1) When Mr. Gorvin expressed confidence that a success could be made of the settlements over a period of years at a cost not greatly exceeding

the expenditure which would have been incurred had the settlers been maintained throughout on public relief, how long a period of years had he in mind?

The position in this respect is that, while the period would necessarily vary settlement by settlement, Mr. Gorvin was thinking of an average period of ten years from the date of establishment.

(2) What is the present annual cost to the Newfoundland Government of maintaining the settlements?

The following is the net expenditure incurred by the Newfoundland Government for this purpose in each year since the 1st July, 1937, as from which date the settlements have been wholly financed from revenue:—

	\$
1937-38	152,022 (actual).
1938-39	130,020 (estimated).
1939-40	124,511 (estimated).

(3) What are the crops which it is proposed that the settlers should grow?

Conditions of soil and climate in Newfoundland are not suited to the growing of wheat, but oats and barley can be grown and all vegetable crops do well. Hay is also a profitable crop. The aim is that the settlers should support themselves by mixed farming, a first consideration being the provision of pasture for live-stock. At Markland the settlers will be dependent for the most part on their homesteads alone: the smaller settlements, however, are so situated that the settlers will be able to combine the development of their homesteads with fishing or logging.

(4) What is the extent of a settler's holding and what is meant by "partly cleared for cultivation"?

At Markland the present position is that each settler has been given a holding containing 10 acres of land which when cleared would be suitable for cultivation. As, however, such land exists only in pockets the size of the holdings varies; in the most extreme case it has been necessary to allot a settler 100 acres of land in order to provide him with his quota of 10 acres suitable for agricultural development, the remaining 90 acres being either bog or rock and unsuitable for clearing.

In addition to the active cultivation of the cleared area the settler is expected in the early years of his occupation of the holding to clear, and gradually to bring under cultivation, additional acreage each year in order that in due course he may have available for active cultivation the maximum amount of agricultural land in his occupation.

It is contemplated that eventually there will be a re-adjustment of the settlement population at Markland which will enable each family to be given 25 acres of agricultural land.

In the case of the smaller settlements, which have other means of livelihood open to them, 10 acres of agricultural land per family is regarded as an optimum. In these cases there has not been the same difficulty in providing continuous strips of potentially agricultural land.

Treasury,

10th June, 1939.

APPENDIX No. 17.

PAPER handed in by Sir *Richard Nind Hopkins*, K.C.B.

COLONIAL DEVELOPMENT FUND ACCOUNTS, 1937.

BERMUDA; AIR TRANSPORT SCHEME.

(Questions 3954-4010, 23rd May.)

The following information is supplied on the points raised at the meeting of the Committee on the 23rd May, 1939:—

(1) The terms upon which the flying boat and two spare engines were provided are set out in clauses 4 to 7 of the agreement for the operation of the Bermuda—New York air service, concluded between the Secretary of State for Air and the Company. A copy of that agreement has been laid before Parliament (Cmd. 5870). It will be seen from the Agreement that the Company is responsible for the maintenance of the aircraft and spare engines in an airworthy condition and for their replacement in the event of their being lost or destroyed.

(2) It is understood from the Company that from the 16th of June, 1937, when the service started, the fares charged by Imperial Airways were \$100 single and \$180 return. For the period from the 12th of October, 1937, to the 19th of December, 1937, a special mid-week fare of \$100 return was introduced. From the 20th of December, 1937, to the 31st of May, 1938, the fares charged were \$85 single and \$150 return; with effect from the 1st of June, 1938, these fares were reduced to \$70 single and \$120 return.

The Imperial Airways service is operated in conjunction with a reciprocal service run by Pan-American Airways, and it is understood that Imperial Airways have been compelled to reduce their fares to bring them into line with those charged by the American Company.

(3) No details are available in the Colonial Office of the passengers carried by Imperial Airways during 1937 or during the early months of 1939; but during 1938 the number of passengers carried to and from Bermuda by Imperial Airways were 739 and 984 respectively, as compared with 975 and 1,279 respectively carried by Pan-American Airways.

The total number of tourists who visited the Island during 1938 was 82,062. It is difficult at present to draw any inference as to what extent the institution of the air service has benefited the tourist traffic of the Colony.

Treasury,

10th June, 1939.

APPENDIX No. 18.

MEMORANDUM BY THE TREASURY.

TRADING ACCOUNTS.

(Questions 4054-4056, 23rd May.)

The question of the treatment of interest in these Trading Accounts has been raised from time to time by members of the Public Accounts Committee, as also that of some simplification of the form of the Balance Sheets. The two questions are in some degree linked but in any case

they clearly demand a well considered review of the principles which have so far guided the Treasury both in the determination of the general structure of these accounts and in the treatment of the individual undertakings according to their differing history and character.

An examination of the whole problem has been proceeding on these lines, so far as the pressure of urgent public business has permitted, and it had been hoped that definite proposals could have been formulated and put to the Committee in the present session, after discussion, and if possible in agreement, with the Comptroller and Auditor General.

It has, however, become clear that a satisfactory solution of general application is not readily forthcoming and that further consideration is very desirable if conclusions are to be reached which the Treasury can recommend to the Committee. While the Treasury regret, then, that they are not in a position at the moment to make positive proposals to the Committee they would assure them that the question will be actively pursued with a view to the presentation of a memorandum at the commencement of proceedings next year.

2. The Treasury would add that the particular case of the Ministry of Agriculture Farm Settlement Accounts is now somewhat overdue for review by the Committee in terms of paragraph 20 of the Committee's Report of 1935. The suggestion then put forward by the Treasury and left by the Committee for consideration in three years' time was that, failing drastic reconstruction of these accounts on the basis of writing down capital, etc.—a course which the Treasury were reluctant to adopt—the accounts might be discontinued in their present form and replaced by simple cash accounts.

The Treasury see no reason, on consideration, to modify their views which were fully developed in Appendix 10 printed with the 1935 Report and which need not, perhaps, be further elaborated here and they would be fully prepared for their part to agree to the discontinuance of these Accounts. They feel bound, however, to remind the Committee that the question of interest was a considerable factor in the discussions leading to the suggestion of discontinuance of the accounts and while they have no wish to postpone this solution of the particular problem, the Committee may prefer that it should not be disassociated from the general review now in progress.

It should further be added that, while the Committee's Report of 1935 referred only to the Ministry of Agriculture Farm Settlement Accounts, similar considerations apply very largely to the Scottish Small Holding Colonies Accounts. There is the distinction from the English Accounts that in Scotland Land Settlement by the State is still proceeding, a fact which may make it desirable to ascertain at least the current trend of the cost of the operations. The Committee may wish the Treasury in these circumstances to explore, in their general review, the possibility of substituting for the present combined account accounts of the more recent settlements.

Treasury,

16th May, 1939.

INDEX

A

- Aberdare*.—Swimming pool, grant, *Emmerson* 897.
- Aberystwyth*.—New buildings, *Fergusson* 1815—University College, soil research, *Fergusson* 1895-9.
- Abyssinia*.—Addis Ababa Legation, replacement by Consulate-General, *Howard Smith* 324; *Cadogan* 325.
- Accounts* on which witnesses not heard, *Upcott* 2019.
- Aden*.—Naval Officer in Charge, residence for, *Coxwell* 3368.
- Admiralty*.—Financial control: 2nd *Report* 23-26—Committee, progress, etc., *Carter* 3091-4, 3096-9, 3337, 3339, 3341-4; *Gilbert* 3095, 3338—Improvement measures, *Carter* 3100-2—Treasury Minute, *Gilbert* 3103-7; *Upcott* 3104, 3106, 3107; *Carter* 3104.
- Meteorological branch, *Carter* 3353-4; *Street* 3671-2; *Upcott* 3672—Technical staff, increased advertising for, *Coxwell* 3378.
- Agricultural Research Council*.—Compton Manor research station, *Havelock* 4057-69—Exchange list of publications with bodies abroad, *Havelock* 4069—no Grants received from bodies outside Great Britain, *Havelock* 4064-6—Members and honoraria, *Havelock* 4070.
- Agriculture and Fisheries, Ministry of*.—2nd *Report* 14—Agricultural research, building schemes, *Fergusson* 1815—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Farm settlement accounts, *Treasury Memorandum*, App. 18 (p. 459)—Home-Grown Sugar Ltd., liquidation and amount accruing to Ministry, *Fergusson* 1805-15—Land Drainage Act, 1930, commitments under, *Fergusson* 1816—Land drainage grants, supplementary, *Upcott* 1819-20, under-spending, *Fergusson* 1818.
- Farm Settlement Accounts: 2nd *Report* 18-20; *Fergusson* 1822, 1825-6; *Upcott* 1822-4, 1827, 1832; *Blunt* 1827-31—Discontinuance of trading accounts and replacement by simple cash accounts, suggestion, *Hopkins* 4054, 4056; *Upcott* 4055-6.
- Officers, allowances for use of private motor cars, 2nd *Report* 14; *Fergusson* 1796-1800; 1801, 1803-4; *Brittain* 1799-803; *Upcott* 1801—Receipts, details of, question of reclassification and abbreviation, *Fergusson* 1821; *Upcott* 1821—Smallholdings, no intention known of, of getting rid of land now in form of, *Upcott* 3932.
- Air Ministry*.—Ministry of Transport work for, *Browett* 789-92.
- Air raid precautions*.—2nd *Report* 9, 10—Badges and brooches, *Hains* 1599-605, 1651-2—Civilian Anti-Gas Schools, second, *Maxwell* 1648-9—Equipment and materials, items covered by sub-head, *Maxwell* 1616-24.

Air

15417

R

 Reports, 1939—continued

Air raid precautions:—cont.

- Fire Brigade Services: 2nd Report 10—Fire engines, *Maxwell* 1589-90—Fire hose, supply, *Maxwell* 1588-9—Light trailer machines, *Maxwell* 1572—Under-spending, *Maxwell* 1572.
- “General expenses,” sub-head, splitting up of, *Maxwell* 1591-3—Hospital services, transfer to Ministry of Health from Home Office, *Maxwell* 1580-1—Over-estimating, *Hopkins* 3805.
- Protective clothing: Expenditure, *Maxwell* 1616, 1623—Production position, *Maxwell* 1595-8, 1653-5.
- Respirators: Babies, device for, *Maxwell*, 1584-5, 1622—Blackburn Government Factory, *Hains* 1573-5, 1578-9, 1613.
- Civilian: Expenditure on and numbers, *Maxwell* 1582, 1619—Eye-piece manufacturer, default by, *Hains* 1586-7, 1643-5.
- Expenditure and numbers, *Maxwell* 1618-22—Manufacturers, fees in respect of licences for, from manufacture under mark scheme, *Hains* 1650—Production, numbers, *Maxwell* 1594.
- Service: Purchase from War Department, *Hains* 1576—Sales, over-estimate, *Hains* 1640, to late Spanish Government, *Hains* 1576-7, 1640.
- Sources of supply and arrangements, *Maxwell* 1582-3—Storage by local authorities, *Hains* 1606-12—Under-spending, *Maxwell* 1582.
- Respirators, etc., inspection and examination, *Hains* 1614-5—Sale of materials from respirator factories and storage depots, *Hains* 1641-2—Sandbags, purchases of, 2nd Report 9; *Maxwell* 1552-67; *Hains* 1567-71—Separate Vote, in future, *Maxwell* 1638-9—Wardens' posts, equipment for, *Hains* 1627-33.

Air raid precautions, Scotland.—See under Scotland.

- Air Services.*—2nd Report 36-39—Aerodromes, in Scotland, increasing, *Street* 3647—Airframe contracts, *Treasury Minute*, App. 2 (pp. 433-4).
- Aircraft: Damage to, on board catapult ships by storm, *Clothier* 3676-7—Loss of, or damage to, in course of flying arising from culpable default involving conviction under Air Force Act, *Clothier* 3679-82; *Upcott* 3682—Loss of, picketed out in gale, *Street* 3673; *Clothier* 3674-5—Picketing down of, in heavy weather, *Clothier* 3675.
- Appropriation Accounts, 1936-37, App. 1 (pp. 415, 416)—Audit, obtaining of information for, *Upcott* 3482; *Street* 3483—Auxiliary and Reserve Forces, number of hours flown by pilots less than expected, *Street* 3662—Balloons, danger from atmospheric electricity, committee of investigation, *Clothier* 3678.
- Civil aviation: Air Registration Board, functions and financial position re, *Street* 3594-603; *Upcott* 3599—Airports for London, policy, *Street* 3553—Berlin night service, *Street* 3616—British Airways and Imperial Airways, forthcoming merger, *Street* 3604-5, 2608-15—Contributions from Dominions, Colonial and other Governments, *Street* 3665—Empire air base, *Street* 3668-70—Empire air mail scheme, *Street* 3604-9.

Air

 Reports, 1939—continued

Air Services:—cont.

Civil Aviation:—cont.

- Heston aerodrome: Gasometer, illumination of, at night, *Street* 3555, 3568, indemnity to company, *Blunt* 3557, 3567-8; *Street* 3556, 3564-7, 3570—Management and development of, *Street* 3558, 3562-3—Purchase of, *Street* 3553-4, 3559-61—Works services, *Upcott* 3560.
- Newfoundland transatlantic air base scheme, *Upcott* 3571, 3578, 3580-1, 3588, 3591-3; *Street* 3572-6, 3579-80, 3583, 3585, 3587-91; *Blunt* 3577, 3582, 3584, 3586; *Clothier* 3664—North Atlantic service, position, *Street* 3619-20—"Progress slower than expected", *Street* 3666-7—Radio research, *Clothier* 3664—South Atlantic services, position, *Street* 3617-8—Technical equipment, etc., under-spending, *Clothier* 3664—West African service, position, *Street*, 3617-8.
- Contracts: "Assisted," system and results, *Street* 3538, 3544; *Meadowcroft* 3539-51; *Upcott* 3541, 3545, 3548, 3553—Competition, extent of, *Cotton* 3502-7—McLintock Agreement, negotiations *re* revision, 2nd *Report* 37; *Cotton* 3491; *Street* 3403, 3423-6, 3509; *Upcott* 3508—Manufacturing capacity, extension of, 2nd *Report* 38; *Street* 3510; *Upcott* 3510.
- Price fixing: Profit element, 2nd *Report* 36; *Upcott* 3484, 3499, 3508; *Street* 3485-7; *Cotton* 3488-98; *Gilbert* 3499-501—Progress, *Street* 3403—Reference to Hardman Lever Committee, *Cotton* 3418; *Street* 3418—System, and proportion of contracts in which prices fixed on different methods, *Cotton* 3405-22, 3427-35, 3442-53; *Street* 3404-5—Treasury Minute, *Upcott* 3403.
- Expenditure, close estimating, *Gilbert* 3667—Factories erected, equipped and managed by Agents, 2nd *Report* 39—Losses, *Street* 3672; *Clothier* 3674-82—Meteorological instruments, sales of, to Admiralty, *Street* 3671-2; *Clothier* 3672; *Upcott* 3672.
- Shadow factories: Agents, accounting records, *Street* 3481; *Upcott* 3481—Capital expenditure, liability, *Street* 3511-2—Comparison of costs of production at, with payments to industry, *Cotton* 3436-7, 3454-75, 3477-81; *Street* 3438-41; *Gilbert* 3476—Co-operation of firms in professional industry, *Street* 3569—Costing system, working of, *Upcott* 3515, 3518, 3528, 3536; *Street* 3516-7, 3519-27, 3529-36; *Gilbert* 3528, 3537—Economy, incentives to, *Street* 3514, 3530—Expenditure by agents, settlement of questions, *Street* 3513—Treasury Minute, App. 2 (p. 434).
- Technical and warlike stores, rewards to inventors, *Street* 3621-5; non-publication of appendix, *Street* 3621, 3625; *Upcott* 3622.
- Works, buildings and lands: Aircraft storage units, *Street* 3643-6—Building costs, *Street*, 3640—Competitive tenders, *Street* 3636-8, 3641-2; *Meadowcroft* 3638-9—additional Drainage and remedial measures to aerodrome surfaces, *Street* 3633-5—Factories, over-estimating, *Street* 3630-2—Hangars, *Street* 3629—Linton, purchase of site of new station, *Street* 3655—Malta, Luca, purchase of site of new station, *Clothier* 3659-60—"Progress less rapid than expected," *Street* 3648—Sarawak, contribution towards cost of construction of landing grounds, *Street*, 3656-8.
- Yatesbury training camp, *Street* 3649-54.

Ancient

 Reports, 1939—*continued*

- Ancient Monuments Commission.*—*Upcott* 3846.
- ANDERSON, Mr. A. L., C.B., M.I.C.E.—3262-3401.
Navy, Works services, dredging, 3361-3—*Singapore Naval base, 3370-7.*
Anglo-Canadian Education Committee.—*Harding* 2735-6.
- Anthrax Disinfecting Station.*—*See under Home Office.*
- Appropriation Accounts.*—1936-37, comparison of audited expenditure with Exchequer issues and general abstract, App. 1 (pp. 415-24), handed in, *Brittain* 1.
- Approved Schools, etc., England and Wales.*—Appropriation Accounts, 1936-37, App. 1 (p. 420)—New schools, *Maxwell* 1697-9—under Voluntary management and under local authorities, proportions, *Maxwell* 1695-8.
- Approved Schools, etc., Scotland.*—*See under Scotland.*
- Argentina.*—Board of Trade Joint Committee of Inquiry into Anglo-Argentine Meat Trade, *Overton* 350, 370, 372-81; *Upcott* 351; *Brittain* 352; *Elliot* 370-2; *Treasury Minute*, App. 2 (pp. 428-9).
- Argyll National Forest Park.*—*Robinson* 2503, 2505, 2507.
- Army.*—2nd Report 29-32—Account, outcome of, *Creedy* 2925-6; *Gilbert* 2926; *Upcott* 2927-8—Appropriation Accounts, 1936-37, App. 1 (pp. 415, 416)—Civilians, replacement for soldiers in certain employments, *Creedy* 3033, 3041—Colonial contributions, *Creedy* 3034-5; *Upcott* 3035.
- Contracts: Progress payments system, *McBain* 2939; *Upcott* 2941-2; *Creedy* 2943—Special advances to contractors, *Upcott* 2928-9, 2937-8, 2941; *Creedy* 2930, 2933-7, 2939, 2943; *McBain* 2941; *Gilbert* 2931-2, 2944—Target price system, 2nd Report, 31; *Creedy* 2946; *McBain* 2946-71; *Upcott* 2947, 2958.
- Emergency expenditure on China, *Creedy* 2945—Factories, erection by firms as agents of War Office, primarily for use in event of war, system, 2nd Report 32; *Creedy* 2976-7, 3016; *Upcott* 2977, 2982, 2986, 2990, 2993, 3007, 3014-5; *McBain* 2991-2; *Gilbert* 2997-8, 3012-4, 3017-8—Factory bought to meet joint requirements of Admiralty and War Office, *Upcott* 2972, 3232; *Creedy* 2973-5; *Jubb* 3201-31; *Gilbert* 3212, 3228; *Connell* 3212-3, 3227-8, 3378; *Carter* 3216—Gifts of stores, etc., *Creedy* 3086-90.
- Horses: Issue of chargers to officers, decrease, *Creedy* 3051-6—Purchase procedure, *Creedy* 2911-3—Sale of mares, *Creedy* 2909-10; *Treasury Minute*, App. 2 (p. 433).
- Mechanical transport, transfer between Regular Army and Territorial Army, *Creedy* 3049; *Upcott* 3049—Military College of Science, *see under Woolwich.*
- Numbers: Appendix to Report of Comptroller and Auditor General, and question of discontinuance, *Creedy* 3025, 3025, 3027-9; *Upcott* 3025-30—Comparison of actual strengths with numbers voted, 2nd Report 29.
- Officers' servants, employment of serving soldiers, *Creedy* 3042-8.

Army

Reports, 1939—continued

Army:—cont.

- Ordnance Factories: 2nd Report 33-35—Accounting, procedure, 2nd Report 35; *Creedy* 2884, 2886, 2888; *Upcott* 2884, 2885, 2887, 2891; *Blunt* 2885; *Clamp* 2889-91—Appropriation Accounts, 1936-37, App. 1 (pp. 415, 416)—Bishopton, *see that title*—Chorley, *see that title*—Miscellaneous expenditure, *Clamp* 2892; *Upcott* 2892.
- New: total Commitments, *Clamp* 2821, 2825—Permanent buildings, *McLaren* 2827—Policing of, before coming into operation, *Clamp* 2892—Progress, *Clamp* 2821-6; *McLaren* 2826; *Creedy* 2826.
- Old, capital expenditure, etc., *Clamp* 2819-20—Scrapping of machinery, etc., *Clamp* 2908; *Upcott* 2908—Vote, expenditure borne on, which would be normally borne on Army Vote, *Creedy* 2831—Waltham, *see that title*—Woolwich, *see that title*.
- Ordnance workshop requirements, review of, *Creedy* 3062—Pay, etc., budgeting on estimated average strength, *Creedy* 3031-2—Pay and Record Offices, employment of civilians, *Creedy* 3036-40—Quartering and movements, receipts, *Upcott* 3050; *Creedy* 3050; *Blunt* 3050—Recruits' Physical Development Depot, Canterbury, success of, and extension of scheme, *Creedy* 3063-4—Road transport, hiring of, *Creedy* 3057-8; *Upcott* 3058—Royal Military Academy, *see under Woolwich*—Stocks in store, value of, *Creedy* 3019-21, omission of figures from Account in future and supply for confidential information of Committee under consideration, *Creedy* 3021-2—Store accounts, Palestine, position as to test examination, *Creedy* 3023-4—Supplementary Estimate and non-provision for redistribution of funds under other Votes, *Creedy* 2918-21; *Gilbert* 2920, 2922—Vocational training by Ministry of Labour, *Phillips* 910-8; *Upcott* 913.
- Warlike stores: Machine tools, difficulties, *Creedy* 3061—Rewards to inventors, *Creedy* 3059, omission of details from Accounts, *Upcott* 3059—Under-spending, *Creedy* 3060-1.
- Works Services, Supplementary Estimate, Memorandum by Treasury, App. 13 (p. 451).
- Art and Science Buildings, Great Britain.*—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Maintenance and repairs, *Duff* 2024-5—New works, *Duff* 2025, account, form, *Duff* 2026.

Athens.—*See under Greece.*

Austrian Anschluss.—*Cadogan* 287.

B

BARNES, Mr. H. G. H.—1064-1173, App. 5.

Public Works Loan Commission.—Farming operations, 1065-119, 1129-60—Fees and expenditure, 1161-9—Properties of which Board mortgagees in possession, App. 5 (pp. 440-1).

BARNETT, Mr. A. G., C.B.E.—2020-2238.

Richmond Park Golf Courses, 2218-21, 2225, 2228-36—*Royal Palaces*, 2157.

15417

BARRY
R 2

 Reports, 1939—continued

BARRY, Mr. W. T.—969-1032.

Northern Ireland.—Land Purchase, 1026-7, 1031-2—Lunacy administration, 971, 973, 975, 977, 982, 989, 997, 998-9, 1005, 1007-9, 1017-23.

Basra.—See under Iraq.

Beet Sugar Subsidy, Great Britain.—2nd Report 15-17—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Audit, difficulties in connection with, *Upcott* 1749—Compensation for short throughput, *Fergusson* 1761—Determination of, *Fergusson* 1721; *Brittain* 1760, 1789-95—Information, question as to supply of certain to Committee, *Upcott* 1749-51, 1755, 1759-60; *Brittain* 1752; *Fergusson* 1754-8—Over-estimating, *Hopkins* 3805.

Sugar Corporation: Capital structure, *Fergusson* 1780-8—Dépreciation, *Fergusson* 1767-9, 1770—Dividends, *Upcott* 1738; *Fergusson* 1738-41, 1762-3—Reserves, building up of, *Upcott* 1719, 1724, 1767; *Fergusson* 1720, 1723-37, 1766-7, 1771—Working of, and position in future profits, 1936, *Upcott* 1719, 1742-3, 1746, 1764-5; *Fergusson*, 1720-48, 1764-78, 1773.

Belfast.—Moore House, proposed adaptation, *Duff* 2237.

Bermuda.—Air transport scheme and grant from Colonial Development Fund, 2nd Report 22; *Upcott* 3954, 3958, 3962-3, 3965-6, 3973, 3983, 3984, 3987-8, 3996-4000, 4005-6; *Hopkins* 3955-6, 3959-64, 3981, 3982, 3967, 3970, 3974-86, 4000-4, 4007-9; App. 17 (p. 458); *Davies* 3957-8, 3968-9, 3971-2, 3976, 3979, 3993-8, 4009-10—Captain in Charge, residence for, *Coxwell* 3368-9.

Big Brother Movement.—*Harding* 2020-1.

BIRCHALL, Sir RAYMOND, K.B.E., C.B.—81-286, 1517-51; Apps. 3, 4.

Broadcasting, 221, 232, 235-7—*Casablanca British Post Office*, default by unestablished managing clerk, and closure of, 180-5—*Morocco*, abolition of capitulations, 185-7.

Post Office.—Air mail services, 200—Air raid precautions work, 1526, 1541-6—Awards for inventions, suggestions *re*, 201-3—Engineering establishment, 194-9—Entertainment duty stamps, sales, 1549-51—Films, 165-72—Losses by default, etc., 180-93—Mails, conveyance of, 130-9—Motor vehicles, 164, 173-9—Post Office Fund Account, 207-11, 214, 218—Postal business, increase, 152-7—Publicity, 160-2—Regional organisation, 114-25, 128-9—Staff, 141-56—Stores, expenditure on, suspense head, 138-40—Telegraph and telephone accounts, 273-81, 1522—Telephone area organisation, 118, 122-5.

Telephone equipment and plant: Bulk agreements, 81, 81-7, 105—App. 3 (pp. 435-9)—Contracts, App. 4 (pp. 439-40), 81-113, 1541, 1547-8—Position, 1526, 1527-9, 1540.

Telephone service: 204—Financial position, 1526-35—Staff, 1537-9.

Welling Sub-Post Office, burglaries, 188-9.

Bishopton, Ordnance Factory.—Expenditure, *Clamp* 2893-900; *Creedy* 2895, 2905; *Upcott* 2898; *McLaren* 2905—Progress, *Clamp* 2902-4; *McLaren* 2904, 2906.

Blackburn

 Reports, 1939—*continued*

Blackburn.—Respirator factory, *Hains* 1573-5, 1578-9, 1613.

BLUNT, Mr. D. F. C.—

Agriculture and Fisheries, Ministry of, farm settlement accounts, 1827-31.

Army.—Ordnance factories, 2885—Quartering and movements, 3050.

British Council, 290, 297—*China*, British refugees from, 317—*Customs and Excise*, store issue vouchers, destruction in fire at Jewry Street warehouse, 5—*Egypt*, Dwek case, 321—*Greenwich Hospital and Travers Foundation*, 3235, 3253-4—*Heston aerodrome*, 3557, 3567-8.

Navy.—Dockyard accounts, 3400—Dockyards abroad, system of payment in, 3380—Emergency forces, store accounts, 3350, 3351.

Newfoundland, transatlantic air base scheme, 3577, 3582, 3584-9, 3586—*Tithe Redemption Commission*, 476—*Welsh Church Commissioners*, repayment of loan from National Debt Commissioners, 1044-6, 1052.

Board of Control.—2019—Appropriation Accounts, 1936-37, App. 1 (p. 421).

Board of Control for Scotland.—See under Scotland.

Board of Education.—See Education, Board of.

Board of Trade.—See Trade, Board of.

Branston.—Royal Army Ordnance Corps store, adaptation of buildings as, *Upcott* 3082, 3084; *Creedy* 3082-4.

Brazil—*British Guiana Boundary Commission*.—*Shuckburgh* 2815.

British Academy.—Grant to, *Hopkins* 4042.

British Broadcasting Corporation.—See under Broadcasting.

British Council.—Accounts, audit of, by Comptroller and Auditor General, *Upcott* 289A; *Blunt* 290, not published but available to Public Accounts Committee, *Cadogan* 295-6—Functions and scope of work, *Cadogan* 291-3—Position of, and relationship with Foreign Office, *Cadogan* 292-7; *Upcott* 294, 295; *Blunt* 297.

British Guiana—*Brazil Boundary Commission*.—*Shuckburgh* 2815.

British Honduras.—Colonial Development Fund Loan relending of, to Citrus Association, *Davies* 4032; to Company, *Davies* 4030-1—Grants from Colonial Development Fund, 2nd Report 21; *Hopkins* 3891-8; *Davies* 3898, 3904; *Upcott* 3898-90.

British Industries Fair.—Dinner, *Hopkins* 3831.

British Museum.—Appropriation Accounts, 1936-37, App. 1 (p. 421)—Catalogue, progress, *Brittain* 1716-7—New works, *Duff* 2025, 2029.

British Phosphate Commission.—See also *Nauru and Ocean Islands*—Balance retained in undertaking without interest, *Harding* 3683-4, 3685, 3688, 3693, 3697, 3716; *Gaye* 3684, 3689-91, 3694-6, 3714-5, 3716; *Brittain* 3686, 3692; *Upcott* 3687, 3688—Freights, *Gaye* 3702—Motor vessels, *Gaye* 3718-21, 3723-7—Shipments to United Kingdom, increase, *Gaye* 3698-701—Staff creditors, explanation, *Gaye* 3717.

15417

British
R 3

 Reports, 1939—continued

- British Shipping, assistance to.*—Administration, *Overton* 418-31—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Staff arrangements, and absorption into Board of Trade, *Overton* 419, 420-31; *Elliot* 420, 421—Working of, Act, *Overton* 432-5.
- BRITAIN, Mr. H.—*Agriculture and Fisheries, Ministry of, veterinary officers, motor car allowances, 1799-803*—*Anglo-Argentine Meat Trade, Board of Trade Joint Committee of Inquiry, 352*—*Appropriation Accounts, 1936-37, comparison of audited expenditure with Exchequer issues and general abstract, handed in, 1*—*Beet Sugar Subsidy, 1752*—*British Museum Catalogue, 1716-7*—*British Phosphate Commission, 3686, 3692*—*Broadcasting, 236*—*Caledonian and Crinan Canals, 834-6, 838-9*—*Cinematograph Fund, 462-3, 464-5*—*Civil Service Commission, 468-70*—*Colonial Accounts, form, 2768*—*County Courts, Funds, 1502-3, 1510, 1512, 1513-4, Tithe Arrears Investigation Committee, 1466*—*Crown Lands, accounts, 1390-2*—*Dominion Services, unrepaid advances, 2709-10*—*Education, Board of, physical training and recreation, grants, 549*—*Eire, Statement showing proceeds from special duties on imports from, and payments withheld by Government of, suggested discontinuance, 1059*—*Export credits, 2438-9, 2440, 2476-8, 2485-6, 2490-3*—*Government Hospitality Fund 3836.*
- Health, Ministry of.*—Appropriations in aid, 1180—Housing guarantees to building and other societies, 1191—Widows', Orphans', and Old Age Contributory Pensions Act, 1271-2.
- Herring Fund Advances Account, 2367-8*—*House of Commons, Deputy Chairman of Ways and Means, increase in salary, non-inclusion in Supplementary Estimate, 487-95*—*Houses of Parliament buildings, refreshment accommodation, re-arrangement, 2045*—*Industrial Art Designers, National Register of, 355*—*Jones, Mr. Morgan, tribute to, p. 283*—*Livestock Industry and Cattle Fund, 1838*—*Local Loans Fund, loss in connection with Irish Free State annuity, 1054, 1056, 1061*—*Mercantile Marine Services, 400, 401*—*Milk, 1912, 1920*—*Mint 2246, 2273, 2291*—*Museums, attendances, 1718*—*National Maritime Museum, 639*—*Nauru and Ocean Islands, 2712*—*New departments, staffing of, 431*—*Northern Ireland, lunacy administration, 972, 974, 976-1024.*
- Post Office.*—Commercial accounts, audit, 282, 284, 286—Telegraph and telephone accounts, 238, 269-71, 272, 1517-21, 1524-5.
- Prisons, England and Wales, 1714-5*—*Privy Council Office, 3825, 3827*—*Public Accounts, Committees of, Epitome of Reports, 968*—*Public Works Loan Commission, farming operations, 1073, 1080, 1090, 1091-2, 1103, 1104, 1105, 1108, 1110, 1159*—*Richmond Park Golf Courses, 2214-6, 2217*—*Scotland, Department of Agriculture, small holding colonies, 1979, 1985-6*—*Somaliland, grant in aid, 2814*—*Special areas Fund, 907-8*—*Special areas, Scotland, 2308, 2327-8, 2329-31, 2335, 2345-6, 2350-2*—*Stationery and printing, 2635-6, 2640, 2662-3, 2674-5.*
- Suez Canal, 3817.*
- Supreme Court of Judicature.*—Circuit officers, 1425—Monies in charge of, 1454-61—Shorthand reporting, 1435-7.
- Swaziland, grant in aid, 2709-10*—*Tithe Redemption Commission, 471, 473-4, 477*—*Treasury Minute, App. 2 (p. 425); handed in, 1*—*Wheat Fund, 2013-8.*

Broadcasting

 Reports, 1939—*continued*

Broadcasting.—British Broadcasting Corporation: Percentage of net revenue received by, *Ismay* 224-8—Supervision over expenditure, position as to, *Birchall* 236, 237; *Brittain* 236.

Foreign language broadcasting service, *Ismay* 229-34; *Birchall* 232, 235.

Television service: additional Grant, *Birchall* 221; *Ismay* 221-4; *Upcott* 222—Research, *Ismay* 224.

Broadmoor Criminal Lunatic Asylum.—Appropriation Accounts, 1936-37, App. I (p. 420).

Brompton Cemetery.—*Duff* 2116.

BROWETT, Sir LEONARD, K.C.B., C.B.E.—782-866.

Caledonian Canal, 788, 796-7, 800, 833, 840-1—*Criman Canal*, 820-1, 833—*Menai Bridge*, 826-30—*North Devon and Cornwall Junction Railway*, 812-7—*Road Fund*, 851, 852-66—*Roads, etc. Vote*, 842-50.

Transport, Ministry of.—Crofter Counties scheme, 782, 798-9—Driving tests, organisation, 782, 793-5, 801-6—Finance Department, 782—Roads Department, 783-5—Roads Divisional Offices, 782—Traffic Area Offices, 787—Traffic Commissioners, 782, 824-5—Travelling expenses, 793-5—Trunk roads, 782, 844-7, 851—Work for Air Ministry, 789-92.

Victoria Docks Road, 866—*Welsh Highland Light Railway*, 808-11, 818-9, 821-3.

BULL, Mr. H. C. H.—2774-2789.

Colonial Empire Marketing Board, 2774, 2777-9; 2782, 2785-9—*Imperial Institute*, 2788.

Burma Service.—See *India and Burma Services*.

Butlaw.—Holiday camp for unemployed men and families, *Valentine* 2318.

C

CADOGAN, Hon. Sir ALEXANDER, G.C.M.G., C.B.—287-348.

British Council, 291-7.

China.—British refugees from, 313, 317—Diplomatic and Consular services, telegrams, 334—Murder of British subject near Tientsin, 331—Prison expenses, 331-2.

Consuls, lump sum allowances, 301.

Diplomatic and Consular Services.—Medical attendance, 328-9—Office expenses and fee allowances 325—Motor cars 318-9—Telegrams, 334.

Egypt, Dwek case, 320—*Foreign Office*, excess expenditure, 287-8—compensation for stores, 342—*League of Nations*, 347-8—*Monte Carlo*, expenses incurred by Secretary of State, 344—*Passport Office*, 287-8, 289.

Spain.—British refugees from, 326-7—Non-Intervention, International Council, 341.

Calderwood

 Reports, 1939—continued

Calderwood Estate.—Farm development experiment and discontinuance, *Valentine* 2313-4.

Caledonian Canal.—Financial position, *Browett* 796—Free passages for Government vessels, *Upcott* 830-2, 837-8; *Browett* 833; *Brittain* 834-6, 838-9—Importance of keeping open, *Browett* 796—Kessock Ferry, *Browett* 800—Tomnahurich Bridge, *Browett* 788—Traffic, *Browett* 797, 840-1.

CALENDER, Professor Sir Geoffrey, F.S.A.—633-46.
National Maritime Museum, 633-46.

Cambridge.—Horticultural Research Station, vegetable research, *Fergusson* 1815—University School of Agriculture, new farm building, *Fergusson* 1815.

CAMPION, Sir Gilbert, K.C.B.—479-544.

House of Commons.—Chairman and Deputy Chairman of Ways and Means, 484, 505-15, 517, 527-33—Commissioners for regulating the Offices of, 484-5, 496-505—Deputy Chairman of Ways and Means, increase in salary, non-inclusion in supplementary Estimate, 480-6, 496-7, 517-33—Members, salaries, 534, 538-9—Travelling, 540-1—Police, 544.

Canada.—Anglo-Canadian Education Committee, *Harding* 2735-6—Destroyers transferred to, delay in payment, *Upcott* 3152—Settlement in, *see* Oversea settlement.

CANNY, Sir Gerald, K.B.E., C.B.—22-80.

Inland Revenue.—Composition settlements, 45-7—Excess profits duty, 39-40, 53-6—Fraud and evasion, 65-6.
Income tax: Amount outstanding and collection prospects, 22-33—Bank interest, payment of tax on, under form R.62, 74-6—Collection, 37-40—Over-payment, 78-80—Remissions, 34-5—Securities accepted in satisfaction of tax liabilities, 57-64.
National defence contribution, 67—Remissions, 41-4, 48-52—Superannuation and other non-effective charges, 68-73.

Canterbury Recruits' Physical Development Depot.—*See under Army*.

CARTER, Sir Archibald, K.C.B., K.C.I.E.—3091-3401, Apps. 14, 15.

Admiralty, financial control, 3091-4, 3096-104, 3337, 3339, 3341-4—*Chatham Royal Naval Barracks*, additional accommodation, 3332-5, 3340—*Defence Services*, audit, 3144—*Nautical Almanac*, 3355-6, App. 15 (p. 456).

Navy.—Boys' training establishment, 3365, 3366—"Caledonia", H.M.S. training establishment, 3108, 3110-32, 3126, 3238-42, 3365, 3366-7—Cash balances, checking, 3143—Catapults, 3323-31.

Contracts: Capital assets, provision of, 3174, 3193—Contractor, Special advances to, 3153-6, 3159-62, 3167.

Dockyard accounts, 3396, 3397, 3398, 3401—Factory, acquisition for Army and Navy joint requirements, 3216—Merchant ships, stiffening of, 3360—Meteorological Branch, 3353-4—"Research", Magnetic Survey Vessel, 3341, 3342, 3262-308, 3312-22, 3357-9, App. 14 (pp. 452-5)—Shipbuilding, 3384, 3385, 3385-95—Training establishments, 3132-42—Works services, 3361, additional factories and extensions to contractors works, 3364.

Singapore Naval Base, 3370.

Casablanca

 Reports, 1939—*continued*

- Casablanca*.—See under Morocco.
- Cash receipts*.—Use of, to meet expenditure, Treasury Minute, App. 2 (p. 425).
- Cattle Fund*.—See Livestock Industry and Cattle Fund.
- Cavendish-Bentinck, Lady Margaret*.—Warrant of Precedence in favour of, *Hopkins* 3855.
- Ceylon*.—Contribution to military expenditure, *Creedy* 3035; *Upcott* 3035—Salaries, loss to Treasury Chest Fund owing to variation in exchange, *Hopkins* 3859-64.
- Chancellor of the Exchequer*.—Appointments, remission of fees and duties on, *Hopkins* 3852-4.
- Charity Commission*.—Appropriation Accounts, 1936-37, App. 1 (p. 418).
- Chatham*.—Royal Naval Barracks, additional accommodation, excess cost and failure to report position to Treasury, 2nd *Report* 24; *Carter* 3332-5, 3340; *Gilbert* 3338.
- Chelsea*.—Physic garden, *Holmes* 610; *Davidson* 611-2.
- China*.—British Ambassador, question as to domicile of, *Duff* 2141-5—British refugees from, evacuation and maintenance of, *Upcott* 311-2, 316; *Cadogan* 313, 317; *Howard Smith* 314-7; *Blunt* 317—Diplomatic and Consular services, telegrams, *Cadogan* 334; *Howard Smith* 334—Emergency in, Army expenditure, *Creedy* 2945—Export Credits Department representation in, *Nixon* 2441—Nanking, British Embassy, *Duff* 2140—Peking, wireless service, *Cadogan* 333, 334—Prison expenses, *Upcott* 330; *Cadogan* 331-2—Tientsin, murder of British subject near, *Cadogan* 331.
- Chorley Ordnance Factory*.—2nd *Report* 33, 34; *Clamp* 2889-91; *Upcott* 2891—Air raid precautions, *Creedy* 2871-4; *Leitch* 2875-6—Contract and variation, *Creedy* 2838-9; *Leitch* 2840-70, 2877-81; *Upcott* 2843, 2846, 2853; *Creedy* 2882-3—History of, and progress etc., *Creedy* 2832-9, 2882-3; *Leitch* 2840-70, 2877-81; *Upcott* 2840, 2843, 2846, 2853.
- CRYSTAL, Sir George, K.C.B.—1174-1275, App. 7.
- Health, Ministry of*.—Administration, cost, 1198-205—Appropriations-in-aid, 1174-6—Extra remuneration, 1237-40, 1244, App. 7 (p. 442).
- Housing*: Central Housing Association, 1208-20, App. 7 (p. 442).
Grants, Stafford Corporation, 1234-6—Guarantees to building and other societies, 1181.
Loan to London County Council, 1241-2—Midwives Act, 1221-4—National Health Insurance, 1245-60—Telephones, 1206-7—Water supplies, rural, 1225-32—Widows', Orphans' and Old Age Contributory Pensions Act, 1233, 1263-9, 1273-5.
- National health campaign*, 1261.
- Cinematograph Fund*.—Contributions to, *Brittain* 462-3, 464-5; *Upcott* 463, 465-7.
- Civil Appropriation Accounts*.—Surrender, *Hopkins* 3804-5.

Civil

 Reports, 1939—*continued*

Civil Aviation.—See under Air Services.

Civil Contingencies Fund.—Repayments to, Appropriation Accounts, 1936-37, App. 1 (p. 419).

Civil Service Commission.—*Brittain* 468-70; *Upcott* 468—Appropriation Accounts, 1936-37, App. 1 (p. 418).

Civil Services.—Appropriation Accounts, 1936-37, App. 1 (pp. 415, 416).

CLAMP, Mr. G. H., I.S.O.—2817-2917.

Army Ordnance factories.—Accounting, 2889-91—Bishopston, 2893-900, 2902-4—Chorley, 2889-91—Miscellaneous expenditure, 2892—New factories, 2821-6—Old factories, 2819-20, 2892—Scrapping of machinery, etc., 2908—Woolwich, 2908.

Clearing Offices.—Agents, payments to, *Wardley* 872—Anglo-Roumanian Account, *Wardley* 875-7—Anglo-Spanish Account, *Wardley* 874—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Financial position, *Wardley* 869-70—Salaries, supplementary grant, *Wardley* 871.

CLOTHIER, Mr. H. W., C.B.E.—3569-3682.

Air Services.—Losses, 3674-82—Meteorological instruments, 3672.

Civil Aviation, technical equipment, etc., 3664—*Malta*, Luca, purchase of site of new air station, 3659-60.

Clyde River and tributaries.—Purification, *Valentine* 2315-6.

Coal Mines Reorganization Commission.—See under Mines Department.

Coal (Registration of Ownership) Department.—See under Mines Department.

CODLING, Sir WILLIAM, C.B., C.V.O., C.B.E.—2614-2683.

Stationery Office.—Press advertising, 2617-8, 2624-9—Printing and binding works, 2653-61, 2665-83—Publications, automatic supply to Members of Parliament, 2648-51, 2669—Purchasing department for Government Departments, 2631—Selling prices, 2676.

Stationery and Printing.—Devotional books, 2630—Paper, stocks in hand, 2632-8, supplementary estimate, 2614-6—Printing contracts, extra-contractual concession in reference to 45-hour week, 2619.

Telephone directories, 2620-3.

Colonial Accounts.—Form, revision of, *Shuckburgh* 2766-7; *Brittain* 2768.

Colonial Development Fund.—2nd Report 21-22—Accounts, *Hopkins* App. 16 (pp. 456-7); App. 17 (p. 458)—Advisory Committee, *Hopkins* 3901-3, 3906; *Davies* 3903-6; *Upcott* 3906—Appropriation Accounts, 1936-37, App. 1 (p. 419)—Grants from, scope and objects of, *Hopkins* 3950, 3989-91, 4001-4; *Upcott* 3992, 4011.

Colonial Empire Marketing Board.—Activities of, and functions, *Bull* 2774, 2777-9, 2786-9—Composition of, *Shuckburgh* 2771-2—Date of setting up, *Shuckburgh* 2783—Distinction from Empire Marketing Board, *Shuckburgh* 2775-7; *Upcott* 2781—Origin and functions, *Shuckburgh* 2771, 2777—Staff, engagement of certain, from Empire Marketing Board, *Shuckburgh* 2784; *Bull* 2785.

Colonial

 Reports, 1939—*continued*

Colonial and Middle Eastern Services.—Appropriation Accounts, 1936-37, App. I (p. 419)—Supplementary estimates, plus and minus, *Shuckburgh* 2804-9.

Colonial Office.—Appropriation Accounts, 1936-37, App. I (p. 419)—Staff, increase, *Shuckburgh* 2761-2.

Compton Manor Research Station.—*Havelock* 4057-69.

Consolidated Fund Abstract Account, 3736-56.

Consolidated Fund Services.—Appropriation Accounts, 1936-37, App. I (pp. 415, 417).

Consular Services.—*See* Diplomatic and Consular Services.

COTTON, Mr. J. T., O.B.E.—3402-3568.

Air Services.—Contracts: Competition, 3502-7—McLintock Agreement, 3491—Price fixing, 3405-22, 3427-35, 3442-53, 3488-98—Shadow factories, 3436-7, 3454-75, 3477-81.

County Courts.—Appropriation Accounts, 1936-37, App. I (p. 420)—Delays in, question of, *Schuster* 1484-6.

Funds: Investments, *Schuster* 1501, 1504-12, 1515-6; *Brittain* 1502-3, 1510, 1512, 1513-4; *Upcott* 1510—Receipts and expenditure, *Schuster* 1498-516.

Grouping of, *Schuster* 1468-70—Officers, etc., under-expenditure, *Schuster* 1481-3—Postage, *Schuster* 1487-9.

Tithe Arrears Investigation Committee: Appeals to, *Schuster* 1463-7, 1475-80, 1490-7; *Upcott* 1465, 1493; *Brittain* 1466—Duties of, *Schuster* 1471, 1491—Members and staff, remuneration, *Schuster* 1472-5; *Upcott* 1474.

COXWELL, Mr. C. B., O.B.E.—3091-232, 3262-401.

Aden, Naval Officer in Charge, residence, 3368—*Bermuda*, Captain in Charge, residence 3368-9—*Malta Dockyard*, fraud by locally entered hired skilled labourer, 3379-83.

Navy.—Contractors, special advances to, 3156-71—Contracts, capital assets, 3194-200—Dockyards abroad, system of payment in, 3379, 3381—Emergency forces, store accounts, 3346-50—Factory, acquisition for Army and Navy joint requirements, 3212-3, 3227-8, 3378—Miscellaneous payments, 3378—“Research,” Magnetic Survey vessel 3269—Supplies, purchasing, 3352.

CRAIG, Mr. J. H. McC., C.B.—2239-91.

Mint.—Bronze coin, 2247-8—Coins, medals and seals, designing, 2239-45, 2254-9, 2267-9—Colonial coinages, 2260-3, 2279-82, 2284—Farthings, 2268-9, 2286-7—Payment to Exchequer, 2270—Receipts, 2277-8—Salaries, etc., and staff, 2266, 2271-6, 2285—Threepenny pieces, 2249-53—Trading accounts and balance sheets, 2283-9.

CREEDY, Sir HERBERT, G.C.B., K.C.V.O.—2918-3090.

Retirement, p. 311.

CREEDY

 Reports, 1939—*continued*

CREEDY, SIR HERBERT, G.C.B., K.C.V.O.:—*cont.*

- Army*.—Account, outcome of, 2925-6—Civilians, employment, 3033, 3036-41—Colonial contributions, 3034-5—Contractors, progress payments, 2943—Special advances to, 2930, 2933-7, 2939, 2943—Contracts, target price system, 2946—Emergency expenditure on China, 2945—Factories, erection by firms as agents of War Office, 2976-3016—Factory bought to meet joint requirements of Admiralty and War Office, 2973-5—Gifts of stores, etc., 3086-90—Horses, 2909-13, 3051-6—Mechanical transport, 3049—Numbers, Appendix to Report of Comptroller and Auditor General, 3025, 3027-9.
- Ordnance factories: Accounting, 2884, 2886, 2888—New, 2826—Vote, 2831.
- Ordnance workshop requirements, review, 3062—Pay, etc., 3031-2—Quartering and movements, 3050—Recruits' physical development depots, 3063-4—Road transport, 3057-8—Soldiers' servants, 3042-8—Stocks in store, 3019-22—Store accounts, Palestine, 3023-4—Supplementary Estimate and non-provision for redistribution of funds under other Votes, 2918-21—Warlike stores, 3060-1, rewards to inventors, 3059.
- Bishopton Ordnance factory*, 2895, 2905—*Branston*, Royal Army Ordnance Corps stores 3082-4—*Chorley*, Ordnance factory, 2832-9, 2871-4, 2882-3.
- Egyptian Government*, components included in ammunition issued on repayment to, and subsequently found to be defective, 3086-90—*Hong Kong*, new magazine in, 3085—*Jones, Mr. Morgan*, tribute to, pp. 283-4.
- Woolwich*.—Royal Herbert Hospital, 3069, 3071, 3074-81—Military College of Science, 3069-78—Ordnance factory, 2833—Royal Military Academy, 3066-9, 3081.
- Crinan Canal*.—Free passages for Government vessels, *Upcott* 830-2, 837-8; *Browett* 833; *Brittain* 834-6, 838-9; Lock gates, special repairs and amount recovered from shipowner, *Browett* 820-1.
- Cromwell Gardens, London*.—1-7, sale of, *Duff* 2020-3.
- Crown Lands*.—Accounts, form of, *Brittain* 1390-2; *Upcott* 1393-4—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Claim against bankrupt tenant, abandonment, *Stocks* 1385—Cumberland Market rehousing scheme, *see that title*.
- Farms, etc., in hand; Maintenance, *Stocks* 1377-80, 1387—Number *Stocks* 1387—Receipts and payments, *Stocks* 1386.
- General maintenance, *Stocks* 1381-4; *Upcott* 1383—Land purchase, policy, *Stocks* 1334-5, 1343, 1346-50—Manorial incidents, extinguishment of, *Stocks* 1376—Mines, rent arrears, *Stocks* 1305-6—Profits anticipated, non-disclosure to Committee, *Stocks* 1342—Regent Street, rent arrears, position and measures *re*, *Stocks* 1295-304, 1307-30—Rents, arrears, *Treasury Minute*, App. 2 (p. 431)—*Richmond and Gordon Estates*, *see that title*—Securities, sources of, *Stocks* 1344-5; *Upcott* 1344—Tithe and stipends to clergy, *Stocks* 1388-9—*Windsor Parks and Woods*, maintenance, *Stocks* 1381-3; *Upcott* 1383.

Cunard

 Reports, 1939—continued

Cunard Insurance Fund Account.—Overton 436-42.

Cunard White Star.—Guarantees under Trade Facilities Acts, *Hopkins* 3789-803; *Upcott* 3791.

Cumberland Market.—Rehousing scheme progress, *Stocks* 1369-75; *Upcott* 1374.

Customs and Excise Department.—Appropriation Accounts, 1936-37, App. 1 (p. 416)—Compensation for arrest and detention of suspected offender, *Murray* 18-21—Extra-statutory remissions of duty, *Murray* 9-11—Store issue vouchers, destruction in fire at Jewry Street warehouse, *Murray* 2-8; *Blunt* 5—Tobacco forfeited to, gift of, to Prisons Department, *Rose* 2415.

D

DAVIDSON, Mr. D. DU BOIS.—545-632.

Chelsea physic garden, 611-2—*Physical training and recreation*, grants, 554-6, 565, 573-5, 578—*Victoria and Albert Museum*, 622-3, 625, 629, 630-2.

DAVIES, Mr. T. W.—3890-4032.

Bermuda air transport scheme, 3957-8, 3968-9, 3971-2, 3976, 3979, 3993-8, 4009-10.

British Honduras, Colonial Development Fund loan, re-lending of, 4030-2—Grant, 3898, 3904.

Colonial Development Fund, 3903-6—*Newfoundland*, land settlement scheme, 3913, 3917, 3923-8, 3935-6, 3942-7, 3951-3—*Nigeria*, ground organisation for air services, 4013-5, 4025-6, 4028.

Dawson of Penn, Lord.—Royal Warrant, etc., conferring Viscounty on, remission of stamp duties and fees, *Hopkins* 3850-1.

Debts, Clearing Offices and Import Restrictions Act, 1934.—Accounts, *Wardley* 873-7.

Defence, Minister for the Co-ordination of.—Employment of Chairman of Coal Mines Reorganisation Commission, *Faulkner* 763-7, 770; *Upcott* 768-9.

Defence Loans Act.—Complication of Service Estimates and Accounts by position under, *Gilbert* 2926; *Upcott* 2929—Issues from Consolidated Fund under, effect on outcome, 2nd *Report* 40.

Defence Services.—2nd *Report* 40-4—Audit by Departmental Accountants, *Treasury Minute* App. 2 (pp. 434-5); *Creedy* 2914; *Blunt* 2915; *Upcott* 2916; *Carter* 314—Contractors, special advances to, 2nd *Report* 41, 42—Contracts, price fixing, underlying principles the same, *Cotton* 3445-7; *Gilbert* 3448—Information supplied to Comptroller and Auditor General, 2nd *Report* 43—Machine tools, negotiations with Machine Tool Trade Association, 2nd *Report* 44; *Jubb* 3146-8, 3150-1; *Gilbert* 3149; *Hopkins* 3877-8; purchase, *Treasury Minute* App. 2 (p. 435)—Numbers, statements in Accounts, 2nd *Report* 30—Plant, purchase of, 2nd *Report* 44; *Treasury Minute* App. 2 (p. 435).

Department

 Reports, 1939—*continued*

- Department of Agriculture, Scotland.*—See Agriculture, Department of, under Scotland.
- Department of Health for Scotland.*—See Health, Department of, under Scotland.
- Department of Overseas Trade.*—See Overseas Trade, Department of.
- Development Fund.*—Appropriation Accounts, 1936-37, App. I (p. 422).
- Development grants.*—Hopkins 4053—Appropriation Accounts, 1936-37, App. I (p. 422).
- Diplomatic and Consular Services.*—2nd Report 8—Appropriation Accounts, 1936-37, App. I (p. 419).
 Consuls: Fees, accounting form to Exchequer, *Upcott* 308-10—Lump sum allowances, system and position as to control and audit of expenditure, *Upcott* 298-304; *Cadogan* 301; *Howard Smith* 306-7—Medical attendance, *Cadogan* 328-9—Office expenses and fee allowances, 2nd Report 8; excess expenditure, *Howard Smith* 324-5; *Cadogan* 325.
- Diplomatic, salaries, saving on, *Upcott* 325—Heads of missions abroad, motor cars, *Cadogan* 318-9—Telegrams, *Cadogan* 334; *Howard Smith* 334.
- DIXON, Sir FRANCIS, C.B.
Police, Metropolitan, Provident Association, 1678.
- Dominion Services.*—Appropriation Accounts, 1936-37, App. I (p. 419)—Representation in the Dominions, *Harding* 2713-4—Unrepaid advances, review of, *Harding* 2708; *Brittain* 2709-10.
- Dominions Office.*—Appropriation Accounts, 1936-37, App. I (p. 419)—Salaries, under-spending, *Harding* 2684-6; *Upcott* 2686-7.
- Dover Harbour.*—Dredging, *Anderson* 3362.
- Downing Street, London, No. 10.*—Improvements, *Duff* 2113, 2113.
- DUFF, Sir PATRICK, K.C.B., K.C.V.O.—2020-2238; App. II.
Art and Science Buildings.—Maintenance and repairs, 2024-5—New works, 2025, 2026.
Athens, British Legation, 2137-9—*Brompton Cemetery*, 2116—*China, British Ambassador*, 2140-5—*Cromwell Gardens*, 1-7, sale of, 2020-3—*Downing Street, No. 10*, improvements, 2113, 2133—*Edinburgh, Inland Revenue buildings*, 2183-94—*Glasgow, Inland Revenue buildings*, 2177-8—*Hampton Court, heading*, 2173-6.
Houses of Parliament Buildings.—Furniture, 2050—Refreshment accommodation, rearrangement, 2033-5, 2042-4, 2048-9—Scaffolding, 2033, 2036-41—Stonework, restoration, 2033; sales 2046.
Hyde Park, Serpentine, 2198-200—*Ireland, works and buildings in*, 2237-8.
Labour and Health Buildings, Great Britain.—Government training and instruction centres, 2052—Under-spending, 2053—proposed Works, 2055-7.
London, West End, Divisional Offices and Employment Exchange, 2059-65—*Metropole Buildings*, 2054, 2058—*National Library of Scotland*, 2027-8—*National Physical Laboratory*, 2030.

DUFF

 Reports, 1939—*continued*

DUFF, SIR PATRICK, K.C.B., K.C.V.O.:—*cont.*

- Office of Works and Public Buildings.*—Appropriations in aid, 2098-107
—Temporary building on roof, 2134-6—Work and staff, 2092-3,
2097-8.
- Osborne House*, 2066-91; App. 11 (pp. 447-50)—*Post Office and Tele-
graph Buildings*, 2179-82.
- Public Buildings.*—Compensation 2117-9—Maintenance and repairs,
2095-6—Supplementary estimates, 2113-5.
- Regent's Park*, 2127, 2212—*Revenue and public buildings*, postpone-
ment of works, 2195-6.
- Royal Palaces.*—External and internal works, 2147, 2149-50, 2164-8,
2170-1—Works chargeable against balance transferred in 1936
from Civil List, 2147-53, 2155-6, 2160-3, 2166-8.
- Royal Parks and pleasure grounds.*—Chairs and boats, 2201, 2208-10—
Gardening work, 2211-2—Maintenance and repairs, 2213—Sale
of refreshments on Coronation route, 2202-5.
- Whitehall Gardens*, new Government Offices, 2120-32—*Yokohama*,
Consul-General, residence for, 2146.

E

Eastern Valley (Monmouth) Production Society.—*Emmerson* 879-80.

Edinburgh.—Inland Revenue Headquarters, purchase of site but post-
ponement of erection of buildings, *Duff* 2183-94; *Upcott* 2187—
University, time gun, saving on firing of, *Hopkins* 4044; *Upcott*
4045.

Education, Board of.—Appropriation Accounts, 1936-37, App. 1 (p. 421)
—Community centres, grants, *Holmes* 565, 566-7; *Davidson* 565—
Consultative body, *Peck* 651-2—Elementary education, grants,
Holmes 597-9; *Upcott* 599—Grant to physic garden, *Holmes* 610—
Grant for training of officers for the Mercantile Marine, *Holmes* 606—
Inspection and examination, *Holmes* 595-6—Medical department,
Holmes 596, 600-2—Nautical training, Schools, etc., grants, *Holmes*
604-6.

Physical training and recreation: Grants, *Holmes* 545-52, 554, 557-93;
Brittain 549; *Upcott* 553, 585; *Davidson* 554-6, 565, 573-5, 578;
Brittain 579—Publicity, *Holmes* 618-20.

Staff, overtime work, *Holmes* 602.

Teachers: Pensions, over-expenditure, *Upcott* 594; *Holmes* 594, 607-9—
Refresher courses, *Holmes* 613-6.

Village halls, position as to grants to, *Holmes* 568-77, 579-80; *Davidson*
573-4, 578; *Brittain* 579.

Education, Scotland.—See Public Education under Scotland.

Egypt

 Reports, 1939—*continued*

Egypt.—British police, grant in aid to provide assistance to members on retirement, *Howard Smith* 336—Dwek case, *Cadogan* 320; *Howard Smith* 321-2; *Blunt* 321; *Upcott* 322-3—Government, components included in ammunition issued on repayment to, and subsequently found to be defective, *Creedy* 3086-90.

1820 *Memorial Settlers' Association.*—*Harding* 2735-6, 2740-2.

Eire.—High Commissioner, not yet appointed, *Harding* 2713-4—Statement showing proceeds from special duties on imports from, and payments withheld by Government of, discontinuance, *Upcott* 1060; agreed to, 1062, approved, suggestion, *Brittain* 1059.

ELLIOT, Mr. E. J.—349-461.

Anglo-Argentine Meat Trade, Board of Trade Joint Committee of Inquiry, 370-2—*British Shipping*, assistance to, 420, 421—*Glassware Company*, loan to, 388—*Mercantile Marine Services*, 394—*North Atlantic Ice Patrol*, 409-10.

EMMERSON, Mr. H. C.—878-909.

Nuffield Trust, 902.

Special areas.—General expenses, 901, 903-5—Housing, 899-900—Physical training and recreation facilities, 897—Public health schemes, 901—Staff, 898—Subsistence production scheme, 879-80—Trading Estates, 881-96.

Empire Marketing Board.—Distinction of Colonial Empire Marketing Board from, *Shuckburgh* 2775-7; *Upcott* 2781—Termination of, *Shuckburgh* 2780-1, 2783—Transfer of certain staff to Colonial Empire Marketing Board, *Shuckburgh* 2784; *Bull* 2785.

Employment.—Grants in respect of schemes, Appropriation Accounts, 1936-37, App. I (p. 421).

Excess Profits Duty.—See under Inland revenue.

Excess Vote.—1st Report.

Exchequer and Audit Department.—Appropriation Accounts, 1936-37, App. I (p. 418)—Appropriations in aid, *Upcott* 957-60—Audits, inter-Departmental payments, *Upcott* 961-5—Staff, increase, *Upcott* 954—Travelling expenses, *Upcott* 956—Work, increase in amount and complexity, *Upcott* 954-5.

Exchequer Contributions to Local Revenues, England and Wales.—Appropriation Accounts, 1936-37, App. I (p. 424).

Exchequer Contributions to Local Revenues, Scotland.—See under Scotland.

Export credits.—Amounts written off as irrecoverable, *Nixon* 2443—Appropriation Accounts, 1936-37, App. I (p. 422)—Commission, *Nixon* 2420—Enquiries, proportion of credits granted to, question of, *Nixon* 2460-1—Legal and miscellaneous recovery and inquiry expenses, saving on, *Nixon* 2420—Payment to bank abroad for assuming share of risk, *Nixon* 2442—Payment to Exchequer, *Nixon* 2437;

Export

 Reports, 1939—continued

Export credits:—cont.

Brittain 2438-9, 2440, 2476-8; *Upcott* 2439—Premium rates, *Nixon* 2456-9—Premiums, etc., receipts received, *Nixon* 2421-4—Representation in China, *Nixon* 2441—Risks, *Nixon* 2423-7, 2430-1—Salaries, increased payments, *Nixon* 2441—Trading accounts, interest, *Nixon* 2473-5, nature of, *Brittain* 2492-3; *Nixon* 2493; *Upcott* 2494—to Spain, position, *Nixon* 2419, 2428-9, 2432-6—Surpluses and liabilities, *Nixon* 2444-56, 2462-72, 2479-81—Underwriting Reserve Suspense Account, *Nixon* 2482-4, 2487-8; *Brittain* 2485-6, 2490-1; *Upcott* 2489.

F

Factory and Workshop Act.—See under Home Office.

Far East Crisis.—*Cadogan* 287.

FASS, Sir Ernest, K.C.M.G., C.B., O.B.E.—1395-1422.

Public Trustee.—Audit, 1406, 1408-10—Cash at banks, 1417-22—Disposal of surplus monies, 1395—Expenditure, 1406—Fees, 1412—Investment fees, 1413-4—Investments, 1419—Salaries, 1397, 1406—Title deeds, 1396—Trusts, 1401-2, 1402, 1415-6.

FAULKNER, Sir Alfred, C.B., C.B.E.—758-781.

Coal Mines Re-organization Commission, 763-7, 770—*Coal (Registration of Ownership) Department*, 758-62—*Miners' Welfare Fund*, 779-81.

Mines Department.—Inspectorate, transfers, 776—Investigation work, 763, 771—Mining examinations, candidates, 772-5—*Petroleum production*, 777-8.

FERGUSON, Sir Donald, K.C.B.—1719-1965, Apps. 9, 10.

Agriculture and Fisheries, Ministry of.—Agricultural research, building schemes, 1815—Farm settlement accounts, 1822, 1825-6—Land Drainage, 1816, 1818—Receipts, 1821—Veterinary officers, motor car allowances, 1796-8, 1800, 1801, 1803-4.

Beet Sugar Subsidy.—1720-48, 1764-78, 1780-8—*Land Fertility Improvement* 1943-89, Research, 1890-902—*Livestock industry and Cattle Fund*, 1834, 1835, 1836-42.

Milk.—Cheese manufacture, 1905-7—Improvement of quality, 1908—Northern Ireland, 1948—Nutrition survey, 1921, 1957—Provision to school children, App. 10 (p. 446)—Publicity and results, 1921-45, 1949-56—Supplementary vote and under-spending, 1909-10—Supply in schools, 1913-6, 1919, 1949-50, 1958-65.

Sugar industry.—Assistance, App. 9 (pp. 445-6).

Festiniog Railway Company.—See Welsh Highland Light Railway.

Fishery Board for Scotland.—See under Scotland.

Food (Defence Plans) Department.—See under Trade, Board of.

Foreign Jurisdiction Probate Order in Council.—*Upcott* 322-3.

Foreign

 Reports, 1939—*continued*

Foreign Office.—Appropriation Accounts, 1936-37, App. I (p. 419)—
Excess expenditure, 1st Report; *Cadogan* 287-8; *Upcott* 288; Statement
approved, 288—Passport Office, *see that title*.

Forest of Dean.—*Robinson* 2503, 2507, 2519-20.

Forestry Commission.—Appropriation Accounts, 1936-37, App. I (p. 422)
—Balance, non-surrender, *Robinson* 2495.

Forest workers holdings: Expenditure in excess of receipts, *Robinson*
2521-2—Progress and delay, *Robinson* 2498, 2500-1, 2533-7—
System of, *Robinson* 2523-42.

Forestry operations: Excess expenditure, *Robinson* 2497, 2499—New
and Dean Forests, *Robinson* 2519-20.

Halton Moor, taking over of woods from Air Ministry, *Robinson* 2516-8
—Insurance, *Robinson* 2509-10; *Upcott* 2510.

Land, acquisition of: in South Wales, *Robinson* 2511-5—Under-spend-
ing, *Robinson* 2496.

National forest parks, *Robinson* 2502-8.

FRASER, Mr. W. R., C.B.—1276-94.

Health, Department of, for Scotland.—Housing grants, 1276-86—
Housing (Rural Workers) Act, 1293-4—Staff, 1287-91—Voluntary
hospitals, grants to, in respect of duty on spirits, 1292.

Scottish Government Departments.—Re-organisation, 1289-90.

Friendly Societies' Deficiency.—Appropriation Accounts, 1936-37, App. I
(p. 418).

Friendly Societies' Registry.—Appropriation Accounts, 1936-37, App. I
(p. 421).

FRY, Mr. T.—3233-3261.

Greenwich Hospital and Travers Foundation.—3233-40, 3243, 3252,
3257-61—*Royal Hospital School, Holbrook* 3241-2, 3244-51.

G

GAYE, Mr. A. S., C.B.—3683-3727.

British Phosphate Commission and Nauru and Ocean Islands.—Balance
retained in undertaking without interest, 3684, 3689-91, 3694-6,
3714-5, 3716—Freight suspense account, 3711—Freights, 3702
—Motor vessels, 3718-21, 3723-7—Output, 3703-4—Outstand-
ings and sundry creditors, 3707-11—Royalties, 3705-6—total
Sales, 3712-3—Shipments to United Kingdom, 3698-701—Staff,
3722—Staff creditors, 3717.

General Lighthouse Fund.—*See under* Mercantile Marine Services.

Gibraltar Harbour.—Dredging, *Anderson* 3362.

GILBERT, Mr. B. W., C.B.—

Admiralty, financial control, 3095, 3103-7, 3338.

GILBERT

Reports, 1939—continued

GILBERT, Mr. B. W., C.B.:—*cont.*

Air Services.—Contracts, price fixing, 3499-501—Expenditure and estimating, 3667—Shadow factories, 3476, 3528, 3537.

Army.—Account, outcome of, 2926—Contractors, special advances to, 2931-2, 2944—Factories, erection by firms as agents of War Office, 2997-8, 3012-4, 3017-8.

Chatham Royal Naval Barracks.—Additional accommodation, 3338—*Defence Services*, contracts, price fixing, 3448—*Machine tools*, 3149.

Navy.—"Caledonia," H.M.S. training establishment, 3109—Cata-pults, 3325—Contractors, special advances to, 3166, 3172—Factory, acquisition for Army and Navy joint requirements, 3212, 3228—"Research," Magnetic Survey vessel, 3266, 3309-II.

Glasgow.—Corporation, settlement of claim against, for repayment of interest on disallowed capital expenditure, *Fraser* 1276—Inland Revenue Buildings, transfer of property to Post Office, *Duff* 2177-8; *Upcott* 2178.

Glassware Company.—Loan to, *Overton* 385-7; *Elliot* 388.

Gold Coast.—Ground organisation for air services, assistance from Colonial Development Fund, *Hopkins* 4016-8; *Upcott* 4017, 4020.

Government Actuary.—Appropriation Accounts, 1936-37, App. I (p. 418).

Government Chemist.—Appropriation Accounts, 1936-37, App. I (p. 418).

Government Departments.—Press advertising, *Codling* 2617-8, 2624-9; *Upcott* 2629.

Government Hospitality.—Appropriation Accounts, 1936-37, App. I (p. 418) British Industries Fair Dinner, *Hopkins* 3831—Imperial Conference, *Hopkins* 3829-30; *Upcott* 3830, 3832—King's Birthday Dinner, *Hopkins* 3837—Staff, *Hopkins* 3833-5; *Brittain* 3836.

Government property, rates on.—Appropriation Accounts, 1936-37, App. I (p. 423).

Gravesend Sea School.—*Holmes* 604-6.

Great Seal.—Design, responsibility for acceptance or rejection, *Craig* 2264-5—Fees for designs for, *Duff* 2239, 2240-5, 2254-59, 2267-8; *Upcott* 2242, 2256; *Brittain* 2246.

Greece.—Athens: British Legation, purchase of new premises and sale of old, *Duff* 2137-9—British School at, *Hopkins* 4036-7.

Loan, *Hopkins* 3787-8.

Greenwich Hospital and Travers Foundation.—Account, form of, and question of showing valuation of implements, *Fry* 3252, 3257; *Blunt* 3253-4; *Upcott* 3254, 3255-7—Land, sales of, *Fry* 3243; *Upcott* 3243—Rents, surrender, *Fry* 3258-61; *Upcott* 3261.

Royal Hospital School, Holbrook: Cost per student per year, *Fry* 3244-51—Water tank, *Fry* 3241-2.

Sale of Stock and grant of loans, *Fry* 3233-40; *Blunt* 3255; *Upcott* 3240.

HAINES

 Reports, 1939—continued

H

HAINS, Mr. C. B., M.B.E.—1552-1655.

Air raid precautions.—Badges, 1599-605, 1651-2.

Respirators: Blackburn Government Factory, 1573-5, 1578-9, 1613—
Civilian, 1586-7, 1643-5—Inspection and examination, 1614-5
—Local storage, 1606-12—Manufacturers, fees from, 1650—
Service, 1576-7, 1640.

Sale of materials, 1641-2—Sandbags, orders, 1567-71—Wardens
posts, equipment for, 1627-33.

Halton Moor.—Taking over of woods by Forestry Commission from Air
Ministry, *Robinson* 2516-8.

Hampton Court.—Grounds, new seats, *Duff* 2201—Heating, private
donation for, *Duff* 2173-6.

HARDING, Sir Edward, K.C.B., K.C.M.G.—2684-2760, 3683-3727.—App. 12.

British Phosphate Commission.—3683-4, 3685, 3688, 3693, 3697, 3716.

Dominion Services.—Representation in the Dominions, 2713-4—Un-
repaid advances, 2708-1.

Dominions Office.—Salaries, 2684-6—*Irish Free State Services*, 2715-7
—*Nauru and Ocean Islands*, 2711—*Newfoundland*, grant in
aid, 2688-707, 2704-6—*Oversea settlement*, 2718, 2720-38, 2743-
60—App. 12—*Swaziland*, grant in aid, 2708.

HAVELOCK, Mr. E. H. E., O.B.E.—4057-4070.

Agricultural Research Council, 4057-70.

Health, Department of, for Scotland.—See under Scotland.

Health, Ministry of.—Administration, increase in cost of, *Chrystal* 1198-
205—Appropriation Accounts, 1936-37, App. 1 (p. 421)—Appro-
priations in aid, payment in connection with Tithe Act to Exchequer
instead of payment as, *Chrystal* 1174-6; *Hughes* 1177-9; *Upcott* 1178-9;
Brittain 1180—Contributory Pensions Act of 1937, extra work owing
to, *Chrystal* 1200-5.

Housing: Central Housing Association, *Chrystal* 1208-20, App. 7
(p. 442)—Guarantees to building and other societies, system and
cost of loss under, *Chrystal* 1181; *Hughes* 1182-97; *Brittain* 1191—
Stafford Corporation, contribution towards expenses of, case of
breaches of conditions by owners, *Chrystal* 1234-6.

Loans outstanding, London County Council, *Chrystal* 1241-2—Mid-
wives Act, administration, *Chrystal* 1221-4—National health cam-
paign, *Chrystal* 1261-2.

National Health Insurance: Approved Societies, cost of administration,
Chrystal 1245-9—Investments, *Upcott* 1259-60—Navy, Army and
Air Force Insurance Fund, contribution from Northern Ireland
Exchequer, *Hughes* 1251-7; *Upcott* 1253, 1257-8, grant, *Hughes* 1250.

Staff: Assistant Secretary loaned to Australian Commonwealth Govern-
ment, *Chrystal* 1238-40, App. 7 (p. 442)—unestablished Bacteriolo-
gist receiving pension from certain colonies, *Chrystal* 1237—In-
crease, *Chrystal* 1200-5—Salaries, etc., excess expenditure,
Chrystal 1198-200.

Health

Reports, 1939—*continued**Health, Ministry of:—cont.*

Telegrams, *Hughes* 1207—Telephones, increased use of, *Chrystal* 1206-7.
 Water supplies, rural: Difficulty in getting supplies of pipes, etc.,
Chrystal 1225-30—Grants, now discontinued, *Chrystal* 1231-2.
 Widows', Orphans' and Old Age Contributory Pensions Act: Account,
Chrystal 1264-5—Appropriation Accounts, 1936-37, App. 1 (p. 421)
 —Appropriation in aid, deficiency, *Chrystal* 1233—Pensioners,
 number, *Chrystal* 1263—Post Office work, *Chrystal* 1266—
 Women voluntary contributors, extra-statutory provision *re*,
Chrystal 1268-9, 1273-5; *Upcott* 1269, 1270-1; *Brittain* 1271-2.

Herald's Office.—Fees, *Hopkins* 3858; *Upcott* 3858.

Herring Fund Advances Account.—*Rose* 2366-7; *Brittain* 2367-8; *Upcott* 2368.

Herring Industry.—Administrative expenses and other expenses, division,
Rose 2359—Appropriation Accounts, 1936-37, App. 1 (p. 422).

Board: Advertising, *Rose* 2380-93—Area Committees, *Rose* 2377—
 Bad and doubtful debts, *Rose* 2379; *Upcott* 2379—Loans to, re-
 payment position, *Rose* 2363-4—Security for, *Rose* 2371-3—Staff,
 and offices, *Rose* 2374-8.

Consumption of British caught herrings, increase, *Rose* 2387-90—Loans
 and grants for construction of boats, scheme, *Rose* 2360-2—Loans
 for nets, *Rose* 2365—Payments to Herring Marketing Fund, no
 payment, *Rose* 2369-70.

Heston aë. odrome.—*See under* Civil aviation *under* Air services.

Highgate.—Y.M.C.A. Hostel for boys, *Phillips* 923-31.

Holbrook Royal Hospital School.—*See under* Greenwich Hospital.

Historical Manuscripts Commission.—*Hopkins* 3840-6.

HOLMES, Sir Maurice, K.C.B., O.B.E.—545-632.

Chelsea physic garden, 610.

Education, Board of.—Elementary education, grants, 597-9—Inspection
 and examination, 595-6, 600-2—Nautical training schools, etc.,
 grants, 604-6—Overtime work, 602—Teachers, pensions, 594,
 607-9—Refresher courses, 613-6.

Leeds, Carnegie Physical Training college, 603—*Mercantile Marine
 Officers*, Board of Education grant for training of, 606.

Physical training and recreation, 545-52, 554, 557-93, 618-20—*Science
 Museum*, 617—*Victoria and Albert Museum*, 617, 621-32.

Home-Grown Sugar, Ltd.—Liquidation of, *Fergusson* 1805-14.

Home Office.—2nd Report, 9, 10—Air Raid Precautions, *see that title*.

Anthrax Disinfecting Station:

Estimating difficulty, *Maxwell* 1634-7—Extent of work, *Maxwell*
 1656—Plant and machinery, depreciation, *Maxwell* 1658—
 Profit made, *Maxwell* 1657—Scope of, *Maxwell* 1659-60—Stock
 in hand, *Maxwell* 1661—Work, extent of, *Maxwell* 1656.

Appropriation Accounts, 1936-37, App. 1 (p. 420).

Factory and Workshop Act, fines under, *Maxwell* 1646-7.

Hong

 Reports, 1939—continued

Hong Kong.—Contribution to military expenditure, *Upcott* 3035—New magazine in, withdrawal of Chinese contractor, *Creedy* 3085—Paymaster-Commander at, misappropriation of cash by, *Treasury Minute*, App. 2 (p. 432).

HOPKINS, Sir Richard V. Nind, K.C.B.—3728-4056, Apps. 16, 17.

Athens, British School at, 4036-7—*Bermuda*, air transport scheme, 3955-6, 3959-64, 3981, 3982, 3967, 3970, 3974-86, 4000-4, 4007-9, App. 17 (p. 458)—*British Academy*, 4042—*British Honduras*, grant, 3891-9—*Civil Appropriation Accounts*, surrender, 3804-5—*Colonial Development Fund*, 3950, 3989-91, 4001-4, Advisory Committee, 3901-2, 3906—*Consolidated Fund Abstract Account*, 3736-56—*Development grants*, 4053—*Farm Settlement accounts*, 4054, 4056—*Gold Coast*, ground organisation for air services, assistance from Colonial Development Fund, 4016-8—*Government hospitality*, 3829-37—*Greek Loan*, 3787-8—*Historical Manuscripts Commission*, 3840-6—*King, His Majesty the*, Coronation, 3872-6—*Local Loans Fund*, repayments to, 3838—*Machine tools*, 3877-8—*Medical Research Council*, 4033-5, 4038-40—*National Savings Certificates*, 3728-33, 3736.

Newfoundland.—Land settlement scheme, 3907-50, App. 16 (pp. 456-7)—Steamship service with, 3989-90.

Nigeria, ground organisation for air services, 4012, 4016-29—*Privy Council Office*, 3824-8—*Privy Seal Office*, 3823-8—*Representation of the People Acts*, expenses under, 3806—*Rome*, British School at, 4036-7—*Royal Academy of Dramatic Art*, 4042-3—*Scientific investigation, etc.*, 4042-4—*Scottish Savings Committee*, 3847—*Special and other areas*, financial assistance, 4049-52—*Stamp duty and fees on appointments, etc.*, remissions, 3848-58—*Suez Canal*, 3814-8, 5734-5—*Surplus Stores, etc. Liquidation Department*, 3839—*Tithe Act*, 3879-89—*Tithe redemption*, 3738, 3745-56—*Trade Facilities Acts*, guarantees under, 3757-803—*Trading Accounts*, 4054—*Treasury*, staff and salaries, 3809-11, 3819-22—*Treasury Chest Fund Account*, 3859-71—*Treasury Pool of Short-hand Writers*, 3847—*Universities and Colleges, Great Britain*, 4046-8—*War Histories*, 3807-8, 3812-3.

HORE, Sir Adair, K.B.E., C.B.—665-719.

Pensions, Ministry of.—Acton offices, 693-4—Administration, cost, 671-3—Benefit, cost of, 673—Losses, etc., 695-719—Medical and surgical treatment, 674-88—Pensioners' saving scheme, 665-70—Receipts, 689-91.

House of Commons.—Appropriation Accounts, 1936-37, App. 1 (p. 418)—Chairman of Ways and Means, salary, and position *re* control of, *Upcott* 479, 516, *Campion* 484, 486, 517, 529-33—Chairman and Deputy Chairman of Ways and Means, position, *Upcott* 505, 510; *Campion* 505-15, 527-8—Chairman of Ways and Means, Deputy, increase in salary, non-inclusion in Supplementary Estimate, 2nd Report, 6; *Upcott* 479, 516; *Campion* 480-6, 496-7, 517-33; *Brittain* 487-95—Commissioners for regulating the Offices of, *Upcott* 479, 502; *Campion* 484-5, 496-505.

House

 Reports, 1939—continued

House of Commons:—cont.

Members: Non-payment to, under Ministers of Crown Act, 1937, *Campion* 538-9—Salary, one not drawing a, eight declining increase, *Campion* 534—Travelling, by air, *Luxford* 535-7—Expenses, *Campion* 540-1; *Luxford* 542-3.

Police, *Campion* 544.

House of Lords Offices.—Appropriation accounts, 1936-37, App. 1 (p. 418).

Houses of Parliament Buildings.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Furniture, over-spending, *Duff* 2050—Refreshment accommodation, re-arrangement in anticipation of Parliamentary approval of estimate, *Upcott* 2032; *Duff* 2033-5, 2042-4, 2048-9; *Brittain* 2045—Scaffolding, *Duff* 2033, 2036-41—Stonework, restoration, under-spending, *Duff* 2033, sale of, *Duff* 2046.

HOWARD SMITH, Mr. C., C.M.G.—287-348.

Assyrians, settlement, 34-6—*China*, British refugees from, 314-7—*Consular services*, office expenses and fee allowances, 324-5—*Consuls*, lump sum allowances, 306-7—*Diplomatic and Consular Services* telegrams, 334.

Egypt.—British police, 336—Dwek case, 321-2.

League of Nations, 345, 347—*Roumania*, British subject, ex gratia payment to, 337-40.

Spain.—Non-Intervention, International Council, 341—Observers in Portugal, 341.

HUGHES, Mr. S. H. G., C.B.E.—1174-1275.

Health, Ministry of.—Appropriations in aid, 1177-9—Extra remuneration, 1243—Housing, guarantees to building and other societies, 1182-97—Telegrams, 1207.

Navy, Army and Air Force Insurance Fund, 1250-7.

Hyde Park.—New seats, *Duff* 2201—Serpentine, chlorination of water, *Duff* 2198-200.

I

Imperial Chemical Industries.—Erection of factories by, as agents of War Office, *Creedy* 2976, 2989, 2995-7.

Imperial Conference.—Expenditure from Government Hospitality Fund, *Hopkins* 3829-30; *Upcott* 3830, 3832.

Imperial Institute.—*Bull* 2788; *Shuckburgh* 2788—Compassionate grant to retired officer, *Treasury Minute* App. 2 (p. 429).

Imperial War Graves Commission.—Accounts, audit of, *Ware* 734-6; *Upcott* 737—Annual Report, Appendix A, inclusion of figures of previous year's expenditure would be approved, *Ware* 728-31—Appropriation Accounts, 1936-37, App. 1 (p. 419)—Cemeteries, not war graves, maintenance, *Ware* 732-3—Economy Committee, *Ware* 725-6, 738

Imperial
S

15417

 Reports, 1939—continued

Imperial War Graves Commission:—cont.

—Endowment Fund, *Ware* 727, 739, 740-1—Gardening staff abroad, wages increase, *Ware* 723, proposed payment in sterling, *Ware* 724—Saving, mainly due to exchange, *Ware* 720-2—Self-supporting in future, position as to, *Ware* 739-42, *Upcott* 741—accounts would be available for Public Accounts Committee, *Upcott* 739.

Imperial War Museum.—Appropriation Accounts, 1936-37, App. 1 (p. 421).

Import Duties Advisory Committee.—Appropriation Accounts, 1936-37, App. 1 (p. 418).

Income Tax.—See under Inland revenue.

India and Burma Services.—Appropriation Accounts, 1936-37, App. 1 (p. 419)—Contributions from India and Burma, *Stewart* 744—Increased Cost to Treasury as result of Government of India Act, causes of, *Stewart* 743, 745-9; *Upcott* 746—Family Pension Funds, investigation, *Stewart* 746—Military Officers, India Office, remuneration arrangements, *Stewart* 750-7—Reforms Department, India Office, *Stewart* 746.

Industrial Art Designers, National Register of, *Upcott* 353; *Overton* 353-4, 346-64; *Brittain* 355.

Inland Revenue Department.—2nd Report 1—Appropriation Accounts, 1936-37, App. 1 (p. 416)—Composition settlements in bankruptcy cases, *Canny* 45-7; *Upcott* 46—Excess profits duty, amount outstanding, *Canny* 53-6, charge of interest on, *Canny* 39-40, 54-5—Fraud and evasion, *Canny* 65-6.

Income tax: Amount outstanding and collection prospects, *Canny* 22-33—Bank interest, payment of tax on, under form R.62—2nd Report 1; *Canny* 74-6; *Upcott* 77—Collection, no charge for interest, *Canny* 38-40, no time-limit for, *Canny* 36-7—Over-repayment, *Canny* 78-80—Remissions, *Canny* 34-5—Securities accepted in satisfaction of tax liabilities, *Canny* 57-64.

National Defence Contribution, effect on staff, *Canny* 67.

Remissions: *Canny* 41-4—on Grounds of equity, *Canny* 48-51—Responsibility for, *Canny* 52; *Upcott* 52.

Superannuation and other non-effective charges: Estimating difficulty, *Canny* 69, 73—continued Increase anticipated, *Canny* 70-2—Under-estimate, *Canny* 68.

Iraq.—Basra, water pipes requisitioned by British Military Forces during the War, payment, *Cadogan* 342; *Upcott* 343—Settlement of Assyrians of, *Howard Smith* 345-6.

Ireland.—Works and Buildings in: Appropriation Accounts, 1936-37, App. 1 (p. 423)—Excess expenditure, *Treasury Minute*, App. 2 (p. 425)—Maintenance and repairs, *Duff* 2238; *Upcott* 2238—New works, etc., *Duff* 2237.

Irish Free State Services.—Appropriation Accounts, 1936-37, App. 1 (p. 419)—Cessation of Vote as result of Eire Agreement, *Harding* 2715—Local loans, *Harding* 2716-7; *Upcott* 2717.

Irish

 Reports, 1939—*continued*

Irish Land Purchase Services.—Administration, Jones 1034-5—Financial position and Free State default, Jones 1036-7; *Upcott*, 1038-41—a New Vote in title, Jones 1033.

Isle of Man Government.—Accounts, audit, *Upcott* 959.

ISMAY, Mr. G.—81-286, 1517-1551, App. 8.

Broadcasting, 221-34.

Post Office.—Air raid precautions work, 1543—Commercial accounts, audit, 282, 283, 285-6—Engineering establishment, 196—Entertainment duty stamps, sales, 1551—Loan expenditure, 205—Losses by default, etc., 190-3—Post Office Fund Account, 212-9—Regional organisation, 126-7—Telegraph and telephone accounts, 240-8, 256-66, 275, 1522-3, App. 8 (pp. 443-41)—Telephone equipment, contracts placed without competition, 105-7.

Welling Sub-Post Office, burglaries, 190-1.

Italy.—Agreement with, *Cadogan* 287—Clearing arrangements with, *Wardley* 871-2—Rome, British school at, *Hopkins* 4036-7.

IVES, Mr. W. G., M.B.E.—2684-2760.

Oversea settlement, 2728, 2750-2.

J

Jamaica, Government of.—Repayment of pensions by, *Ledgard* 689-91.

Japan.—Diplomatic and Consular services, telegrams, *Howard Smith* 334.

JONES, Mr. E. S., O.B.E., I.C.O.—1033-1063.

Irish Land Purchase Services, 1033-7—*Local Loans Fund*, 1053, 1057-8, loss in connection with Irish Free State annuity—*Northern Ireland*, land purchase, 1035—*Welsh Church Commissioners*, repayment of loan from National Debt Commissioners, 1042, 1043, 1048-9, 1052.

JONES, Mr. Morgan (Chairman).—Tributes to, and Resolution, pp. 283-4.

JUBB, Mr. E. C., O.B.E.—3091-3232.

Machine tools, 3146-8, 3150-1.

Navy.—Contractors, special advances to, 3172—Contracts, capital assets, provision of, 3174-92—Factory, acquisition for Army and Navy joint requirements, 3201-31.

K

KELSEY, Captain M. H. A., D.S.C., R.N.—3091-3232.

Kelvin River.—Drainage scheme, *Laird* 1966-8.

Kew Gardens.—Reconstruction of house, *Duff* 2213.

King, His Majesty The.—Birthday Dinner to Diplomatic Corps, *Hopkins* 3837—Coronation, *Hopkins* 3872-6; *Upcott* 3874, 3875, Appropriation Accounts, 1936-37, App. 1 (p. 419).

Labour

S 2

15417

 Reports, 1939—*continued*

L

Labour, Ministry of.—Administration, cost of, increase and reasons for, *Phillips* 919-20—Appropriation Accounts, 1936-37, App. 1 (p. 421)—Hostel for boys at Highgate, *Phillips* 923-31—Removal and re-settlement of workers and dependants, under-spending, *Phillips* 921-2—Training and instructional centres, training of unemployment assistance applicants in, *Reid* 940-5—Training of serving soldiers on repayment terms, scheme, *Phillips* 910-8; *Upcott* 913—Women, domestic training, *Phillips* 932-3.

Labour and Health Buildings, Great Britain.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Government training and industrial instruction centres, provision and maintenance, transfer from Ministry of Labour Vote, *Duff* 2052—Under-spending, *Duff* 2053—proposed Works, slowing down of, policy, *Duff* 2055-7.

LAIRD, Mr. P. R., C.B.—1966-2004.

Agriculture, Department of, Scotland.—Expenditure, 1969-70, 1971—Land settlement, 1971—Public works and miscellaneous services in congested districts, 1967-8—Raspberry scheme, 1972—Receipts, 1975—Small holding colonies, 1976-8, 1980-3, 1985-6, 1991-4—Stud farms, 1995-6—Wages regulation, 1973-4.

Milk, Scotland, 1997-2004.

Land drainage.—See under Agriculture and Fisheries, Ministry of.

Land Fertility Improvement.—Amounts of lime and basis slag used, *Fergusson* 1846-7—Basic slag, production and prices, *Fergusson* 1851-5, 1877-83—Research Fund, *Fergusson* 1890, 1900-2—Farmers making use of scheme, number, *Fergusson* 1888.

Lime: Prices, *Fergusson* 1848-50, 1859-6, 1870-6—Research Fund, *Fergusson* 1890, 1900-2—Use of, test inspections, *Fergusson* 1856-8, 1867-9.

Research, institutions for, and grants to, *Fergusson* 1891-9—Staff, *Fergusson* 1884-7, 1889; *Upcott* 1889—Use of fertilisers, safeguards against abuses, *Fergusson* 1843-5.

Land Registry.—Appropriation Accounts, 1936-37, App. 1 (p. 420).

Law Charges.—Appropriation Accounts, 1936-37, App. 1 (p. 420).

Law Charges and Courts of Law, Scotland.—See under Scotland.

League of Nations.—Appropriation Accounts, 1936-37, App. 1 (p. 419)—British contribution, *Howard Smith* 347; *Cadogan* 347-8—Secretariat, reduction, *Howard Smith* 347; *Cadogan* 347—Supplementary estimate, *Howard Smith* 345.

LEDGARD, Mr. R. A., O.B.E.—665-719.

Pensions, Ministry of, incorrect declarations, 698.

Leeds.—Carnegie Physical Training College, Carnegie Trustees guarantee and Board of Education grants, *Holmes* 7, 603.

LEITCH, Mr. W., C.B.—2817-2917.

Chorley Ordnance Factory, 2840-70, 2875-81.

Linton

 Reports, 1939—continued

- Linton*.—Purchase of site at, for new Air Force station, *Street* 3655.
- Livestock Industry and Cattle Fund*.—Cattle Fund, *Fergusson* 1840-2—Appropriation Accounts, 1936-37, App. 1. (p. 422)—Livestock Commission, financing of, *Fergusson* 1835, 1836-9; *Upcott* 1837, 1838; *Brittain* 1838—Subsidy, determination of rates, *Fergusson* 1834.
- Local Loans Fund*.—Administration, cost of, *Upcott* 1169—Advances, excess over assets, *Jones* 1063—Loss to, in connection with Irish Free State annuity, *Jones* 1053, 1057-8; *Brittain* 1054, 1056, 1061; *Upcott* 1054-5, 1057—Repayments to, *Hopkins* 3838, Appropriation Accounts, 1936-37, App. 1 (p. 419).
- London*.—West End, Divisional Offices and Employment Exchange, acquisition of additional site, position *re*, *Duff* 2059-65.
- London County Council*.—Loan from Ministry of Health, *Chrystal* 1241-2.
- London Museum*.—1718—Appropriation Accounts, 1936-37, App. 1 (p. 421).
- Lunacy Administration, Northern Ireland*.—See under Northern Ireland.
- LUXFORD, Mr. J., O.B.E.—479-544.
House of Commons, Members, travelling, 535-7, 542-3.

M

- McBAIN, Mr. A. R., O.B.E.—2918-3090.
Army.—Contracts: Progress payments, 2939-41—Special advances to contractors, 2941—Target price system, 2946-71.
 Factories, erection by firms as agents of War Office, 2991-2.
- McLAREN, Mr. C. B.—2817-2908.
Army Ordnance factories, 2826-30, 2904-7.
- MACLEOD, Maj.-General M. N., D.S.O., M.C.—2543-2613.
Scottish Place Names Society, 2590-2.
Surveys of Great Britain.—Air photography, 2545-6, 2552-6—Expansion scheme, 2543.
 Maps: Copyright infringement, 2569-71—Grid on, 2557-8—Production in book form, question, 2599-605—Sales organisation and policy, 2559-68, 2579-89, 2595-600—Work for Stationery Office, 2547-50.
 Royalties, 2551, 2569—Staff, 2543-4, 2593-4, 2572-8, 2606-13.
- Malta*.—H.M. Dockyard, fraud by locally entered hired skilled labourer, *Coxwell* 3379-83—Luca, purchase of site of air station at, *Clothier* 3659-60.
- Mauritius*.—Contribution to military expenditure, *Upcott* 3035.

MAXWELL

S 3

15417

 Reports, 1939—continued

MAXWELL, SIR ALEXANDER, K.C.B., K.B.E.—1552-1713.

Air raid precautions.—Civilian Anti-Gas Schools, 1648-9—Equipment and materials, 1616-24—Fire Brigade Services, 1572, 1585-90—“General expenses,” 1591-3—Hospital services, 1580-1—Protective clothing, 1595-8, 1616, 1623, 1653-5—Respirators, 1582-5, 1594, 1618-22—Sandbags, orders, 1552-67—Separate Vote in future, 1638-9.

Anthrax Disinfecting Station, 1634-7, 1656-61—*Approved schools*, 1695-9.

Factory and Workshop Act, fines under, 1646-7.

Police, England and Wales.—Grants in respect of expenditure, 1668-70—Road motor patrols, 1662-7, 1671—Uniforms, standardisation question, 1672-4.

State Management Districts.—1700-13.

MEADOWCROFT, Mr. L. V.—3402-3682.

Air Services, “Assisted” contracts, 3539-51.

Medical Research Council.—Expenditure on administration and on research, *Hopkins* 4038-40; *Upcott* 4040-1—Research workers, contributory pensions and life assurance scheme, *Hopkins* 4033-5; *Upcott* 4033, 4034.

Menai Bridge.—*Browett* 826-30.

Mercantile Marine Services.—Appropriation Accounts, 1936-37, App. 1 (p. 421)—Excess expenditure, *Treasury Minute*, App. 2 (p. 425).

General Lighthouse Fund: Acetylene fog gun, *Overton* 455—Capital expenditure, *Overton* 444, 446-7, 451, 453-4—Fees, increase, *Overton* 443-4, 448, 461—Investments, *Overton* 456-60—Irish lights, *Overton* 461—New vessels, *Overton* 451—Reserves, position, *Overton* 443-52.

ex-Naval Officers, extra training for work of sea transport services, *Overton* 402—Officers, Board of Education grant for training of, *Holmes* 606—Ships, stiffening of, for gun mountings, *Carter* 3360—Supplementary estimates, *Elliot* 396; *Overton* 397-8—Telegrams and telephones, *Overton* 399, 401; *Brittain* 400, 401—Total Vote, increase, *Elliot* 394; *Overton* 394—Travelling and incidental expenses, *Overton* 401, 402; *Brittain* 401.

Merchant Seamen's War Pensions.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—a Dwindling vote, 349.

Merchant Shipping (Carriage of Munitions to Spain) Act, 1936.—Expenses under, *Overton* 404-7.

Metropole Buildings, London.—Leasing of, for use as Government Offices, *Duff* 2054—Refreshment Club, loan to, *Duff* 2054, 2058.

Metropolitan Police.—See under Police, England and Wales.

Midwives Act.—See under Health, Ministry of.

Milk

 Reports, 1939—continued

Milk (England and Wales and Northern Ireland).—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Cheese manufacture on farms not subsidised under Milk Acts, *Fergusson* 1905-7—Consumption of liquid milk, increase, *Fergusson* 1935, 1940-5, 1949, 1954-6—Improvement of quality of supply, *Fergusson* 1908—used for Manufacture, payments to Northern Ireland, *Upcott* 1946-7; *Fergusson* 1948—Milk-in-schools, *Fergusson* 1913-6, 1919, 1949-50, 1958-65, App. 10 (p. 446); *Upcott* 1917-8; *Brittain* 1920—Nutrition survey to test effect on children of drinking milk, *Fergusson* 1921, 1957—Publicity, *Fergusson* 1921-45, 1949-53; *Upcott* 1931—Remanet payments, *Upcott* 1903-4—Supplementary vote and under-spending, *Fergusson* 1909-10; *Upcott* 1911; *Brittain* 1912.

Milk (Scotland).—See under Scotland.

Miners' Welfare Fund.—Commitments, *Faulkner* 781—Contributions, sum written off as irrecoverable, *Faulkner* 779-80—Trust Funds endowed by, *Treasury Minute* App 2 (pp. 429-30).

Mines Department.—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Coal (Registration of Ownership) Department, under-spending, *Faulkner* 758-62—Coal Mines Reorganization Commission, use for other than original purposes, *Faulkner* 763-7, 770; *Upcott* 768-9—Inspectorate, transfers, *Faulkner* 776—Investigation work in connection with emergency preparations, *Faulkner* 763, 771—Mining examinations, candidates for, *Faulkner* 772-5—Petroleum (Production) Act, 1934, work under, *Faulkner* 777-8—Royalties, registration of claims to, *Faulkner* 758-62.

Ministry of Agriculture and Fisheries.—See Agriculture and Fisheries, Ministry of.

Ministry of Health.—See Health Ministry of.

Ministry of Labour.—See Labour, Ministry of.

Ministry of Transport.—See Transport, Ministry of.

Mint.—Appropriation Accounts, 1936-37, App. 1 (p. 418)—Bronze coin, profit, estimated and received, *Craig* 2247-8—Coins, medals and seals, fees for designs for, and additional expenditure owing to abdication, *Craig* 2239-45, 2254-9, 2267-8; *Upcott* 2242, 2256; *Brittain* 2246—Colonial coinages, carrying out of, by private firms, *Craig* 2260-3, 2279-82, 2284—Farthings, *Craig* 2268-9, 2286-7—Medals and specimen sets of coins, receipts from, *Craig* 2283—Payment to Exchequer, *Brittain* 2270; *Craig* 2285—Receipts, estimated and realised, *Craig* 2277-8—Special purchase of machinery, *Treasury Minute* App. 2 (p. 427).

Staff: Additional, majority temporary, *Craig* 2274-6—Payment of gratuities for additional work and responsibility, *Craig* 2266—Salaries, saving and over-spending, *Craig* 2271-2; *Brittain* 2273; *Upcott* 2273—Threepenny pieces, *Craig* 2249-53—Trading account, percentage of output figures, question of inserting percentage for previous year, *Craig* 2288-9; *Upcott* 2290-1; *Brittain* 2291—Trading accounts and balance sheets, 2283-91.

Miscellaneous Expenses.—Appropriation Accounts, 1936-37, App. 1 (p. 419).

Miscellaneous

S 4

15417

 Reports, 1939—*continued*

- Miscellaneous Legal Buildings, Great Britain.*—Appropriation Accounts, 1936-37, App. 1 (p. 423).
- Miscellaneous Legal Expenses.*—Appropriation Accounts, 1936-37, App. 1 (p. 420).
- Monte Carlo.*—Dinner by late Secretary of State for Foreign Affairs to Colonel Beck, *Cadogan* 344.
- Morocco.*—Capitulations, abolition of certain, and closure of British post offices, *Birchall* 185-7.
- Casablanca: British Post Office: Closure of, *Birchall* 185—Default by unestablished managing clerk, *Birchall*, 180-5.
- MOYLAN, Sir John, C.B., C.B.E.—1675-94.
- Metropolitan Police.*—Buildings, 1688-92—Expenditure, 1675—Junior station inspectors, 1694—Licensing of public carriages, 1682-7—Pension scheme, 1676-8—Provident Association, 1682-7—Women, 1693.
- MURRAY, Sir Evelyn, K.C.B.—2-21.
- Customs and Excise Department.*—Compensation for arrest and detention, 18-21—Extra-statutory remissions, 9-11—Store issue vouchers, destruction in fire at Jewry Street warehouse, 2-8.
- Northern Ireland,* land boundary patrols, 12-17.
- Museum and Galleries Commission.*—*Upcott* 3846
- Museums.*—Attendances, *Brittain* 1718.

N

- Nanking.*—*See under* China.
- National Debt.*—Commissioners, loan to Welsh Church Commissioners from Post Office Savings Bank Funds, repayment, *Jones* 1042, 1043, 1048-9, 1052; *Upcott* 1042, 1046-7, 1049-51; *Blunt* 1044-6, 1052—Office, Appropriation Accounts, 1936-37, App. 1 (p. 418)—Services, Appropriation Accounts, 1936-37, App. 1 (p. 417).
- National Defence Contribution.*—*See under* Inland Revenue.
- National Federation of Housing Societies.*—Work of, etc., *Chrystal* 1208-20.
- National Galleries, Scotland.*—*See under* Scotland.
- National Gallery.*—Appropriation Accounts, 1936-37, App. 1 (p. 421).
- National Health Insurance.*—*See under* Health, Ministry of.
- National Insurance Audit Department.*—Appropriation Accounts, 1936-37, App. 1 (p. 421).
- National Library, Scotland.*—*See under* Scotland.

National

Reports, 1939—continued

- National Maritime Museum.*—Duff 2025—Appropriation Accounts, 1936-37, App. 1 (p. 421)—Grant in aid, *Callender* 644-5—Paying day, *Callender* 646—Photographs, sale of, *Callender* 634-6—Publications, purchase and sale of, *Callender* 633-42; *Brittain* 639—Salaries, further increases not anticipated, *Callender* 643.
- National Physical Laboratory.*—Additions and alterations, policy, Duff 2030.
- National Portrait Gallery.*—Appropriation Accounts, 1936-37, App. 1 (p. 421).
- National Savings Certificates.*—*Hopkins* 3728-33, 3736; *Upcott* 3729.
- National Savings Committee.*—Appropriation Accounts, 1936-37, App. 1 (p. 418).
- Natural History Museum.*—Appropriation Accounts, 1936-37, App. 1 (p. 421).
- Nauru and Ocean Islands phosphates.*—See also British Phosphate Commission—Freight suspense account, *Upcott* 3711; *Gaye* 3711—Output, proposed increase, *Gaye* 3073-4—Outstandings and sundry creditors, *Gaye* 3707-11—Royalties, settlement with owners, *Gaye* 3705-6—Total Sales, *Gaye* 3712-3—Staff, *Gaye* 3722, Chinese labour, *Gaye* 3708-10—Surplus profits, share of balance of, put back into business, *Harding* 2711; *Upcott* 2712; *Brittain* 2712.
- Nautical Almanac.*—*Carter* 3355-6, App. 15 (p. 456).
- Navy.*—2nd Report 23-26—Appropriation Accounts, 1936-37, App. 1 (pp. 415, 416)—Balances irrecoverable, *Coxwell* 3379-83; *Blunt* 3380; *Upcott* 3382—Boys' training establishment, estimate for shore, scheme, *Carter* 3365, 3366; *Upcott* 3366.
- “*Caledonia*”, H.M.S. training establishment: Apprentices, workshops for, ashore, *Carter* 3365, 3366-7—Cost per annum per boy, *Carter* 3130-1—Electricity supply, *Kelsey* 3120-7; *Carter* 3126—Gymnasium and swimming bath, *Carter* 3365—Staff, *Carter* 3108, 3110-29, 3138-42; *Gilbert* 3109; *Upcott* 3115; *Treasury Minute* App 2 (p. 432)—Taking over of, *Carter* 3111-2, 3132.
- Cash balance, checking, *Carter* 3143.
- Catapults, contracts and special payment for, 2nd Report 24; *Carter* 3323-31; *Gilbert* 3325; *Upcott* 3325.
- Contracts: Capital assets, provision of: *Carter* 3174, 3193; *Jubb* 3174-92; *Upcott* 3191; *Coxwell* 3194-200—Cost of work, checking of, *Jubb* 3175, 3178-86—Forms of contract, *Jubb* 3189-91—Plant, records of, *Coxwell* 3194-9; sub-contracts for, *Jubb* 3178-82, 3191.
- Special advances to contractors, *Carter* 3153-6, 3159-62, 3167; *Coxwell* 3156-71; *Upcott* 3166; *Gilbert* 3166, 3172; *Jubb* 3172.
- Conversion of commercial vessels to naval use, *Treasury Minute*, App. 2 (p. 431-2)—“*Majestic*” and “*Vulcan*”, Destroyers transferred to Canadian Government, delay in payment, *Upcott* 3152.
- Dockyards: Abroad, system of payment in, overhaul of, *Coxwell* 3379, 3381; *Blunt* 3380; *Upcott* 3382—Dockyard accounts, 2nd Report 27, 28; Depreciation, treatment of, *Rigg* 3397-9, 3401; *Blunt* 3400—Expense accounts, *Rigg* 3396.

Navy

 Reports, 1939—*continued*

Navy:—cont.

Factory, acquisition of, from Armstrong Whitworth and Co., for Army and Navy joint requirements, and management by Vickers Armstrong, *Jubb* 3201-31; *Gilbert* 3212, 3228; *Coxwell* 3212-3, 3227-8, 3378; *Carter* 3216; *Upcott* 3232.

Medical supplies, central purchasing, *Coxwell* 3352—Mediterranean Base Defences, store accounts, difficulties in connection with, *Coxwell* 3346-50; *Upcott* 3349; *Blunt* 3350, 3351—Merchant ships, stiffening of, for gun mountings, *Carter* 3360—Miscellaneous payments, items, *Coxwell* 3378—Obsolete stores, sale of, *Coxwell* 3378—Paymaster-Commander acting as Accountant Officer of Depot ship at Hong Kong, misappropriation of cash by, *Treasury Minute*, App. 2 (p. 432).

"Research", magnetic survey vessel: Construction: Failure to consult Treasury before placing of contract, 2nd *Report* 25; *Carter* 3265, 3293-4, 3312, 3315-20; *Upcott* 3314; *Gilbert* 3266, 3309-11—Original estimate and total estimated cost, 2nd *Report* 25; *Carter* 3262-4, 3270-308, 3341, 3342; App. 14 (pp. 452-5)—Construction, reason for, *Carter* 3268-9, 3295-6; *Coxwell* 3269.

Contributions towards, not asked for, from foreign governments, *Carter* 3267, refusal by Mercantile Marine, *Carter* 3267, Dominions not yet asked, *Carter* 3267—Maintenance charges borne on Scientific Services Vote, *Carter* 3357-9—Manning of, etc., *Carter* 3321-2—Question of fulfilling purposes for which designed, *Carter* 3313-4.

Shipbuilding: Estimated costs of, 2nd *Report* 28; *Treasury Minute*, App. 2 (pp. 432-3)—Estimates, showing of original estimate with total estimate, suggestion *re*, but question as to desirability, *Carter* 3385-95—Showing of aggregate cost in Estimates, *Carter* 3384, 3385—Total cost of year's programme, 2nd *Report* 27.

Shipbuilding programme in Estimates, suggestion as to giving of less detail in, *Carter* 3385-7—Ships and establishments refuse removal, *Coxwell* 3378—Store accounts, emergency forces, arrangements for future, *Coxwell* 3347-8, 3350; *Blunt* 3350, 3351—Supplies, purchase through Supply Board and Supply Committees, *Coxwell* 3352—Training establishments, question as to consultation with other Services, *Carter* 3132-42.

Works services: Abroad, *Coxwell* 3368-9; *Anderson* 3370-7—Dredging, *Anderson* 3361-3—additional Factories and extensions to contractors' works, *Carter* 3364; *Upcott* 3364—Steam hoppers, purchase of, *Carter* 3361; *Anderson* 3361-3.

New Hebrides Condominium.—Accounts, audit of, arrangement with France, *Shuckburgh* 2764-5; *Palmer* 2769.

New Forest.—*Robinson* 2519-20.

New South Wales.—Farm School, *Harding* 2738-9.

New Zealand.—High Commissioner, appointment, *Harding* 2713.

Newfoundland

Reports, 1939—continued

Newfoundland.—Administration expenses, grant in aid, *Harding* 2688-90—Comptroller and Auditor General, appreciation of services of, *Upcott* 2693; *Harding* 2693—Comptroller and Auditor General's report, consideration of questions raised in, *Harding* 2691-2; *Upcott* 2693, 2694-701, 2704-6—Land settlement schemes, 2nd *Report* 21; *Hopkins* 3907-50, App. 16 (pp. 456-7); *Davies* 3913, 3917, 3923-8, 3935-6, 3942-7, 3951-3; *Upcott* 3918, 3919-22, 3929, 3937, 3947, 3950, 3953—Revenue, *Harding* 2688, 2702-7; *Upcott* 2707—Steamship service with, question of use of Colonial Development Fund, *Hopkins* 3989-90—Transatlantic air base scheme, 2nd *Report* 21; *Upcott* 3571, 3578, 3580-1, 3588, 3591-3; *Street* 3572-6, 3579-80, 3583, 3585, 3587-91; *Blunt* 3577, 3582, 3584, 3586; *Clothier* 3664.

Nigeria.—Ground organisation for air services, grant from Colonial Development Fund, *Upcott* 4011, 4017-20; *Hopkins* 4012, 4016-29; *Davies* 4013-5, 4025-6, 4028.

NIXON, Mr. F. H., C.B.—2418-2494.

Export credits.—Amounts written off as irrecoverable, 2443—Commission and legal and miscellaneous and inquiry expenses, 2420—Enquiries and credits granted, 2460-1—Payment to bank abroad, 2442—Payment to Exchequer, 2437—Premiums, etc., 2421-4, 2456-9—Risks, 2423-7, 2430-1—Representation in China, 2441—Salaries, 2441—to Spain, 2419, 2428-9, 2432-6—Surpluses and liabilities, 2444-56, 2462-72, 2479-81—Trading accounts, 2473-88, 2493.

North Atlantic Ice Patrol.—*Overton* 408, 411; *Elliot* 409-10.

North Devon and Cornwall Junction Railway.—Financial position *re*, *Browett* 812-7.

North Eastern Housing Association.—*Emmerson* 899-900.

North Eastern Trading Estates, Limited.—Balance sheet could be handed in, *Phillips* 883; *Emmerson* 883; *Upcott* 884—Working of scheme, *Emmerson* 881-96; *Upcott* 895.

Northern Ireland—*See also* Ireland, Works and Buildings in—Exchequer, payments to Appropriation Accounts, 1936-37, App. 1 (p. 417)—Government, guarantee under Trade Facilities Act, *Hopkins* 3776-86—Land boundary patrols, temporary increase, *Murray* 12-13.

Land Purchase Commission: Appropriation Accounts, 1936-37, App. 1 (p. 420)—Taking over of accounts by Supreme Courts, *Barry* 1026-7; *Upcott* 1030; *Jones* 1035.

Lunacy administration, *Treasury Minute*, App. 2 (p. 428).

Special duties on exports from Eire, special measures in connection with, *Murray* 12-17—Services, Appropriation Accounts, 1936-37, App. 1 (p. 420).

Supreme Court of Judicature, etc.: 2nd *Report* 11-13—Appropriation Accounts, 1936-37, App. 1 (p. 420)—Expenses in connection with remanet duties of land purchase, *Barry* 1026-7—Fees from stamps, *Barry* 1028-9.

Northern

 Reports, 1939—continued

Northern Ireland:—cont.

Lunacy administration: 2nd *Report* 11-13, 969-1025—Audit of funds by Comptroller and Auditor General but not presented to Committee, *Upcott* 1010-1—Discussions proceeding *re*, *Upcott* 969; *Brittain* 972, 974, 976, 985-8; *Barry* 973, 975—Registrar in Lunacy, remuneration, *Upcott* 969-70, 977, 992, 998, 1003-4, 1014-5; *Barry* 977, 982, 997-9, 1005, 1007-9, 1017-23; *Brittain* 977, 978-85, 990-5, 1000-2, 1006, 1012-3, 1016, 1024.

Northern Ireland Land Purchase Account.—*Upcott* 1030-1; *Barry* 1031-2; *Jones* 1035.

Nuffield Trust.—*Emmerson* 902.

O

Office of Works and Public Buildings.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Appropriations in aid, *Duff* 2098-107; *Upcott* 2100, 2101—Establishment of golf courses elsewhere than in Richmond Park, doubt as to possibility, *Duff* 2222-4—Memorandum, Osborne House, App. 11 (pp. 447-50)—Staff, *Duff* 2097, charges to Departments for, *Duff* 2098—Temporary buildings on roof for extra staff, *Duff* 2134-6—Work, increase in, and additional staff, *Duff* 2092-5.

Old Age Pensions.—Appropriation Accounts, 1936-37, App. 1 (p. 421).

Osborne.—Appropriation Accounts, 1936-37, App. 1 (p. 423).

Convalescent Home: *Office of Works*, App. 11 (pp. 449-50)—Charges, *Duff* 2086-7—certain Particulars to be supplied *re*, *Duff* 2075-9—Patients, maximum accommodation and average attendance, *Duff* 2066-70, 2072-4—Period of stay in, question of, *Duff* 2075, 2083-5—Persons eligible to go to, *Duff* 2080-3.

Grounds, upkeep of, *Office of Works*, App. 11 (pp. 448-)—Grounds and buildings, description, *Office of Works*, App. 11 (pp. 447-8)—Memorandum by Office of Works, *Duff* App. 11 (pp. 447-50)—Staff, *Duff* 2071, 2088-91—State apartments, *Office of Works*, App. 11 (pp. 448-9).

OSWIN, Mr. T. R.—1295-1394.

Crown lands, purchase of Richmond and Gordon Estate, 1365-6.

Oversea Settlement.—Appropriation Accounts, 1936-37, App. 1 (p. 419)—Assisted passages scheme, *Harding* 2718, 2755-6; *Ives* 2750; *Upcott* 2752—Canada, land settlement schemes, App. 12 (pp. 450-1); *Harding* 2730-1, 2743-4, 2757; *Ives* 2750-2—Farm school in New South Wales, *Harding* 2738-9—Loans and amounts outstanding, *Harding* 2745-57, 2759-60; *Ives* 2750-2; *Upcott* 2752, 2757—Numbers dealt with through voluntary societies and from Dominions Office, information to be obtained, *Harding* 2731-4—Position, *Harding* 2723—Settlement of migrants, under-spending, *Harding* 2718—Voluntary societies, contributions to and work of, *Harding* 2720-1, 2722, 2724-7, 2729, 2735-7; *Ives* 2728.

Overseas

Reports, 1939—continued

Overseas Trade, Department of.—Appropriation Accounts, 1936-37, App. 1 (p. 422).

OVERTON, Mr. A. E., C.M.G., M.C.—349-461.

Anglo-Argentine Meat Trade, Board of Trade Joint Committee of Inquiry, 350, 370, 372-81—*Bankruptcy and Companies (Winding-up) Proceedings account*, 391-3—*British Shipping*, assistance to, 418-35—*Cunard Insurance Fund Account*, 436-42—*Enemy Property Branch*, 367-9—*Food (Defence Plans) Department*, 365-6, 382-3—*General Lighthouse Fund*, 443-61—*Glassware Company*, loan to, 385-7—*Industrial Art Designers*, National Register of, 353-4, 346-64—*Mercantile Marine Services*, 394, 397-9, 401, 402—*Merchant Seamen's War Pensions*, 349—*Merchant Shipping (Carriage of Munitions to Spain) Act*, 1936, 404-7—*North Atlantic Ice Patrol*, 408, 411—*Patent Office*, 384—*Red Sea Lighthouses*, 403, 412-7.

Trade, Board of.—Extra remuneration, 389—New departments, staffing of, 422, 424, 428-31.

Oxford.—University, Economics Research Institute, extension, *Fergusson* 1815—University College, purchase of site at Linton from, *Street* 3655.

P

Palestine.—Army store accounts, position as to test examination, *Creedy* 3023-4—Repayment from revenues of, towards cost of defence, *Palmer* 2816.

PALMER, Mr. H.—2761-2816.

Imperial College of Tropical Agriculture, 2811—*New Hebrides Condominium*, 2769—*Palestine*, repayment towards cost of defence, 2816—*Somaliland*, grant in aid, 2813-4.

Passport Office.—Excess expenditure and abnormal receipts, *Cadogan* 287-8, 289; *Upcott* 288.

Patent Office.—Stamps, increase in revenue from, *Overton* 384.

PECK, Sir James, C.B., F.R.S.E.—647-664.

Approved schools, etc., Scotland, 664.

Public Education, Scotland.—Administrative staff, 648—Advisory Council, 649-53—Grant, 658-9—Inspectorate, 648—Physical training, 654-6—Private schools, inspection, 661—School population, 657-60—Teachers' Superannuation Fund, 662-3.

Peking.—See under China.

Pensions, Ministry of.—Acton offices, occupation partly by other departments, *Hore* 693-4—Administration, cost of, *Hore* 671-3; *Upcott* 671—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Benefit, cost of, decrease, *Hore* 673.

Pensions

 Reports, 1939—*continued*

Pensions, Ministry of:—cont.

Losses, etc.: Canadian rates obtained by incorrect statements of pre-war domicile, case of, *Hore* 695—Incorrect declarations supported by medical reports, *Hore* 696-8; *Ledgard* 698—Over-issues, *Hore* 705-9—Prosecutions, *Hore* 711-3—Widow's pension, case of bigamous marriages, *Hore* 699-704, 710; *Upcott* 704.

Medical treatment and surgical treatment: Courses of treatment in certain years, *Hore* 688—Over-expenditure, *Hore* 674-88.

Pensioners' saving scheme, *Hore* 665-70—Receipts, *Ledgard* 689-92—Recipients, declarations, etc., *Hore* 714-9; *Upcott* 717—Widows' pensions, drawing of, by persons not entitled to, *Hore* 719; *Upcott* 719.

Peterhead Harbour.—Appropriation Accounts, 1936-37, App. 1 (p. 423).

PETHICK-LAWRENCE, Mr. F. W.—Appointment as Chairman, p. 284—Jones, Mr. Morgan, tribute to, and Resolution, p. 283.

Petroleum (Production) Act, 1934.—*See under* Mines Department.

PHILLIPS, Sir Thomas, K.C.B., K.B.E.—878-938.

Labour, Ministry of.—Administration, cost, 919-20—Hostel for boys at Highgate, 923-31—Removal and resettlement of workers and dependants, 921-2—Training of serving soldiers, 910-8—Women, training, 932-3.

Special Areas.—Fund, balances, 906—General expenses, 901—Trading Estates, 883.

Unemployment Fund, 934-8.

Police, England and Wales.—Appropriation Accounts, 1936-37, App. 1 (p. 420)—Grants in respect of expenditure increase, *Maxwell* 1669-70, legislation position, *Maxwell* 1668.

Metropolitan: Buildings, light, *Moylan* 1690-2, purchase of sites and erection of buildings, *Moylan* 1688-9—Expenditure, increase, *Moylan* 1675—Junior station inspectors, own quarters found by, *Moylan* 1694—Licensing of public carriages, *Moylan* 1682-7—Pension scheme, *Moylan* 1676-8—Provident Association, *Dixon* 1678; *Moylan* 1678-81—Women, increase, *Moylan* 1693.

Road motor patrols: Accounts of local authorities, method of examination by Home Office, *Maxwell* 1664-7—Experiment, *Maxwell* 1662-3—Metropolitan Police, *Maxwell* 1671.

Uniforms, standardisation question, *Maxwell* 1672-4.

Police, Scotland.—*See under* Scotland.

Portsmouth.—Harbour, dredging, *Anderson* 3361-2—Terminal airport proposals, *Street* 3668-9.

Portugal.—British observers in, in connection with non-intervention in Spain, *Howard Smith* 341.

Post Office.—2nd Report 2—Air mail services, contributions by Imperial Administrations, *Birchall* 200—Air raid precautions work, *Birchall* 1526, 1541-6; *Ismay* 1543—Appropriation Accounts, 1936-37, App. 1 (p. 416)—Awards for inventions, suggestions, etc., *Birchall* 201-3.

Post

 Reports, 1939—continued

Post Office :—cont.

- Commercial Accounts: 2nd *Report* 3-5—Audit, *Upcott* 282, 283, 285, 286; *Brittain* 282, 284, 286; *Ismay* 282, 283, 285-6—Interest on capital liability, 2nd *Report* 3; *Treasury Minute*, App. 2 (pp. 426-7).
- Contracts placed without competition, 2nd *Report* 2; *Treasury Minute*, App. 2 (p. 425).
- Engineering Establishment: Estimating difficulty, *Birchall* 194-6; *Ismay* 196—Stores handled during 1937, value of, *Birchall* 195, 197-9—Supplementary estimates, *Ismay* 196.
- Entertainment duty stamps, sales, *Birchall* 1549-51; *Ismay* 1551—Films, production and display, *Birchall* 165-72; *Ismay* 172—Loan expenditure, under-drawing from Exchequer, *Upcott* 205; *Ismay* 205, 206.
- Losses: Burglaries, calculation of loss, *Ismay* 192-3; *Birchall* 192—Losses by Default, etc., *Birchall* 180-93; *Ismay* 190-3.
- Mails, conveyance of: Empire air mail scheme, working of, *Birchall* 130-7—by Rail, increase in rates for, *Birchall* 158-9—by Sea, *Birchall* 135-6.
- Motor vehicles: *Birchall* 164—Damaged, *Ismay* 163—Depreciation, *Birchall* 173—Purchase system, *Birchall* 174-9.
- Post Office Fund: Accounts, *Birchall* 207-11, 214, 218; *Ismay* 212-9; *Upcott* 219-20—Appropriation Accounts, 1936-37, App. 1 (p. 417).
- Postal business, increase, *Birchall* 152-7—Publicity, expenditure, *Birchall* 160-2—Receipts and payments, *Birchall* 207-11, 214, 218; *Ismay* 212-3, 215-7, 219; *Upcott* 219-20—Regional organisation, particulars of, and success and proposed extension, *Birchall* 114-25, 182-9; *Upcott* 117, 125-6; *Ismay* 126-7.
- Staff: Increase, *Birchall* 145-56—Salaries, etc., *Birchall* 141-4, 148-50.
- Stores: Expenditure on, suspense head, *Birchall* 138-40—Stores, Purchase of, for capital works, financing of, *Birchall* 138.
- net Surplus, decrease, *Birchall* 207-20—Telegrams received by telephone, *Birchall* 275; *Ismay* 275.
- Telegraph accounts: Basis of, *Brittain* 238, 269-71, 1517-21, 1524-5; *Upcott* 238-9, 241, 245-6, 249-57, 260, 271, 1524, 1525; *Ismay* 240-8, 256, 258-68, 1522-3; *Birchall* 1522—Interest on capital liability, Memorandum by Post Office, *Ismay* App. 8 (pp. 443-4).
- Telegraph plant, transfers to telephone undertaking, *Upcott* 238-9, 249-57, 260; *Ismay* 240-8, 256-66; *Brittain* 1521, 1525.
- Telegraph and telephone accounts: Amalgamation question, *Brittain* 272; *Birchall* 273-81; *Upcott* 282, Committee decision, 282—Treatment of depreciation provision in, *Upcott* 238, 249-57, 260, 271; *Ismay* 240-8, 256, 258-68; *Brittain* 269-71, 1519-21.
- Telegraph and telephone services, accounts and audit, statutory authority for, 2nd *Report* 5—Telegraph undertaking, liabilities for loans outstanding and Exchequer advances, *Upcott* 238, 239, 241, 250.
- Telephone equipment: Bulk agreements: *Birchall* 81, 81-7, 105, Letter from Bulk Contract Committee, *Birchall* App. 3 (pp. 435-9) —Position *re*, *Birchall* App. 4 (pp. 439-40).

Post

 Reports, 1939—*continued*

Post Office:—cont.

Contracts: 2nd Report 2; *Birchall* 1541, 1547-8—Placed without competition, system and suggestions *re* examination of contractors costs, etc., *Birchall* 81-113; *Ismay* 105-7.

Production, standard of, *Birchall* 101—Sub-contracting, *Birchall* 108-10.

Telephone Service: Area organisation, *Birchall* 118, 122-5; *Upcott* 125—Balance sheet, form of, 2nd Report 4—Concessions, cost of, *Birchall* 207—Local lines and trunk lines, re-distribution of classification, *Birchall* 204—Plant position, *Birchall* 1526, 1527-9, 1540—Staff in anticipation of increased business, *Birchall* 1537-9—Surpluses, and question of future position, *Birchall* 1526-35.

Post Office and Telegraph Buildings.—Supplementary Estimates, *Duff* 2179-82; *Upcott* 2182.

PRESTIGE, Mr. H. H. C.—1700-1713.

Prisons, England and Wales.—Appropriation Accounts, 1936-37, App. 1 (p. 420)—Camp, acquisition question, *Brittain* 1714-5—New buildings, expenditure per head, *Brittain* 1714.

Prisons Department, Scotland.—See under Scotland.

Private Bills and Provisional Orders.—Consultation of Treasury by Departments, *Treasury Minute*, App. 2 (pp. 430-1).

Privy Council Office.—Appropriation Accounts, 1936-37, App. 1 (p. 418)—Lord President, supplementary Vote for increase in salary, *Hopkins* 3824-8; *Brittain* 3825, 3827; *Upcott* 3827.

Privy Seal.—Keeper of, appointments, remission of fees and duties on, *Hopkins* 3852-4.

Privy Seal Office.—Appropriation Accounts, 1936-37, App. 1 (p. 418)—Salaries, supplementary estimate, *Hopkins* 3823-8.

Public Accounts, Committees of.—Epitome of the Reports from, 1857 to 1937, *Upcott* 966-8; *Brittain* 968.

Public Assistance Authorities (England and Wales), grants to.—Appropriation Accounts, 1936-37, App. 1 (p. 421).

Public Assistance, Scotland.—See under Scotland.

Public Buildings, Great Britain.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Compensation and losses, *Duff* 2117-9—Maintenance and repairs, *Duff* 2095-6—Postponement of works, *Duff* 2195-6—Supplementary estimates, *Duff* 2113-5.

Public Buildings Overseas.—Appropriation Accounts, 1936-37, App. 1 (p. 423).

Public Education, Scotland.—See under Scotland.

Public Record Office.—Appropriation Accounts, 1936-37, App. 1 (p. 419).

Public

 Reports, 1939—continued

Public Trustee.—Appropriation Accounts, 1936-37, App. 1 (p. 420)—Audit by Comptroller and Auditor General, *Upcott* 1398-400, 1403-6, 1410 *Fass* 1406, 1408-10—Average value of trusteeship, *Fass* 1415-6—Cash at banks, *Fass* 1417-22—Disposal of surplus monies in hands of, *Fass* 1395; *Treasury Minute*, App. 2 (p. 428)—Expenditure increase *Upcott* 1398-400; *Fass* 1406—Fees, receipts, *Fass* 1412—Investment fees, *Fass* 1413-4—Investments, *Fass* 1419—Loss in administration of a trust, *Treasury Minute*, App. 2 (p. 428)—Salaries, *Fass*, 1397, 1406—Title deeds, instruction *re*, *Fass* 1396—Trusts, increase, *Fass* 1401-2; *Upcott* 1402, new cases, *Fass* 1401.

Public Works Loan Commission.—Agricultural credits, *Barnes* 1098, 1154—Appropriation Accounts, 1936-37, App. 1 (p. 419).

Farming operations: 1136—Financing of by means of Bank overdrafts, 2nd *Report* 7; *Upcott* 1064, 1149, 1158; *Barnes* 1065-72, 1086-91, 1093-7, 1105; *Brittain* 1073, 1090-2, 1105, 1110, 1137-48, 1150-2—Payments for supplies, *Upcott* 1064, 1120-8; *Barnes* 1076-9; *Brittain* 1080, 1087, 1111-9, 1129-35—Sale of produce, *Barnes* 1096-7—Transactions with agents, accounting, *Upcott* 1064, 1074; *Barnes* 1074-5, 1080; *Brittain* 1080.

Farms: Delay in payment of accounts by receivers, *Upcott* App. 6 (p. 441)—Obtaining of, by default of borrowers, *Barnes* 1081-5, 1099-103, 1153-7, 1170-1—Power to borrow for improvements, *Brittain* 1103-4, 1108, 1110; *Barnes* 1104, 1105-9, 1110; *Upcott* 1108.

Fees, and expenditure, *Barnes* 1161-9.

Properties of which Board mortgages in possession, *Barnes* App. 5 (pp. 440-1).

Q

Queen Anne's Bounty.—*Hopkins* 3755-6.

R

Rates on Government Property.—Appropriation Accounts, 1936-37, App. 1 (p. 423).

Reading University.—Laboratories, *Fergusson* 1815.

Red Sea lighthouses.—*Overton* 403, 412-7.

Regent's Park.—Outer circle road, re-conditioning, *Duff* 2213—*Queen Mary's Garden*, improvements, *Duff* 2213—Theatrical performances, payment of final instalment due from debt owing for 1935, *Duff* 2197.

Register House, Edinburgh.—Appropriation Accounts, 1936-37, App. 1 (p. 420).

Registrar-General's Office.—Appropriation Accounts, 1936-37, App. 1 (p. 421).

Registrar's General Office, Scotland.—See under Scotland.

REID

 Reports, 1939—*continued*

REID, Mr. G. T., C.B.—939-953.

Unemployment Assistance Board.—Administration cost, 946-50—Advisory Committees, 953—Allowances, winter, 939—Applicants, training, 940-5—Contribution to Unemployment Assistance Fund, 951-2—Staff, 949-50.

Wigan and District Subsistence Production Scheme, 944.

Representation of the People Acts.—Expenses under: *Hopkins* 3806—Appropriation Accounts, 1936-37, App. I (p. 418).

Revenue Buildings.—Appropriation Accounts, 1936-37, App. I (p. 423)—Postponement of works *Duff* 2195-6.

Revenue Departments.—Appropriation Accounts, 1936-37, App. I (pp. 415, 416).

Richmond and Gordon estate.—Purchase by Crown Lands Commissioners *Stocks* 1331-43, 1351-67; *Upcott* 1335, 1359, 1361-2, 1368; *Oswin* 1365-6.

Richmond Park Golf Courses.—Current Account, *Barnett* 2228-36; *Upcott* 2229—Depreciation of buildings, *Barnett* 2218-9—Dog, *Barnett* 2220-1—Improvements, application of reserve fund to, *Barnett* 2225-7; *Upcott* 2226—Trading accounts, form of, *Brittain* 2214-6, 2217; *Upcott* 2217.

RIGG, Mr. H. McM., M.B.E.—3262-3401.

Navy, Dockyard accounts, 3396-401.

Road Fund.—Appropriation Accounts, 1936-37, App. I (p. 417).

Roads, etc., Vote.—*Browett* 842-50; *Upcott* 844-5—Fines, *Browett* 848-50.

ROBINSON, Sir Roy, O.B.E.—2495-2542.

Forestry Commission.—Balance, non-surrender, 2495—Forest workers holdings, 2498, 2500-1, 2523-42—Forestry operations, 2497, 2499—Halton Moor, 2516-8—Insurance, 2509-10—Land, acquisition of, in South Wales, 2496, 2511-5—National forest parks, 2502-8—New and Dean Forests, 2519-20.

Rome.—See under Italy.

ROSE, Mr. P. J. G., C.B.—2292-2417.

Herring Fund Advances Account, 2366-7.

Herring industry.—Administrative and other expenses, 2359—Board, 2363-4, 2371-3, 2374-9, advertising, 2380-93—Loans and grants for construction of boats, etc., 2360-2, 2365—Marketing Fund, 2369-70.

Scotland.—Air raid precautions, 2394-6—Fishery Board, overhaul of dredger "Dragon," 2416-7—Physical training and recreation schemes, 2397.

Prisons: Accommodation, 2409-11, 2414—new Criminal lunatic asylum, 2401-2—Gratuities to prisoners, etc., 2406-8—new Prison for females, 2403-5—Reorganisation and reclassification, 2412-3—Tobacco and cigarettes for criminal lunatics, 2415.

Public Assistance Authorities, grants to, 2398.

Scotland

 Reports, 1939—continued

Scotland:—cont.

- Special areas: Physical training and recreation, 2297, 2312—Trading estates, 2292-6, 2324-6.
- Rothamstead*.—New laboratory, *Fergusson* 1815.
- Rothsay*.—Holiday camp for unemployed men and families, *Valentine* 2318.
- Roumania*.—Anglo-Roumanian Clearing Office, *Wardley* 875-7—British subject, *ex gratia* payment to, *Howard Smith* 337-40.
- Royal Academy of Dramatic Art*.—Grant to, *Hopkins* 4042-3.
- Royal Commissions, etc.*—Appropriation Accounts, 1936-37, App. 1 (p. 419).
- Royal Irish Constabulary Pensions, etc.*—Appropriation Accounts, 1936-37, App. 1 (p. 423).
- Royal Mail Group*.—Guarantee under Trade Facilities Acts, position, *Hopkins* 3757-86; *Upcott* 3762, 3777-8.
- Royal Palaces*.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—External and internal works, *Duff* 2147, 2149-50, 2164-8, 2170-1; *Upcott* 2154, 2169, 2171-2; *Treasury Minute*, App. 2 (p. 431)—Works chargeable against balance transferred in 1936 from Civil List, explanation, *Duff* 2147-53, 2155-6, 2160-63, 2166-8; *Barnett* 2157.
- Royal Parks and Pleasure Gardens*.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Chairs and boats, licences for letting, system, *Duff* 2208-10—Gardening work, staff, *Duff* 2211-2—Maintenance and repairs, *Duff* 2213—Remission of moiety of commission on account of loss sustained by contractor for sale of refreshments on Coronation route, *Duff* 2202-5; *Upcott* 2206-7—Seats, contributions by private donors, *Duff* 2201.
- Royal Scottish Museum*.—Extension, *Duff* 2025.

S

- St. James' Park*.—New seats, *Duff* 2201.
- Sarawak*.—Landing grounds, contribution towards cost of, *Street* 3656-8.
- SCHUSTER, Sir Claud, G.C.B., C.V.O., K.C.—1423-1516.
- County Courts*.—Delays in, question, 1484-6—Funds, 1498-501, 1504-12, 1515-6—Grouping, 1468-70—Officers, etc., 1481-3—Postage, 1487-9—Tithe Arrears Investigation Committee, 1463-7, 1471-80, 1490-1.
- Supreme Court of Judicature*—Circuit officers, 1423-33—District Probate Registry fees, 1443—Judicature fee stamps, 1443-4—Losses, 1450-1—Monies in charge of, 1445-53, 1458—Shorthand reporting, 1434, 1438-42.
- Science Museum*.—Attendance, *Holmes* 617.
- Scientific and Industrial Research, Department of*.—Appropriation Accounts, 1936-37, App. 1 (p. 422).

SCHUSTER

 Reports, 1939—continued

- Scientific Investigation, etc.*—Appropriation Accounts, 1936-37, App. 1 (p. 421)—Grants in aid, *Hopkins* 4042-3.
- Scotland.*—Agriculture, Department of: Appropriation Accounts, 1936-37, App. 1 (p. 422)—Expenditure, decrease, *Laird* 1969-70, 1971—Land Settlement, *Laird* 1971—Public works and miscellaneous services in congested districts, under-spending, *Laird* 1967-8—Raspberry scheme, no revival of, *Laird* 1972—Receipts, *Laird* 1975—Regulation of wages, *Laird* 1973-4.
- Small Holding Colonies: Administrative expenses, *Laird* 1976-8; *Brittain* 1979; *Upcott* 1987-8—no intention known of, of getting rid of land now in form of, *Upcott* 3932—Interest charges, *Laird* 1981-3, 1985—Land and buildings, sales, *Laird* 1993-4—Loss, *Laird* 1980-3, 1985, 1991-2; *Upcott* 1983-4; *Brittain* 1985—Trading Accounts, form of, *Laird* 1986; *Brittain* 1986.
- Stud farms, *Laird* 1995-6—Trading accounts, 1976-96.
- Air raid precautions: Fire Brigade Service, *Rose* 2394-6—Local authorities schemes, progress, *Rose* 2395.
- Approved schools, etc., Appropriation Accounts, 1936-37, App. 1 (p. 420)—Board of Control for, Appropriation Accounts, 1936-37, App. 1 (p. 421)—Exchequer Contributions to Local Revenues, Appropriation Accounts, 1936-37, App. 1 (p. 424).
- Fishery Board for: Appropriation Accounts, 1936-37, App. 1 (p. 422)—“Dragon” dredger, overhaul, *Rose* 2416-7.
- Government Departments, re-organisation, *Fraser* 1289-90.
- Health, Department of: Appropriation Accounts, 1936-37, App. 1 (p. 421)—Grants to Voluntary Hospitals in respect of duty on spirits, *Fraser* 1292.
- Housing grants: Central Housing Association, *Fraser* 1277-86—Settlement of claim against City of Glasgow, *Fraser* 1276.
- Housing (Rural Workers) Act, 1926, certificates from local authorities, *Fraser* 1293-4—Staff, increase, *Fraser* 1287-91.
- Law Charges and Courts of Law, Appropriation Accounts, 1936-37, App. 1 (p. 420).
- Milk: Appropriation Accounts, 1936-37, App. 1 (p. 422)—Attestation scheme, *Laird* 1997-2003, transfer to English Ministry, *Laird* 1997-8, 2000-3—Number of children receiving, 2004.
- National Galleries, Appropriation Accounts, 1936-37, App. 1 (p. 421).
- National Library: Appropriation Accounts, 1936-37, App. 1 (p. 421)—Extension, contribution by Sir Alexander Grant, *Duff* 2027-8; *Upcott* 2028.
- Physical training centres, administration by Scottish Office, *Peck* 654-5—Police, Appropriation Accounts, 1936-37, App. 1 (p. 420).
- Prisons Department: Accommodation, in excess of number of prisoners, *Rose* 2409-11, 2414—Appropriation Accounts, 1936-37, App. 1 (p. 420)—new Criminal lunatic asylum, progress, *Rose* 2401-2—Gratuities to prisoners, etc., *Rose* 2406-8—new Prison for females, purchase of site but postponement of erection, *Rose* 2403-5—Re-organisation and re-classification under consideration, *Rose* 2412-3—Tobacco and cigaretttes for criminal lunatic from King’s warehouse, *Rose* 2415.

Scotland

Reports, 1939—continued

Scotland:—cont.

Public Assistance Authorities, grants to, Appropriation Accounts, 1936-37, App. I (p. 421)—Final payment, *Rose* 2398.

Public Education: Administrative staff, office, saving, *Peck* 648—Advisory Council, *Peck* 649-53—Appropriation Accounts, 1936-37, App. I (p. 421)—Grant, *Peck* 658-9—Inspectorate, savings, *Peck* 648—Physical training, *Peck* 654-6—Private schools, inspection, *Peck* 661—School population, *Peck* 657-60—Teachers' Superannuation Fund, securities, *Peck* 662-3; *Upcott* 663.

Registrar General's Office, Appropriation Accounts, 1936-37, App. I (p. 421).

Special Areas: Appropriation Accounts, 1936-37, App. I (p. 421)—Farming experiments, *Valentine* 2313-4—Government factories, *Valentine* 2322-3—Holiday camps, *Valentine* 2318—Housing Association, *Valentine* 2317—Occupational and community centres, *Valentine* 2318—Physical training and recreation, *Rose* 2297, 2312, grants system, *Valentine* 2297-312; *Brittain* 2308—Public works, schemes and grants, *Valentine* 2319-21, 2356—Scottish Industrial Estates, Limited, position of, method of keeping accounts, etc., *Valentine* 2324-6, 2332-3, 2336-44; *Brittain* 2327-8, 2329-31, 2335, 2345-6, 2350, 2351-2; *Upcott* 2329, 2334-5, 2347-52—Scottish Land Development Company, Ltd., position of method of keeping accounts, etc., *Valentine* 2324-6, 2332-3, 2336-44; *Brittain* 2327-8, 2329-31, 2335, 2345-6, 2350-2; *Upcott* 2329, 2334-5, 2347-52—Sewage and sewerage works, *Valentine* 2315-6, 2356.

Trading estates: Control, *Rose* 2295-6—Loans and commitments, etc., *Rose* 2292-4; *Valentine* 2324-6, 2353-5, 2357-8—Trading estates, tenants, *Valentine* 2322.

Scotswood factory.—Acquisition for joint requirements of Army and Navy, and management by Vickers Armstrong, *Creedy* 2946; *McBain* 2946-71; *Upcott* 2947, 2958, 3232; *Jubb* 3201-31; *Gilbert* 3212, 3228; *Coxwell* 3212-3, 3227-8, 3378; *Carter* 3216.

Scottish Council for Community Service.—Grants in aid, *Valentine* 2318.

Scottish Immigrant Aid Society.—*Harding* 2735-6.

Scottish Land Court.—Appropriation Accounts, 1936-37, App. I (p. 420).

Scottish Office.—Appropriation Accounts, 1936-37, App. I (p. 419)—Fire Brigade Service, *Rose* 2394-6.
Physical training and recreation schemes, progress, *Rose* 2397.

Scottish Savings Committee.—*Hopkins* 3847.

Seale Hayne Agricultural College.—New post-mortem house, *Fergusson* 1815.

Secret Service.—Appropriation Accounts, 1936-37, App. I (p. 419).

SHUCKBURGH

 Reports, 1939—continued

SHUCKBURGH, Sir John E., K.C.M.G., C.B.—2761-2816.

British Guiana-Brazil Boundary Commission—2815—*Colonial Accounts*, form, 2766-7—*Colonial Empire Marketing Board*, 2771-2, 2775-7, 2783—*Colonial and Middle Eastern Services*, supplementary estimates, 2804-9—*Colonial Office*, staff, 2761-2—*Empire Marketing Board*, 2780-4—*Imperial College of Tropical Agriculture*, 2810-2—*Imperial Institute*, 2788—*New Hebrides Condominium*, 2764-5—*Somaliland*, grant in aid, 2806-9, 2813—*Trans-Jordan*, road construction scheme, 2799-802.

Simon, Sir John.—Appointment as Chancellor of the Exchequer, remission of stamp duty, etc., *Hopkins* 3852-4.

Singapore.—Naval base, total estimate, *Carter* 3370; *Anderson* 3370-7.

Snorlonia Park.—*Robinson* 2503, 2507.

Society for the Oversea Settlement of British Women.—*Harding* 2735-6.

Somaliland.—Grant in aid, *Upcott* 2763; *Schuckburgh* 2806-9, 2813; *Palmer* 2813-4; *Brittain* 2814.

Southampton.—Empire air base, *Street* 3670.

Southern Railway Company.—and North Devon and Cornwall Junction Railway, *Browett* 812-7.

Southern Rhodesia.—Settlement scheme, dues, 2750, sale of farm at less than original price on account of proximity of tsetse fly belt, *Harding* 2758.

Spain.—Anglo-Spanish Clearing Office, *Wardley* 874—British refugees from, assistance of, payment to London County Council for, *Cadogan* 326-7—Crises, *Cadogan* 287—Export credits to, position, *Nixon* 2419, 2428-9, 2432-6—Non-Intervention, International Council, British contribution, *Upcott* 335; *Cadogan* 341; *Howard Smith* 341, observers in Portugal, *Howard Smith* 341—Sale of service respirators to late Government, *Hains* 1576-7, 1640.

Special Areas (England and Wales).—Appropriation Accounts, 1936-37, App. 1 (p. 421)—Fund, balances, *Phillips* 906; *Upcott* 906, 908-9; *Brittain* 907-8, Appropriation Accounts, 1936-37, App. 1 (p. 421)—General expenses, Supplementary Estimate and under-spending, *Emmerson* 901, 903-5; *Phillips* 901—Housing, payments, *Emmerson* 899-900—Physical training and recreation facilities, relations between Commissioner and local authorities and other bodies, *Emmerson* 897—Public health schemes, progress slower than estimated, *Emmerson* 901—Staff, increase, *Emmerson* 898—Subsistence production scheme in South Wales, *Emmerson* 879-80—Trading Estates, system and policy, *Emmerson* 881-96; *Phillips* 883; *Upcott* 884, 895.

Special Areas, Scotland.—See under Scotland.

Special and other areas.—Loans to new industrial undertakings, *Hopkins* 4049-51—Site companies, provision for financial assistance, *Hopkins* 4052.

Stafford

 Reports, 1939—continued

Stafford Corporation.—Contribution by Ministry of Health towards expenses of, case of breaches of conditions by owners, *Chrystal* 1234-6.

Stamp Duty and Fees on Appointments, etc.—Remissions, *Hopkins* 3848-58; *Upcott* 3849, 3856, 3858.

State Management Districts.—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Breweries, proportion of British barley used, *Maxwell* 1705-6—Confidential accounts, *Maxwell* 1700-2—Food, encouragement of sale, *Maxwell* 1708—Food and liquor receipts, percentages, *Maxwell* 1703-4, 1708-12—Trading accounts, *Maxwell* 1700-13.

Stationery Office.—Press advertising, *Codling* 2617-8, 2624-9; *Upcott* 2629.

Printing and binding works: Current account, *Codling* 2658-61; *Upcott* 2659-60, 2664; *Brittain* 2662-3—Depreciation system, *Codling* 2653, 2656-7—Extensions to plant, *Codling* 2652—Repairs and renewals, and depreciation, distinction, *Codling* 2653-5.

Publications: Automatic supply to Members of Parliament, *Upcott* 2647, 2674; *Codling* 2648-51, 2668-9; *Brittain* 2675—Selling prices, fixing of, *Codling* 2676.

Purchasing department for Government Departments for stationery, printing and periodicals, *Codling* 2631—Sale Offices, trading accounts, *Codling* 2665-83—Services rendered to House of Commons, *Codling* 2641-6; *Upcott* 2643, 2644, 2645.

Stationery and Printing.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Devotional books, supply to prisons, and to Services, *Codling* 2630—Paper, stocks in hand, *Codling* 2632-8; *Brittain* 2635-6, 2640; *Upcott* 2639, supplementary estimate, *Codling* 2614-6—Printing contracts, extra-contractual concession in reference to 45-hour week, *Codling* 2619.

STEWART, Sir Findlater, G.C.I.E., K.C.B., C.S.I.—743-757.

India and Burma Services.—Contributions from India and Burma, 744—increased Cost to Treasury, 743, 745-9—Military Officers, India Office, 750-7.

STOCKS, Mr. C. L., C.B.—1295-1394.

Crown lands.—Claim abandoned, 1385—Farms, etc., in hand, 1377-80, 1386, 1387—General maintenance, 1381-4—Land purchase policy, 1334-5, 1343, 1346-50—Manorial incidents, extinguishment of, 1376—Mines, rent arrears, 1305-6—Regent Street, rent arrears, 1295-304, 1307-30—Richmond and Gordon estate, purchase, 1331-43, 1351-67—Securities, sources, 1344-5—Tithe and stipends to clergy, 1388-9.

Cumberland Market.—Rehousing scheme, 1369-75—*Windsor Parks and Woods*, 1381-3.

Straits Settlements.—Contribution to military expenditure, *Creedy* 3034—Salaries, loss to Treasury Chest Fund owing to variation in exchange, *Hopkins* 3859-64.

STREET, Sir Arthur, K.B.E., C.B., C.M.G., C.I.E., M.C.—3402-3682.

Air Registration Board, 3594-603.

STREET

 Reports, 1939—continued

STREET, Sir ARTHUR:—cont.

Air Services.—Audit 3483—Auxiliary and Reserve Forces, flying hours, 3662.

Contracts: “Assisted”, 3538, 3544—McLintock Agreement, 3403, 3423-6, 3509—Manufacturing capacity, extension, 3510—Price fixing, 3403, 3404-5, 3418, 3485-7.

Losses, 3672—Rewards to inventors, 3621-5—Shadow factories, 3438-41, 3481, 3511-4, 3516-7, 3519-27, 3529-36, 3569—Works, buildings and lands, 3629-58.

Civil Aviation.—Airports for London, 3553—Berlin night service, 3616—British Airways and Imperial Airways, forthcoming merger, 3604-5, 3608-15—Contributions from Dominions, 3665—Empire air base, 3668-70—Empire air mail scheme, 3604-9—North Atlantic service, 3619-20—“Progress slower than expected”, 3666-7—South Atlantic services, 3617-8—West African service, 3617-8.

Heston aerodromè, 3553-6, 3558, 3559-68, 3570—*Linton*, purchase of site of new station, 3655—*Newfoundland* transatlantic air base scheme, 3572-6, 3579-80, 3583, 3585, 3587-91—*Meteorological instruments*, sale to Admiralty, 3671-2—*Sarawak*, landing grounds, 3656-8—*Yatesbury Air Force training camp*, 3649-54.

Suez Canal.—Government Directors, shares held by, surrender of interest to Exchequer, *Hopkins* 3814-8—Loan, question of amortisation lease at end of period, *Hopkins* 3734-5—Shares, drawing of, *Hopkins* 3734-5, redemption, *Hopkins* 3816-7; *Upcott* 3817; *Brittain* 3817.

Sugar Industry (Reorganization) Act, 1936.—Assistance for 1936-37 under Section 14 (1), *Fergusson App.* 9 (pp. 445-6).

Superannuation and Retired Allowances.—Appropriation Accounts, 1936-37, App. 1 (p. 423)—Excess expenditure, *Treasury Minute*, App. 2 (p. 425).

Supplementary Estimates.—In Spring, position as to provision for redistribution of funds, *Upcott* 2922-3.

Supreme Court of Judicature, etc.—Appropriation Accounts, 1936-37, App. 1 (p. 420)—Circuit officers, method and terms of appointment, etc., *Schuster* 1423-33; *Brittain* 1425; *Treasury Minute*, App. 2 (pp. 427-8)—District Probate Registry, fees, increase, *Schuster* 1443—Judicature fee stamps, increase, *Schuster* 1443-4—Losses, *Schuster* 1450-1; *Upcott* 1450, 1451.

Monies in charge of: Brokerage upon investments and sales, *Schuster* 1448-9; *Upcott* 1449—Mistake in sale of shares, *Schuster* 1445, 1450; *Upcott* 1450—Securities in foreign countries, *Schuster* 1452-3, value, *Upcott* 1446, 1447; *Schuster* 1446, 1447, value of, held by National Debt Commissioners and liability to Accountant-General, *Brittain* 1454—Surplus on income account, position as to transfer to Exchequer, *Brittain* 1455-6; *Upcott* 1456; *Schuster* 1458—Surpluses, *Brittain* 1458-62.

Shorthand reporting, *Schuster* 1434, 1438-42; *Blunt* 1435-7.

Supreme

 Reports, 1939—continued

- Supreme Court of Judicature, etc., Northern Ireland.*—See under Northern Ireland.
- Surplus Stores, etc., Liquidation Department.*—Loan to commercial company for building housing estate, writing off, *Hopkins* 3839.
- Surveys of Great Britain.*—Air photography, *Macleod* 2545-6, 2552-6—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Expansion scheme, *Macleod* 2543.
- Maps: Copyright infringement, *Macleod* 2569-71—Grid on, *Macleod* 2557-8—Production in book form, question of, *Macleod* 2599-605—Sales organisation and policy, *Macleod* 2559-68, 2579-89, 2595-600—Work for Stationery Office on re-payment, *Macleod* 2547-50.
- Royalty payments, *Macleod* 2551, 2569.
- Staff: Accommodation difficulty, *Macleod* 2544—Civil assistants, *Macleod* 2543-4, 2593-4—Increase, *Macleod* 2543, 2594—Military members, *Macleod* 2572-8, 2606-13.
- Wastage, *Macleod* 2544—Work of Scottish Place Names Society, *Macleod* 2590-2.
- Swaziland.*—Grant in aid, *Harding* 2708; *Brittain* 2709-10.

T

- Team Valley Trading Estate.*—See North Eastern Trading Estates, Ltd.
- Telephone Directories.*—Printing of, and administration of advertisements contract, by Stationery Office, *Codling* 2620-23.
- Television.*—See under Broadcasting.
- Temple, Master of the.*—Contribution towards salary of, by Crown Lands Commissioners, *Stocks* 1388.
- Tientsin.*—See under China.
- Tithe Act, 1936.*—Annuities, collection, *Hopkins* 3879, 3884—Arrears, collection progress, *Hopkins* 3879-82.
- Redemption: *Hopkins* 3738, 3745-56—Account, working out of, *Hopkins* 3887-8—Stock, issue, progress, *Hopkins* 3883, 3885-6.
- Tithe Arrears Investigation Committee.*—See under County Courts.
- Tithe Redemption Commission.*—Appropriation Accounts, 1936-37, App. 1 (p. 419)—Legal expenses, *Upcott* 478—Local collectors, collection by, on commission, *Upcott* 475-6; *Blunt* 476—Staff, *Hopkins* 3889, increase, *Brittain* 471, 473-4, 477; *Upcott* 472.
- Trade, Board of.*—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Bankruptcy and Companies (Winding-up) Proceedings account, *Overton* 391-3—Contribution to National Register of Industrial Art Designers, *Upcott* 353; *Overton* 354, 357, 363-4; *Brittain* 355—Enemy Property Branch, work of, and position as to closing down, *Overton* 367-9—Extra remuneration, *Overton* 389—Food (Defence Plans) Department, *Overton* 365-6, 382-3—Joint Committee of Inquiry into Anglo-Argentine Meat Trade, *Overton* 350, 370, 372-81; *Upcott* 351; *Brittain* 352; *Elliot* 370-2; *Treasury Minute*, App. 2 (pp. 428-9)—Mines Department, see that title—New departments, staffing of, *Overton* 422, 424, 428-31; *Brittain* 431—Patent Office, see that title—Unestablished clerk, employment as auxiliary postmen, *Overton* 389.

Trade

 Reports, 1939—*continued*

- Trade Facilities Acts.*—Position under, 3757-803.
- Trading Accounts.*—2nd Report, 18-20—Form of, deferring of general question of, suggestion, *Hopkins* 4054; *Upcott* 4055—Interest, calculation of, *Brittain* 2214-6, 2217; *Upcott* 2217—Treasury Memorandum, App. 18 (pp. 458-9), *Hopkins* 4054.
- Traffic Commissioners.*—See under Transport, Ministry of.
- Trans-Jordan.*—Road construction scheme, *Whittle* 2791-801; *Shuckburgh* 2799-802; *Upcott* 2799.
- Transport, Ministry of.*—Agency work for Air Ministry, *Browett* 789-92—Appropriation Accounts, 1936-37, App. 1 (p. 422)—Bridges on which tolls collected by, *Browett* 826-30.
- Driving Tests: Organization, under spending, *Browett* 782, 803-5—Staff, *Browett* 801-6—Travelling, excess expenditure, *Browett* 793-5, 806.
- Finance Department, under-spending *Browett* 782.
- Road Fund: Commitments: *Browett* 852-7, 862-5—Five-year programme, *Browett* 853-66—Under-spending, *Browett* 851.
- Roads Department: Crofter Counties scheme, delay in action, *Browett* 782, 798-9—Estimating difficulty, *Browett* 783-5.
- Roads Divisional Offices, under-spending, *Browett* 782—Traffic Area offices, legal expenses, etc., *Browett* 787.
- Traffic Commissioners: Receipts, *Browett* 824-5—Under-spending, *Browett* 782.
- Travelling expenses, excess expenditure, *Browett* 793-5.
- Trunk roads: Acquisition of land, *Browett* 851—Policy *re*, *Browett* 844-7; *Upcott* 844-5—Taking over of, *Browett* 782, 851.
- Travers Foundation.*—See Greenwich Hospital and Travers Foundation.
- Treasury.*—Counsel, *Hopkins* 3810-1.
- Memoranda: Army Supplementary Estimate, App. 3 (p. 451)—Trading Accounts, App. 18 (pp. 458-9).
- Minutes on the first and second Reports of the Committee of Public Accounts, App. 2 (pp. 425-35), handed in, *Brittain* 1—Staff, lending of, to other departments, *Hopkins* 3819-22—Staff and salaries, increase, *Hopkins* 3809.
- Treasury Chest Fund.*—*Hopkins* 3859-71—Appropriation Accounts, 1936-37, App. 1 (p. 419).
- Treasury Pool of Shorthand Writers.*—*Hopkins* 3847.
- Treasury and Subordinate Departments.*—Appropriation Accounts, 1936-37, App. 1 (p. 418).
- Trinidad Imperial College of Tropical Agriculture.*—Investigations as to Panama—disease in bananas, *Shuckburgh* 2810-2; *Palmer* 2811.
- Unemployment*

 Reports, 1939—*continued*

U

Unemployment Allowances.—Appropriation Accounts, 1936-37, App. I (p. 421).

Unemployment Assistance Board.—Administration, cost, increase and reasons, *Reid* 946-50; *Upcott* 947—Advisory Committees, *Reid* 953—Allowances, winter adjustments, *Reid* 939—Applicants, training in Ministry of Labour and instructional centres, *Reid* 940-5—Appropriation Accounts, 1936-37, App. I (p. 421)—Contribution to Unemployment Assistance Fund, under-spending and difficulty of estimating, *Reid* 951-2—Estimating difficulty, *Hopkins* 3804—Staff, *Reid* 949-50.

Unemployment Assistance Fund.—Audit, *Upcott* 959.

Unemployment Fund.—Conversion stock, loss on realisation, *Phillips* 935—Receipts from Defence Departments, *Phillips* 936-7.

Universities and Colleges, Great Britain.—Appropriation Accounts, 1936-37, App. I (p. 421)—Balances, *Hopkins* 4046-7—Grants, basis of, *Hopkins* 4048.

Upcott, Sir Gilbert, K.C.B.—

Accounts on which witnesses not heard, 2019.

Admiralty, Financial control, 3104, 3106, 3107—Meteorological Branch, 3672.

Agriculture and Fisheries, Ministry of.—Farm settlement accounts, 1822-4, 1826, 1832, 4055-6—Land drainage, 1819-20—Receipts, 1821—Smallholdings 3932—Veterinary officers, motor car allowances, 1801.

Air Registration Board, 3599.

Air Services.—Audit, 3482.

Contracts, "Assisted", 3541, 3545, 3548, 3553—McLintock Agreement, 3508—Manufacturing capacity, extension of, 3510—Price fixing, 3403, 3484, 3499, 3508—Rewards to inventors, 3622—Shadow factories, 3481, 3515, 3518, 3528, 3536.

Anglo-Argentine Meat Trade, Board of Trade Joint Committee of Inquiry, 351.

Army.—Account, outcome of, 2927-8—Colonial contributions, 3035.

Contracts: Progress payments, 2941-2—Special advances to Contractors, 2928-9, 2937-8, 2941—Target price system, 2947, 2958.

Factories, erection by firms as agents of War Office, 2977, 2982, 2986, 2990, 2993, 3007, 3014-5—Factory bought to meet joint requirements of Admiralty and War Office, 2972—Mechanical transport, 3049—Numbers, Appendix to Report of Comptroller and Auditor-General, 3025-30.

Ordnance factories: Accounting, 2884, 2885, 2887, 2891—Bishopton, 2898—Chorley 2840, 2843, 2846, 2853, 2891—Miscellaneous expenditure 2892—Scrapping of machinery etc., 2908.

UPCOTT

 Reports, 1939—*continued*

UPCOTT, Sir GILBERT:—*cont.*

- Quartering and movements, 3050—Road transport, 3058—Supplementary Estimate and non-provision for redistribution of funds under other Votes, 2920, 2922—Warlike stores, rewards to inventors, 3059.
- Beet Sugar Subsidy, Great Britain*, 1719, 1724, 1738, 1742-3, 1746, 1749, 1755, 1759-60, 1764-5, 1767, 1770, 1773.
- Bermuda air transport scheme*, 3954, 3958, 3962-3, 3965-6, 3973, 3983, 3984, 3987-8, 399-6-4000, 4005-6—*Branston*, Royal Army Ordnance Corp store, 3082, 3084—*British Council*, 289A, 294, 295—*British Honduras*, grant, 3989-90—*British Phosphate Commission*, 3687, 3688, 3711—*Broadcasting*, 222—*Caledonian and Crinan Canals*, 830-2, 837-8.
- China*.—British refugees from, 311-2, 316—Prison expenses, 330.
- Cinematograph Fund*, 463, 465-7—*Civil Service Commission*, 468—*Coal Mines Reorganization Commission*, 768-9—*Colonial Development Fund*, 3906, 3992, 4011—*Colonial Empire Marketing Board* 2781—*Consolidated Fund Abstract Account*, 3744.
- Consuls*.—Fees, 308-10—Lump sum allowances, 298-304.
- County Court Funds*.—1510—Tithe Arrears Investigation Committee, 1465, 1493, 1474.
- Crown lands*, 1344, 1383, 1386, 1393-4—*Richmond and Gordon Estate*, purchase, 1335, 1359, 1361-2, 1368.
- Cumberland market rehousing scheme*, 1374—*Diplomatic service*, 325—*Dominions Office, salaries*, 2686-7.
- Edinburgh*.—Inland Revenue buildings, 2187—Time gun, 4045.
- Education, Board of*.—Elementary education, grants, 599—Physical training and recreation, grants, 553, 585—Teachers, pensions, 594.
- Egypt*, Dwek case, 322-3—*Eire*, Statement showing proceeds from special duties on imports from, and payments withheld by Government of, 1060.
- Exchequer and Audit Department*.—Appropriations in aid, 957-60—Audits, inter-Departmental payments, 961-5—Staff, 954—Traveling expenses, 956—Work 954-5.
- Export credits*, 2439, 2489, 2494—*Foreign Office*, excess expenditure, 288—*Forestry Commission*, 2510—*Glasgow*, Inland Revenue buildings, 2178—*Gold Coast*, ground organisation for air services, 4017, 4020—*Government hospitality*, 3830, 3832-5—*Greenwich Hospital and Travers Foundation*, 3240, 3243, 3254, 3255-7, 3261.
- Health, Ministry of*.—Appropriations in aid, 1178-9—Widows', Orphans' and Old Age Contributory pensions Act, 1269, 1270-1.
- Herring Fund Advances Account*, 2368—*Herring Industry Board*, 2379—*Heston aerodrome*, 3560.
- House of Commons*.—Chairman and Deputy Chairman of Ways and Means, 505, 510—Chairman of Ways and Means, 479, 516—Deputy Chairman of Ways and Means, increase in salary, non-inclusion in Supplementary Estimate, 479, 502, 516—Commissioners for regulating the Offices of, 479, 502.

Houses

 Reports, 1939—continued

UPCOTT, Sir GILBERT:—cont.

Houses of Parliament buildings, refreshment accommodation, re-arrangement, 2032—*Imperial War Graves Commission*, 737, 739, 741—*Income tax*, Bank interest, 77—*India and Burma Services*, 746—*Industrial Art Designers, National Register of*, 353.

Inland Revenue.—Compensation settlements, 46—Remissions, 52.

Iraq, compensation for stores, 343—*Ireland*, works and buildings in, 2238—*Irish Free State Services*, 2717—*Irish Land Purchase Services*, 1038-41—*Jones, Mr. Morgan, tribute to*, 283—*King, His Majesty The*, Coronation, 3874, 3875—*Labour, Ministry of*, training of serving soldiers, 913—*Land Fertility Improvement*, 1889—*Livestock Industry and Cattle Fund*, 1837, 1838—*Local Loans Fund*, 1169, loss in connection with Irish Free State annuity, 1054-5, 1057—*Medical Research Council*, 4040-1, 4033, 4034—*Milk*, 1903-4, 1911, 1917-8, 1946-7—*Mint*, 2242, 2256, 2273, 2290-1—*National Library of Scotland*, 2028—*National Savings Certificates*, 3729—*Nauru and Ocean Islands*, 2712.

Navy.—Boys' training establishment, 3366—"Caledonia," H.M.S. training establishment, 3115—Catapults, 3325.

Contracts: Capital assets, provision of, 3191—Special advances to, contractors, 3166.

Destroyers transferred to Canadian Government, 3152—Dockyards abroad, system of payment in, 3382—Factory, acquisition for Army and Navy joint requirements, 3232—Mediterranean Base Defences store accounts, 3349—"Research," Magnetic Survey vessel, 3314—Works services, 3364.

Navy, Army and Air Force Insurance Fund, 1253, 1257-8.

Newfoundland.—2693, 2707—Land Settlement scheme, 3918, 3919-22, 3929, 3937, 3947, 3950, 3953—Transatlantic air base scheme, 3571, 3578, 3580-1, 3588, 3591-3.

Nigeria, ground organisation for air services, 4011, 4017-20.

Northern Ireland.—Land Purchase, 1030-1—Lunacy administration, 969-70, 977, 992, 998, 1003-4, 1005, 1010-1, 1014-5, 1023, 1025.

Office of Works and Public Buildings, 2100, 2101—*Oversea settlement*, 2752, 2757—*Passport Office*, 288—*Pensions Ministry of*, 671, 704, 717, 719.

Post Office.—Commercial accounts, audit, 282, 283, 285, 286—Loan expenditure, 205—Post Office Fund Account, 219-20—Regional organisation, 117, 125-6—Telegraph and telephone accounts, 238-9, 241, 245-6, 249-57, 260, 271, 282, 1524, 1525—Telephone area organisation, 125.

Post Office and Telegraph Buildings, 2182—*Privy Council Office*, 3827—*Public Accounts, Committees of*, Epitome of Reports, 966-8—*Public Trustee*, 1398-400, 1402-6, 1410-1—*Public Works Loan Commission*, farming operations, 1064, 1074, 1108, 1120-8, 1136, 1149, 1158, App. 6 (p. 441)—*Richmond Park Golf Courses*, 2217, 2226, 2229—*Roads, etc., Vote*, 844-5—*Royal Commissions, etc.*, 3846—*Royal Palaces*, external and internal works, 2154, 2169, 2171-2—*Royal Parks*, sale of refreshments on Coronation route, 2206-7.

UPCOTT

 Reports, 1939—*continued*

UPCOTT, SIR GILBERT:—*cont.*

- Scotland*.—Agriculture, Department of, small holding colonies, 1987-8—
Teachers' Superannuation Fund, 663.
- Scottish Land Development Company, Ltd.*, 2329, 2334-5, 2347-52—
Somaliland, grant in aid, 2763—*Spain*, Non-Intervention Inter-
national Council, 335—*Special areas*, trading estates, 884, 895—
Special Areas Fund, 906, 908-9.
- Stamp duty and fees on appointments, etc.*, remissions, 3849, 3856, 3858
Stationery Office printing and binding works, 2659-60, 2664—
Stationery and printing, 2629, 2639, 2643, 2644, 2645, 2648-51,
2668-9—*Suez Canal*, 3817—*Supplementary estimates*, 2922-3.
- Supreme Court of Judicature*.—Losses, 1450, 1451—Monies in charge
of, 1446, 1447, 1449, 1450, 1456.
- Tithe Redemption Commission*, 472, 475-6, 478—*Trade Facilities Acts*,
Guarantees under, 3762, 3777-8, 3791—*Trading Accounts*, 4055—
Trans-Jordan, road construction scheme, 2799—*Unemployment*
Assistance Board, 947—*Unemployment Fund*, 935—*Welsh*
Church Commissioners, repayment of loan from National Debt Com-
missioners, 1042, 1046-7, 1049-51—*Wheat Fund*, 2011-2, 2018—
Whitehall Gardens; new Government Offices, 2108-12.

 V

VALENTINE, Mr. A. B.—2292-2358.

- Special areas, Scotland*.—Farming experiments, 2313-4—Government
factories, 2322-3—Housing Association, 2317—Occupational and
community centres, 2318—Physical training and recreation,
2297-312—Public works schemes, 2319-21, 2356—Sewage and
sewerage works, 2315-6, 2356—Trading estates, 2322, 2353-5,
2357-8.
- Scottish Industrial Estates, Ltd.*, 2324-6, 2332-3, 2336-44—*Scottish*
Land Development Company, Ltd., 2324-6, 2332-3, 2336-44.
- Victoria and Albert Museum*.—Attendance, *Holmes* 617—Losses, *Holmes*
621-32; *Davidson* 622-3, 625, 630-32—Quinquennial stock-taking,
Davidson 625, 629—Water colours, theft of, *Holmes* 621, 623.
- Victoria Docks Road*.—Works, extra-contractual payment to engineers,
Browett 866.
- VIGOR, Mr. H. D., O.B.E.—2005-2018.
Wheat Fund, 2005-10.

 W

- Wallace Collection*.—Appropriation Accounts, 1936-37, App. 1 (p. 421).
- Wallingford Rural District Council*.—Guarantee to Halifax Building Society
in respect of loan to Workmen's Housing Association, Ltd., and loss
on, *Chrystal* 1181; *Hughes* 1182-97.
- Waltham, Essex*.—Ordnance factory, *McLaren* 2907.
- War Department*.—Agency work for, by Office of Works, *Duff* 2102-7.

War

 Reports, 1939—*continued*

- War Histories*.—Progress, *Hopkins* 3807-8—Publication by Stationery Office, *Hopkins* 3812—Sale of, receipts from, *Hopkins* 3813.
- WARDLEY, Mr. D. J., M.C.—867-877.
Clearing Offices, 869-77.
- WARE, Major-General Sir Fabian, K.C.V.O., K.B.E., C.B., C.M.G.—720-742.
Imperial War Graves Commission.—Accounts, audit, 734-6—Annual Report, Appendix A, 728-31—Cemeteries, not war graves, 732-3—Economy Committee, 725-6, 738—Endowment Fund and financial position in future, 727, 739-42—Gardening staff abroad, payment, 723-4—Saving, 720-2.
- WATSON, Mr. A. W., M.B.E.—3262-3401.
- Welling, Sub-Post Office*.—Burglaries, *Birchall* 188-9; *Ismay* 190-1.
- Welsh Church Commissioners*.—Repayment of loan from National Debt Commissioners, *Jones* 1042, 1043, 1048-9, 1052; *Upcott* 1042, 1046-7, 1049-51; *Blunt* 1044-6, 1052.
- Welsh Highland Light Railway*.—*Browett* 809-11—Release of Festiniog Railway Company from lease of, and winding-up, *Browett* 808-11, 818-9, 821-3.
- West Africa*.—Air service, *Street* 3617-8—Trade with, *Bull* 2782.
- Weybridge*.—New wing, *Fergusson* 1815.
- Wheat Fund*.—Commission, staff superannuation scheme, *Vigor* 2007; *Brittain* 2008—Investment Account, *Vigor* 2010; *Upcott* 2011-2, 2018; *Brittain* 2013-8—“Other debtors,” *Vigor* 2009—Quota payments, *Vigor* 2005—Wheat meal used for manufacturing purposes in preparing feeding stuffs, *Vigor* 2006.
- Whitehall Gardens, Government Office scheme*.—Historical and archaeological features, preservation of certain, *Duff* 2128-32—Progress, *Duff* 2120-7—Use of surplus revenue of 1907, *Upcott* 2108-12.
- WHITTLE, Mr. F.—2791-2803.
Transjordan, road construction scheme, 2791-801.
- Widows', Orphans' and Old Age Contributory Pensions Act*.—See under Health, Ministry of.
- Wigan and District Subsistence Production Scheme*.—Wound up, *Reid* 944.
- Windsor, Dukedom of*.—Royal Warrant, etc., creating, remission of stamp duty and fees, *Hopkins* 3850-1.
- Windsor Parks and Woods*.—Maintenance, *Stocks* 1381-3; *Upcott* 1383.
- Woolwich*.—Army Ordnance factory, transfer of filling factories from, to Chorley and Bridgend, *McLaren* 2828-30; *Creedy* 2833; *Clamp* 2908.
Factories, removal of certain, *Creedy* 3069—Military College of Science, *Creedy* 3069-78—Royal Herbert Hospital, *Creedy* 3069, 3071, 3074-81.

Woolwich

Reports, 1939—*continued*

Woolwich:—*cont.*

Royal Military Academy: Dining rooms, workshops, etc., token Vote only, *Creedy* 3081—Future of, under consideration, *Creedy* 3066-9
—Married officers' quarters, *Creedy* 3065-7.

Works and Buildings in Ireland.—*See under* Ireland.

Wroughton.—Air Force training school, etc., to be provided at, eventually, *Street* 3652-4.

Y

Yatesbury.—Air Force training camp, *Street* 3649-54.

Yokohama.—British Consul-General, erection of residence for, *Duff* 2146.